CNOOC LTD
Form 6-K
August 31, 2012

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

FORM 6-K

Report of Foreign Private Issuer

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

For the month of August 2012

Commission File Number 1-14966

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

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

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

Form 20-F X Form 40-F ___

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

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

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

Yes ___ No X

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

Signature

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

CNOOC Limited

| | |
|---|---|
| By: | /s/ Hua Zhong |
| Name: | Hua Zhong |
| Title: | Joint Company Secretary |

Dated: August 31, 2012

EXHIBIT INDEX

| Exhibit No. | Description |
|---|---|
| 99.1 | Announcement dated August 31, 2012, entitled “2012 Interim Report”. |
| 99.2 | Announcement dated August 31, 2012, entitled “Notification Letter and Request Form for Non-Registered Holders”. |

Exhibit 99.1

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

In the first half of the year, the global economic situation was critical, and China's economic growth encountered challenges. Under this environment, CNOOC Limited followed the blueprint of "A new leap forward" as the guiding principle, actively sought opportunities amidst crisis, and realised steady growth in its different areas of business. We overcame the difficulties including a small decline in production and escalating costs and maintained strong profitability. Our net profit reached RMB 31.87 billion and once again delivered satisfactory results for our shareholders.

To realize the "new leap forward" plan, we continued to focus on our exploration program. During the first half of the year, our efforts achieved encouraging returns in our core area – offshore China. With the successful discoveries and appraisals of the mid-to-large scale oil and gas structures including Penglai 9-1 and Kenli 2-1, we strengthened our resource base for long term growth in offshore China. Our independent exploration activities in deepwater areas in the South China Sea also started to unfold the resource potential in the region. These exploration progresses made in offshore China reinforced our confidence in the sustainable development of the Company.

The Company's development and production operations in both offshore China and overseas saw many highlights. The performance of the producing oil and gas fields in offshore China was satisfactory through the adoption of production enhancement measures such as infill drilling and new technologies such as thermal recovery of heavy oil. The production volume for overseas projects has been ramping up at a steady pace. These have effectively compensated for the production losses from the shutdown of the Penglai 19-3 oilfield, enabling the Company to maintain a relatively high level of net oil and gas production despite a series of difficulties. The Company will continue to work hard to realize its annual production target.

The Company also achieved new breakthrough in its overseas development. In July, we signed an agreement for the acquisition of Nexen Inc. in Canada. Upon the closing of the transaction, the Company will become a truly global oil and gas exploration and production company with a balanced resources portfolio and important presences in the world's major oil and gas production areas. At the same time, we will be able to acquire the world-class management team and employees from Nexen and establish a leading international development platform. We are confident that the transaction will be able to create long term value for our shareholders.

In consideration of the capital requirements of the Nexen transaction and to maintain financial flexibility and support the Company's long-term growth, the board of directors of the Company has decided to pay an interim dividend of HK$0.15 (tax inclusive) per share for 2012.

In view of rapid developments in the different areas of the Company's business and faced by the uncertain and complex external environment, we will put more emphasis on building our own capabilities. Upon the foundation of a relatively effective management system and an internal risk control mechanism, we will continue our effort to ensure safe and environmental-friendly production, to strengthen our risk control and innovative ability in scientific technology and management as well as to build up a pool of talents and employees. We shall enhance our core management, strengthen our development foundation, and continuously raise the Company's core competitiveness and capability of sustainable development. We will strive to build up a strong foundation for the Company's "A new leap forward" blueprint and to continue to create value and returns for our shareholders.

WANG Yilin
Chairman

Hong Kong, 21 August 2012

CEO'S STATEMENT

Dear Shareholders,

Following the blueprint of "A new leap forward", CNOOC Limited carried out its various businesses in a steady and orderly manner and achieved stable growth for its results in the first half of 2012.

Review of the first half year

During the first half of the year, downward pressure for the world's economic growth was mounting as Europe's debt crisis continued to deepen; international oil prices decreased significantly from a high level. Under these circumstances, our entire staff members worked hard to promote the continued development of the Company's exploration, development and production and other businesses. We continue to maintain good records in perspective of health, safety and environmental protection.

First of all, the Company's exploration work achieved encouraging results. During the first half of the year, 10 discoveries were made and 18 appraisal wells were successful. Meanwhile, significant progresses were made in different fronts. In the Bohai area, we made four major achievements: firstly, a series of appraisal wells were successful, proving Penglai 9-1 to be the biggest oil and gas structure discovered in Bohai in recent years; secondly, we made a mid-to-large discovery Kenli 2-1, which contains medium to light crude oil; thirdly, the successful appraisal of Qinhuangdao 29-2 East structure was made, extending the original Qinhuangdao 29-2 structure and enlarging its reserve scale; lastly, two new discoveries, Luda 21-2 and Luda 6-2, made in the Liaodong Bay area were both mid-sized discoveries, opening up a new exploration field with ample potentials in this area. In Western South China Sea, breakthrough was once again achieved in the Yinggehai high-temperature high-pressure zone, resulting in the Dongfang 13-2 natural gas discovery.

In addition, independent deep water exploration progressed smoothly. As planned, we have proceeded with independent drilling in the deep water area in South China Sea, accumulating extensive operation technologies and management experiences. Natural gas discovery was made in the Liuhua 29-2 structure, demonstrating a brighter future for the area's exploration.

For the first half of the year, the Company's net oil and gas production reached 160.9 million BOE. Our net production decreased 4.6% year over year (YoY) mainly due to the Penglai 19-3 oilfield, the scheduled shutdown and maintenance, and the disposal of the ONWJ block in Indonesia. By bringing the new projects on stream as scheduled, ensuring the stable operation of the facilities and equipment, and optimizing the technologies for production enhancement, we are confident to accomplish our annual production target of 330-340 million BOE established early this year.

The Company's average realized oil price reached US$116.91 per barrel, representing an increase of 8.1% YoY; the average realized natural gas price reached US$5.90 per thousand cubic feet, representing an increase of 20.0% YoY. The Company maintained its strong profitability in the industry, with oil and gas sales reached RMB95.66 billion and net profit amounted to RMB31.87 billion. It is worth mentioning that due to rising industry costs and changes in

the Company's assets structure, our all-in cost for the first half of the year was US$34.60 per barrel, representing an increase of 13.1% compared to the whole year of 2011. In order to maintain our competitive cost structure, cost control will continue to be a key aspect for the management of the Company in the future.

Opening up a new horizon for overseas development

Since the beginning of the year, the Company has achieved satisfactory development in its overseas business, with overseas oil and gas production increasing significantly. The acquisition of one-third working interest in each of Exploration Area of 1, 2 and 3A in Uganda was also completed on 21 February 2012.

It is more encouraging that an agreement was reached between the Company and Nexen Inc. in Canada in July for the acquisition of the entire common shares and preferred shares of Nexen Inc. for a consideration of US$15.1 billion. The acquisition was consistent with CNOOC Limited's established value-driven merger and acquisition strategy. The acquisition will not only increase the net proved reserve of the Company by around 30% and its net production by around 20%, but also bring to the Company invaluable experience in the area of unconventional oil and gas resources such as oil sands and shale gas, as well as a high-quality management team and employees.

Through the transaction, we will be able to expand our overseas business and resource base, enhance our presence in Canada, Gulf of Mexico and Nigeria, and enter the resourceful UK North Sea. It will further diversify CNOOC Limited's growth platform and benefit our long term sustainable growth.

In the meantime, we will continue to enhance the management on our overseas assets and control the risks including the changes of fiscal regimes.

Outlook for the second half of the year

For the second half of the year, the world economy will likely to continue to bear the downward pressure and international oil prices are expected to become increasingly volatile. In view of the critical external environment, we will continue to ensure good business performance in different aspects of the Company, strengthening our foundation and striving for stable development.

In practical terms, the Company will focus on the following areas:

Firstly, continue to strengthen the fundamental management and the system of health, safety and environmental protection to ensure safe and environmental-friendly production.

Secondly, commence new projects on schedule, implement production enhancement measures such as infill drilling, and ensure our annual production target be accomplished.

Thirdly, focus on the appraisal of new discoveries made in the first half of the year and continue to implement exploration program.

Fourthly, carry out the follow up work of the transaction with Nexen.

Lastly, strengthen core management and focus on cost control and efficiency improvement.

The Company has embarked on a new development platform, establishing a portfolio with combination of independent and PSC operations, shallow water and deep water, domestic and overseas, as well as conventional and unconventional oil and gas resources. In the future, we will continue to enhance our core competitiveness and strive to deliver greater value to our shareholders.

LI Fanrong
Chief Executive Officer

Hong Kong, 21 August 2012

KEY FIGURES

| | Six months ended 30 June | |
|---|---|---|
| | 2012 | 2011 |
| Net profit, million RMB | 31,869 | 39,343 |
| Basic earnings per share, RMB | 0.71 | 0.88 |
| | | |
| Total oil and gas sales, million RMB | 95,658 | 97,030 |
| Total revenue, million RMB | 118,268 | 124,568 |
| | | |
| Interim dividend per share, HK$(tax inclusive) | 0.15 | 0.25 |
| | | |
| Net Production* | | |
| Oil, million barrels | 127.0 | 133.2 |
| Gas, billion cubic feet | 195.7 | 208.2 |
| Total, million BOE | 160.9 | 168.7 |

*Including our interest in equity-accounted investees, which is approximately 8.7 million BOE for the first half of 2012 and approximately 8.8 million BOE for the first half of 2011.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2012
(All amounts expressed in millions of Renminbi, except per share data)

| | Notes | Six months ended 30 June 2012 (Unaudited) | 2011 (Unaudited) |
|---|---|---|---|
| REVENUE | | | |
| Oil and gas sales | 4 | 95,658 | 97,030 |
| Marketing revenues | 4 | 21,884 | 27,110 |
| Other income | | 726 | 428 |
| | | 118,268 | 124,568 |
| EXPENSES | | | |
| Operating expenses | | (8,753) | (7,322) |
| Taxes other than income tax | 7(ii) | (8,034) | (4,864) |
| Exploration expenses | | (4,584) | (1,538) |
| Depreciation, depletion and amortisation | | (15,172) | (13,950) |
| Special oil gain levy | 5 | (13,639) | (17,274) |
| Crude oil and product purchases | 4 | (21,780) | (27,026) |
| Selling and administrative expenses | | (1,246) | (1,204) |
| Others | | (552) | (603) |
| | | (73,760) | (73,781) |
| PROFIT FROM OPERATING ACTIVITIES | | 44,508 | 50,787 |
| Interest income | | 633 | 442 |
| Finance costs | 6 | (850) | (566) |
| Exchange (loss)/gain, net | | (356) | 294 |
| Investment income | | 1,037 | 663 |
| Share of profits of associates | | 156 | 177 |
| Share of profits of a joint venture | | 54 | 317 |
| Non-operating income/(expense), net | | 27 | (38) |
| PROFIT BEFORE TAX | | 45,209 | 52,076 |
| Income tax expense | 7(i) | (13,340) | (12,733) |
| PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | | 31,869 | 39,343 |

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| | Notes | Six months ended 30 June 2012 (Unaudited) | 2011 (Unaudited) |
|---|---|---|---|
| OTHER COMPREHENSIVE LOSS | | | |
| Exchange differences on translation of foreign operations | | 280 | (1,752) |
| Net (loss)/gain on available-for-sale financial assets, net of tax | 9 | (621) | 1,210 |
| Share of other comprehensive (loss)/income of associates | | (1) | 10 |
| OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF TAX | | (342) | (532) |
| TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE PARENT | | 31,527 | 38,811 |
| EARNINGS PER SHARE FOR THE PERIOD ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | |
| Basic (RMB Yuan) | 8 | 0.71 | 0.88 |
| Diluted (RMB Yuan) | 8 | 0.71 | 0.88 |
| DIVIDEND | | | |
| Interim dividend declared (tax inclusive) | 17 | 5,459 | 9,287 |

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
30 June 2012
(All amounts expressed in millions of Renminbi)

| | Notes | 30 June 2012 (Unaudited) | 31 December 2011 (Audited) |
|---|---|---|---|
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 10 | 236,764 | 220,567 |
| Intangible assets | 11 | 949 | 1,033 |
| Investments in associates | | 2,886 | 2,822 |
| Investment in a joint venture | | 19,045 | 20,175 |
| Available-for-sale financial assets | | 6,407 | 7,365 |
| Deferred tax assets | | 57 | – |
| Other non-current assets | | 420 | 379 |
| Total non-current assets | | 266,528 | 252,341 |
| CURRENT ASSETS | | | |
| Inventories and supplies | | 5,189 | 4,380 |
| Trade receivables | 12 | 18,241 | 20,662 |
| Held-to-maturity financial assets | | 1,544 | 23,467 |
| Available-for-sale financial assets | | 63,317 | 27,576 |
| Other current assets | | 8,816 | 7,684 |
| Time deposits with maturity over three months | 13 | 36,785 | 24,476 |
| Cash and cash equivalents | | 13,801 | 23,678 |
| Total current assets | | 147,693 | 131,923 |

| | Notes | 30 June 2012 (Unaudited) | 31 December 2011 (Audited) |
|---|---|---|---|
| CURRENT LIABILITIES | | | |
| Loans and borrowings | 15 | 25,643 | 19,919 |
| Trade and accrued payables | 14 | 19,589 | 20,424 |
| Other payables and accrued liabilities | | 12,288 | 22,217 |
| Taxes payable | | 7,372 | 7,656 |
| Total current liabilities | | 64,892 | 70,216 |
| NET CURRENT ASSETS | | 82,801 | 61,707 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 349,329 | 314,048 |
| NON-CURRENT LIABILITIES | | | |
| Loans and borrowings | 15 | 29,347 | 18,076 |
| Provision for dismantlement | | 26,351 | 24,964 |
| Deferred tax liabilities | | 5,902 | 5,488 |
| Other non-current liabilities | | 3,504 | 2,664 |
| Total non-current liabilities | | 65,104 | 51,192 |
| NET ASSETS | | 284,225 | 262,856 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Issued capital | 16 | 949 | 949 |
| Reserves | | 283,276 | 261,907 |
| TOTAL EQUITY | | 284,225 | 262,856 |

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2012
(All amounts expressed in millions of Renminbi)

| | Equity attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital | Share premium and capital redemption reserve | Cumulative translation reserve | Statutory and non-distributive reserves | Other reserves | Retained earnings | Proposed final dividend | Total |
| Balances at 1 January 2011 | 949 | 42,129 | (13,361) | 20,000 | 10,972 | 145,656 | 9,421 | 215,766 |
| Profit for the period | – | – | – | – | – | 39,343 | – | 39,343 |
| Other comprehensive loss, net of tax | – | – | (1,752) | – | 1,220 | – | – | (532) |
| Total comprehensive income | – | – | (1,752) | – | 1,220 | 39,343 | – | 38,811 |
| 2010 final dividend | – | – | – | – | – | 134 | (9,421) | (9,287) |
| Equity-settled share option expenses | – | – | – | – | 103 | – | – | 103 |
| Appropriation and utilisation of safety fund, net | – | – | – | – | 1 | – | – | 1 |
| Balances at 30 June 2011 (Unaudited) | 949 | 42,129 | (15,113) | 20,000 | 12,296 | 185,133 | – | 245,394 |
| Balances at 1 January 2012 | 949 | 42,129 | (17,187) | 20,000 | 10,282 | 196,541 | 10,142 | 262,856 |
| Profit for the period | – | – | – | – | – | 31,869 | – | 31,869 |
| Other comprehensive loss, net of tax | – | – | 280 | – | (622) | – | – | (342) |
| Total comprehensive income | – | – | 280 | – | (622) | 31,869 | – | 31,527 |
| 2011 final dividend | – | – | – | – | – | (49) | (10,142) | (10,191) |
| Equity-settled share option expenses | – | – | – | – | 33 | – | – | 33 |
| Balances at 30 June 2012 | | | | | | | | |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| (Unaudited) | 949 | 42,129 | (16,907) | 20,000 | 9,693 | 228,361 | – | 284,225 |

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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2012
(All amounts expressed in millions of Renminbi)

| | Six months ended 30 June | |
|---|---|---|
| | 2012 (Unaudited) | 2011 (Unaudited) |
| Net cash generated from operating activities | 36,240 | 50,534 |
| Net cash used in investing activities | (51,845) | (56,360) |
| Net cash generated from financing activities | 5,707 | 1,791 |
| Net decrease in cash and cash equivalents | (9,898) | (4,035) |
| Cash and cash equivalents at beginning of period | 23,678 | 27,287 |
| Effect of foreign exchange rate changes, net | 21 | (230) |
| Cash and cash equivalents at end of period | 13,801 | 23,022 |

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
30 June 2012
(All amounts expressed in millions of Renminbi, except number of shares and unless otherwise stated)

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

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 six months ended 30 June 2012, 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 directors of the Company (the "Directors"), the parent and the ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC"), a company established in the PRC.

As at 30 June 2012, the Company had direct or indirect interests in the following principal subsidiaries, joint venture and associates:

| Name of entity | Place and date of establishment | Nominal value of ordinary shares issued and paid-up/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|---|---|---|---|---|
| Directly held subsidiaries: | | | | |
| CNOOC China Limited | Tianjin, PRC 15 September 1999 | RMB20 billion | 100% | Offshore petroleum exploration, development, production and sales in the PRC |
| China Offshore Oil (Singapore) International Pte Ltd | Singapore 14 May 1993 | SG$3 million | 100% | Sales and marketing of petroleum products outside the PRC |
| CNOOC International Limited | British Virgin Islands 23 August 1999 | US$20,000,000,002 | 100% | Investment holding |
| OOGC America, Inc. | State of Delaware, United States of America 28 August 1997 | US$1,000 | 100% | Investment holding |
| CNOOC Finance (2002) Limited** | British Virgin Islands 24 January 2002 | US$1,000 | 100% | Bond issuance |
| CNOOC Finance (2003) Limited | British Virgin Islands 2 April 2003 | US$1,000 | 100% | Bond issuance |

| Name of entity | Place and date of establishment | Nominal value of ordinary shares issued and paid-up/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|---|---|---|---|---|
| Directly held subsidiaries (continued): | | | | |
| CNOOC Finance (2011) Limited | British Virgin Islands 31 December 2010 | US$1,000 | 100% | Bond issuance |
| CNOOC Finance (2012) Limited*** | British Virgin Islands 10 April 2012 | US$1,000 | 100% | Bond issuance |
| Indirectly held subsidiaries*: | | | | |
| CNOOC Deepwater Development Limited | Zhuhai, PRC 1 March 2010 | RMB 1 billion | 100% | Deepwater and low-grade oil and gas fields exploration, development, and oil and gas production, sales in the PRC |
| CNOOC Southeast Asia Limited | Bermuda 16 May 1997 | US$12,000 | 100% | Investment holding |
| CNOOC SES Ltd. | Labuan, F.T., Malaysia 27 March 2002 | US$1 | 100% | Petroleum exploration, development and production in Indonesia |
| CNOOC Muturi Limited | Isle of Man 8 February 1996 | US$7,780,770 | 100% | Petroleum exploration, development and production in Indonesia |
| CNOOC NWS Private Limited | Singapore 8 October 2002 | SG$2 | 100% | Offshore petroleum exploration, development and production in Australia |
| CNOOC Exploration & Production Nigeria Limited | Nigeria 6 January 2006 | Naira10 million | 100% | Petroleum exploration, development and production in Africa |
| CNOOC Iraq Limited | British Virgin Islands 15 October 2010 | US$1 | 100% | Providing services of petroleum exploration and development in oilfield of the Republic of Iraq |

| Name of entity | Place and date of establishment | Nominal value of ordinary shares issued and paid-up/ registered capital | Percentage of equity attributable to the Group | Principal activities |
|---|---|---|---|---|
| Indirectly held subsidiaries* (continued): | | | | |
| CNOOC Canada Inc. | Canada 15 January 1999 | 281,749,526 common shares without a par value | 100% | Oil sands exploration, development and production in Canada |
| CNOOC Uganda Ltd (note 3) | Uganda 11 May 2010 | 1,000,000 Uganda Shilling | 100% | Petroleum exploration, development and production in Africa |
| Joint venture: | | | | |
| Bridas Corporation | British Virgin Islands 15 September 1993 | US$102,325,582 | 50% | Investment holding |
| Associates: | | | | |
| Shanghai Petroleum Corporation Limited | Shanghai, PRC 7 September 1992 | RMB900 million | 30% | Offshore petroleum exploration, development, production and sales in the PRC |
| CNOOC Finance Corporation Limited | Beijing, PRC 14 June 2002 | RMB1,415 million | 31.8% | Provision of deposit, transfer, settlement, loan, discounting and other financing services to CNOOC and its member entities |
| Northern Cross (Yukon) Limited | Yukon, Canada 19 September 1994 | 22,691,705 common shares without a par value | 60% | Petroleum exploration, development and production in Canada |

* All subsidiaries are indirectly held through CNOOC International Limited, except CNOOC Deepwater Development Limited which is indirectly held through CNOOC China Limited.

**

The guarantee notes issued by CNOOC Finance (2002) Limited were repaid in March 2012 (note 15), and CNOOC Finance (2002) Limited was subsequently dissolved on 27 July 2012.

*** CNOOC Finance (2012) Limited was incorporated on 10 April 2012, for issuing guaranteed notes (note 15).

The above table lists the subsidiaries, joint venture and associates of the Company which, in the opinion of the Directors, principally affected the results for the period or formed a substantial portion of the total assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standards 34 (“IAS 34”) and Hong Kong Accounting Standards 34 (“HKAS 34”) Interim Financial Reporting.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 December 2011.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2011. The adoption of new standards and interpretations as of 1 January 2012 does not have any material impact on the accounting policy, interim financial position or performance of the Group.

Improvements to IFRSs/HKFRSs

The IASB/HKICPA has issued improvements to IFRSs/HKFRSs which set out amendments to a number of IFRSs/HKFRSs primarily with a view to remove inconsistencies and clarify wording. The adoption of those amendments upon their effective dates did not have any material impact on the accounting policies, interim financial position or performance of the Group.

## 3. ACQUISITIONS AND OTHER VENTURE

On 29 March 2011, CNOOC Uganda Ltd, a wholly-owned subsidiary of CNOOC International Limited, entered into a sales and purchase agreement with Tullow Uganda Limited and Tullow Uganda Operations Pty Ltd., wholly-owned subsidiaries of Tullow Oil Plc., to acquire a one-third working interest in Uganda Exploration Areas 1, 2 and 3A (the “Uganda Assets”) for an initial cash consideration of US$1.467 billion. The acquisition of the Uganda Assets was completed on 21 February 2012. Together with the related price adjustment, the cash consideration mentioned above has been recorded as acquisition costs of oil and gas properties.

## 4. OIL AND GAS SALES AND MARKETING REVENUES

Oil and gas sales represent the invoiced value of sales of oil and gas attributable to the interests of the Group, net of royalties and the government share oil that is lifted and sold on behalf of the government. Revenue from the sale of oil is recognised when the significant risks and rewards of ownership have been transferred, which is when title passes to the customer. Revenue from the production of oil and gas in which the Group has a joint interest with other producers is recognised based on the Group’s working interest and the terms of the relevant production sharing contracts. Differences between production sold and the Group’s share of production are not significant.

Marketing revenues principally represent the sales of oil and gas purchased from the foreign partners under the production sharing contracts and revenues from the trading of oil and gas through the Company's subsidiaries. The marketing cost of the oil and gas sold is included in "Crude oil and product purchases" in the interim condensed consolidated statement of comprehensive income.

## 5. SPECIAL OIL GAIN LEVY

In 2006, a Special Oil Gain Levy ("SOG Levy") was imposed by the Ministry of Finance of the PRC ("MOF") 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. MOF has decided to increase the threshold of the SOG Levy to US$55, with effect from 1 November 2011. Notwithstanding this adjustment, the SOG Levy continues to have five levels and should be calculated and charged according to the progressive and valorem rates on the excess amounts. The SOG Levy paid can be claimed as a deductible expense for corporate income tax purposes and is calculated based on the actual volume of the crude oil entitled.

## 6. FINANCE COSTS

Accretion expenses of approximately RMB647 million relating to the provision for dismantlement liabilities have been recognised in the interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2012 (six months ended 30 June 2011: approximately RMB421 million).

## 7. TAX

### (i) Income tax

The Company and its subsidiaries are subject, on an entity basis, to income taxes on profits arising in or derived from the tax jurisdictions in which the entities of the Group are domiciled and operate. The Company is subject to profits tax at a rate of 16.5% (2011: 16.5%) on profits arising in or derived from Hong Kong, which is qualified as a foreign tax credit to offset the PRC corporate income tax starting from 1 January 2008.

The Company is regarded as a Chinese Resident Enterprise (as defined in the "Enterprise Income Tax Law of the People's Republic of China") by the State Administration of Taxation of the PRC. As a result, the Company is subject to the PRC corporate income tax at the rate of 25% starting from 1 January 2008.

The Company's subsidiary in Mainland China, CNOOC China Limited, is a wholly-owned foreign enterprise. It is subject to corporate income tax at the rate of 25% under the prevailing tax rules and regulations.

Subsidiaries of the Group domiciled outside the PRC are subject to income tax at rates ranging from 10% to 56%.

(ii) Other taxes

The Company's PRC subsidiaries pay the following other taxes and dues:

– Production taxes at the rate of 5% on independent production and production under production sharing contracts;

– Resource taxes at the rate of 5% (reduced tax rates may apply to specific products and fields) on the oil and gas sales revenue (excluding production taxes) derived by oil and gas fields under production sharing contracts signed after 1 November 2011 and independent offshore oil and gas fields starting from 1 November 2011, which replaced the royalties for oil and gas fields, except for those under production sharing contracts signed before 1 November 2011 which will be subject to related resource taxes requirement after the expiration of such production sharing contracts;

– Mineral resource compensation at the temporary rate of 1% on the oil and gas sales revenue derived by oil and gas fields under production sharing contracts signed after 1 November 2011 and independent offshore oil and gas fields starting from 1 November 2011;

– Export tariffs at the rate of 5% on the export value of petroleum oil;

– Business tax at rates of 3% to 5% on other income;

– City construction tax at the rate of 1% or 7% on the actual paid production taxes and business tax;

– Educational surcharge at the rate of 3% on the actual paid production taxes and business tax; and

– Local educational surcharge at the rate of 2% on the actual paid production taxes and business tax.

In addition, other taxes paid and payable by the Company's non-PRC subsidiaries include royalty as well as taxes levied on petroleum-related income, profit, budgeted operating and capital expenditures.

## 8. EARNINGS PER SHARE

| | Six months ended 30 June 2012 (Unaudited) | 2011 (Unaudited) |
|---|---|---|
| Earnings: | | |
| Profit for the period attributable to ordinary equity holders for the basic and diluted earnings per share calculation | 31,869 | 39,343 |
| Number of shares: | | |
| Number of ordinary shares issued at the beginning of the period, excluding repurchased but not cancelled shares | 44,646,305,984 | 44,669,199,984 |
| Weighted average number of ordinary shares for the purpose of basic earnings per share | 44,646,305,984 | 44,669,199,984 |
| Effect of dilutive potential ordinary shares under the share option schemes | 161,740,031 | 220,916,382 |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | 44,808,046,015 | 44,890,116,366 |
| Earnings per share – Basic (RMB Yuan) | 0.71 | 0.88 |
| – Diluted (RMB Yuan) | 0.71 | 0.88 |

## 9. NET (LOSS)/GAIN ON AVAILABLE-FOR-SALE FINANCIAL ASSETS, NET OF TAX

| | Six months ended 30 June 2012 (Unaudited) | 2011 (Unaudited) |
|---|---|---|
| Available-for-sale financial assets: | | |
| Comprehensive income arising during the period | 9 | 1,870 |
| Less: Reclassification adjustment for net gain included in the investment income | (509) | (660) |
| Less: Income tax effect | (121) | – |
| | (621) | 1,210 |

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The comprehensive income of the Group's available-for-sale investments was derived from investment of corporate wealth management products, liquidity funds and the investment in the equity securities of MEG Energy Corporation.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2012, additions to the Group's property, plant and equipment, including the property, plant and equipment acquired in acquisitions, amounted to approximately RMB32,474 million (six months ended 30 June 2011: approximately RMB25,044 million).

The interest of the Group in the North West Shelf ("NWS") Project in Australia has been collateralised to the other partners of the project as security for certain of the Group's liabilities relating to the project.

Included in the current period's additions was an amount of approximately RMB684 million (six months ended 30 June 2011: approximately RMB456 million) in respect of interest capitalised in property, plant and equipment.

## 11. INTANGIBLE ASSETS

The intangible assets of the Company comprise software, gas processing rights of the NWS Project. The computer software is amortised over their respective useful lives on the straight-line basis. The intangible asset regarding the gas processing rights has been amortised upon the commencement of commercial production of the liquefied natural gas using the unit-of-production method.

## 12. TRADE RECEIVABLES

The credit terms of the Group are generally within 30 days after the delivery of oil and gas, except for new customers, where payment in advance is normally required. Trade receivables are non-interest-bearing.

As at 30 June 2012 and 31 December 2011, substantially all the trade receivables were aged within 30 days. All customers have a good repayment history and no receivables are past due.

## 13. TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

Included in the time deposit is a deposit of RMB8.88 billion placed by CNOOC China Limited, a wholly-owned subsidiary of the Company, with the Bank of China to secure loans of US$1.37 billion (note 15) granted by the Bank of China.

## 14. TRADE AND ACCRUED PAYABLES

As at 30 June 2012 and 31 December 2011, substantially all the trade and accrued payables were aged within six months. The trade and accrued payables are non-interest-bearing.

15. LOANS AND BORROWINGS

Current

| | Effective interest rate and final maturity | 30 June 2012 (Unaudited) Bank loan | Notes/ Bonds | Total | 31 December 2011 (Audited) Bank loan | Notes/ Bonds | Total |
|---|---|---|---|---|---|---|---|
| Short-term loans and borrowings | | | | | | | |
| General loan | LIBOR+0.6% to 1.5% per annum with maturity within one year | 24,160 | – | 24,160 | 16,193 | – | 16,193 |
| | | 24,160 | – | 24,160 | 16,193 | – | 16,193 |
| Loans and borrowings due within one year | | | | | | | |
| For Tangguh LNG Project***** | LIBOR+0.23% to 0.38% per annum with maturity within one year | 220 | – | 220 | 207 | – | 207 |
| For Nigeria OML 130 Project | LIBOR+4% per annum with maturity within one year | – | – | – | 369 | – | 369 |
| Finance (2002)* | | – | – | – | – | 3,150 | 3,150 |
| Finance (2003)** | | – | 1,263 | 1,263 | – | – | – |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | |
| | 220 | 1,263 | 1,483 | 576 | 3,150 | 3,726 |
| | | | | | | |
| | | | | | | |
| | 24,380 | 1,263 | 25,643 | 16,769 | 3,150 | 19,919 |

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Non-current

| | Effective interest rate and final maturity | Bank loan | 30 June 2012 (Unaudited) Notes/ Bonds | Total | Bank loan | 31 December 2011 (Audited) Notes/ Bonds | Total |
|---|---|---|---|---|---|---|---|
| For Tangguh LNG Project***** | LIBOR+0.23% to 0.38% per annum with maturity through 2021 | 2,460 | – | 2,460 | 2,562 | – | 2,562 |
| Finance (2003)** | | – | 1,853 | 1,853 | – | 3,102 | 3,102 |
| Finance (2011)*** | | – | 12,467 | 12,467 | – | 12,412 | 12,412 |