

CNOOC LTD  
Form 6-K  
April 09, 2013

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 2013

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/ Hua Zhong  
Name: Hua Zhong  
Title: Joint Company Secretary

Dated: April 9, 2013

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EXHIBIT INDEX

Exhibit No.	Description
99.1	Announcement dated April 8, 2013, entitled “2012 Hong Kong Annual Report”.
99.2	Announcement dated April 8, 2013, entitled “Notice of Annual General Meeting”.
99.3	Announcement dated April 8, 2013, entitled “Explanatory Statement Relating to General Mandates to Issue Securities and Repurchase Shares Re-Election of Directors and Change of Independent Auditors”.
99.4	Announcement dated April 8, 2013, entitled “Form of proxy for the Annual General Meeting”.
99.5	Announcement dated April 8, 2013, entitled “Notification Letter and Request Form”.

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## SEGMENT INFORMATION

## (a) Segment results and other information

In previous years, the Group reported three segments that comprised independent operations, operations under joint arrangements and trading business. The Group is engaged worldwide in the upstream operating activities of the conventional oil and gas, shale oil and gas, oil sands and other unconventional oil and gas business. Segmental reporting has been changed with effect from 2012, in line with the change in the way the Group's businesses are managed by the chief operating decision makers. The Group now reports the business through three reporting segments: exploration and production ("E&P"), trading business and corporate. Within each segment, geographical segments are presented as well. Segment information for the year ended 31 December 2011 has been restated to conform to current year's presentation.

The following table presents the segment financial information for the Group for the years ended 31 December 2012 and 2011.

2012

	E&P					Trading business	Corporate	Eliminations	Consolidated
	PRC	Asia excluding PRC	Oceania	Africa	North America				
Sales to external customers:									
Oil and gas sales	166,061	6,689	1,857	14,666	5,501	–	–	–	194,774
Marketing revenues	–	–	–	–	–	50,771	–	–	50,771
Intersegment revenues	–	3,345	1,116	9,838	–	–	–	(14,299 )	–
Other income	756	–	–	–	877	–	464	(15 )	2,082
<b>Total</b>	<b>166,817</b>	<b>10,034</b>	<b>2,973</b>	<b>24,504</b>	<b>6,378</b>	<b>50,771</b>	<b>464</b>	<b>(14,314 )</b>	<b>247,627</b>
Segment results									
Operating expenses	(15,386 )	(2,352 )	(520 )	(1,223 )	(1,964 )	–	–	–	(21,445 )
Taxes other than income tax	(14,513 )	–	(338 )	(504 )	(247 )	–	(30 )	–	(15,632 )
Exploration expenses	(5,768 )	(818 )	(1 )	(641 )	(1,603 )	–	(227 )	15	(9,043 )
Depreciation, depletion and amortisation	(24,476 )	(1,434 )	(193 )	(4,350 )	(2,322 )	–	(128 )	–	(32,903 )

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Special oil gain levy	(26,293 )	–	–	–	–	–	–	–	(26,293 )
Impairment and provision	(31 )	–	–	–	–	–	–	–	(31 )
Crude oil and product purchases	–	–	–	–	–	(50,532 )	–	–	(50,532 )
Selling and administrative expenses	(1,799 )	(477 )	(27 )	(94 )	(116 )	(9 )	(855 )	–	(3,377 )
Others	(131 )	(164 )	–	2	(837 )	–	(100 )	–	(1,230 )
<b>I n t e r e s t</b>									
income	6	–	3	–	–	–	1,441	(448 )	1,002
Finance costs	(1,284 )	(40 )	(17 )	(539 )	(13 )	(4 )	(154 )	448	(1,603 )
Exchange gains/(losses), net	2	(38 )	(2 )	–	427	–	(30 )	–	359
<b>I n v e s t m e n t</b>									
income	–	–	–	–	–	–	2,567	(175 )	2,392
Share of profits of associates	71	–	–	–	–	–	213	–	284
Share of losses of a joint venture	–	–	–	–	–	–	(311 )	–	(311 )
Non-operating income, net	896	–	–	–	–	–	12	–	908
Income tax expense	(19,435 )	(1,213 )	(228 )	(5,011 )	1	(2 )	(593 )	–	(26,481 )
<b>S e g m e n t</b>									
profit/(loss) for the year	58,676	3,498	1,650	12,144	(296 )	224	2,269	(14,474 )	63,691
<b>Other segment information</b>									
<b>S e g m e n t</b>									
assets	159,269	14,292	4,146	37,443	57,654	3,172	342,616	(186,539 )	432,053
Investments in associates(2)	1,080	–	–	–	–	–	2,777	–	3,857
Investment in a j o i n t venture(2)	–	–	–	–	–	–	20,160	–	20,160
<b>Total assets</b>	<b>160,349</b>	<b>14,292</b>	<b>4,146</b>	<b>37,443</b>	<b>57,654</b>	<b>3,172</b>	<b>365,553</b>	<b>(186,539 )</b>	<b>456,070</b>
<b>Non-current assets(1)</b>	<b>151,562</b>	<b>12,630</b>	<b>2,226</b>	<b>36,073</b>	<b>52,311</b>	<b>2</b>	<b>37,542</b>	<b>(14,261 )</b>	<b>278,085</b>
	(148,650)	(5,664 )	(2,457 )	(30,621 )	(57,089 )	(3,020 )	(69,866 )	171,077	(146,290 )

Segment  
liabilities

Total

liabilities	(148,650)	(5,664 )	(2,457 )	(30,621 )	(57,089 )	(3,020 )	(69,866 )	171,077	(146,290 )
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Capital

expenditures	41,735	3,062	2	14,266	11,681	2	310	-	71,058
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2012 (Restated)

	E&P					Trading business	Corporate	Eliminations	Consolidated
	PRC	Asia excluding PRC	Oceania	Africa	North America				
Sales to external customers:									
Oil and gas sales	163,386	7,638	2,096	14,841	1,318	–	–	–	189,279
Marketing revenues	–	–	–	–	–	50,469	–	–	50,469
Intersegment									
revenues	–	4,972	1,327	14,994	–	–	–	(21,293)	–
Other income	506	–	–	–	4	–	766	(80)	1,196
<b>Total</b>	<b>163,892</b>	<b>12,610</b>	<b>3,423</b>	<b>29,835</b>	<b>1,322</b>	<b>50,469</b>	<b>766</b>	<b>(21,373)</b>	<b>240,944</b>
Segment results									
Operating expenses	(13,954)	(2,459)	(490)	(1,036)	(325)	–	–	–	(18,264)
Taxes other than income tax	(9,566)	–	(418)	(299)	(31)	–	(18)	–	(10,332)
Exploration expenses	(4,024)	(220)	(1)	(194)	(621)	–	(240)	80	(5,220)
Depreciation, depletion and amortisation	(23,716)	(1,521)	(229)	(4,387)	(562)	–	(106)	–	(30,521)
Special oil gain levy	(31,982)	–	–	–	–	–	–	–	(31,982)
Impairment and provision	(22)	–	–	–	–	–	–	–	(22)
Crude oil and product purchases	–	–	–	–	–	(50,307)	–	–	(50,307)
Selling and administrative expenses	(1,403)	(629)	(24)	(46)	(81)	(10)	(661)	–	(2,854)
Others	(519)	(266)	–	(11)	–	–	(39)	–	(835)
Interest income	14	–	3	–	–	–	1,663	(484)	1,196
Finance costs	(1,120)	(23)	(15)	(642)	(16)	(2)	(373)	484	(1,707)
Exchange gains/(losses), net	84	(3)	(1)	–	174	–	383	–	637
Investment income	–	–	–	–	–	–	1,853	(25)	1,828
Share of profits of associates	133	–	–	–	–	–	187	–	320
	–	–	–	–	–	–	247	–	247

Share of profits of a joint venture									
Non-operating income/(expenses), net	62	(59 )	–	–	–	–	(566 )	–	(563
Income tax expense	(19,264 )	(1,666 )	(273 )	(493 )	1	(6 )	(609 )	–	(22,310
Segment profit/(loss) for the year	58,615	5,764	1,975	22,727	(139 )	144	2,487	(21,318 )	70,255
Other segment information									
Segment assets	142,929	13,921	3,857	28,130	47,254	4,232	277,106	(156,162 )	361,267
Investments in associates (2)	1,100	–	–	–	–	–	1,722	–	2,822
Investment in a joint venture (2)	–	–	–	–	–	–	20,175	–	20,175
Total assets	144,029	13,921	3,857	28,130	47,254	4,232	299,003	(156,162 )	384,264
Non-current assets (1)	137,341	11,844	2,423	26,441	44,598	1	29,810	(7,482 )	244,976
Segment liabilities	(138,235)	(4,653 )	(2,698)	(23,893)	(46,780)	(4,100 )	(52,155 )	151,106	(121,408
Total liabilities	(138,235)	(4,653 )	(2,698)	(23,893)	(46,780)	(4,100 )	(52,155 )	151,106	(121,408
C a p i t a l expenditures	30,792	2,451	1	2,142	30,503	–	1,139	–	67,028

(1) The information on non-current assets above is based on the location of assets and excludes financial instruments and deferred tax assets.

(2) Detailed information on investments in associates and investment in a joint venture is disclosed in note 19 and note 20, respectively.

(3) In presenting the Group's geographical information, revenues from external customers are based on the location where the revenues originate. 75% of the Group's revenues are generated from PRC customers, and revenues generated from customers in other locations are individually less than 10%.

(b) Information about major customers

The current year's revenue of approximately RMB44,622 million (2011: RMB52,026 million) and RMB18,259 million (2011: RMB33,591 million) was derived from sales by the E&P segment in the PRC and the trading business segment to China Petroleum & Chemical Corporation and PetroChina Company Limited, respectively.

6. OIL AND GAS SALES

Group



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	2012	2011
Gross sales	198,428	195,759
Less: Royalties	(1,036 )	(3,134 )
PRC government's share of oil	(2,618 )	(3,346 )
Oil and gas sales	194,774	189,279

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## 7. 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. The 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 is 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.

## 8. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

	Group 2012	2011
Crediting:		
Interest income from bank deposits	(1,002 )	(1,196 )
Exchange gains, net	(359 )	(637 )
Investment income:		
– Net gain from available-for-sale financial assets	(1,869 )	(1,695 )
– Net gain from held-to-maturity financial assets	(523 )	(133 )
	(2,392 )	(1,828 )
Charging:		
Auditors’ remuneration:		
– Audit fee	24	19
– Other fees	12	3
	36	22
Employee wages, salaries, allowances and social security costs	2,537	1,527
Equity-settled share option expenses	50	143
Depreciation, depletion and amortisation:		
– Property, plant and equipment	33,098	30,397
– Intangible assets	200	204
– Less: Net amount capitalised	(395 )	(80 )

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	32,903	30,521
Operating lease rentals:		
– Office properties	158	133
– Equipment	1,383	1,616
	1,541	1,749
Repairs and maintenance	4,229	3,011
Research and development costs	1,420	850
Provision for inventory obsolescence	31	22
Loss on disposal of property, plant and equipment	19	187
Insurance compensation on disposal of property, plant and equipment	(390 )	(93 )
Gain on disposal of a subsidiary	–	(372 )
Donation to the CNOOC Marine Environmental and Ecological Protection Public Welfare Foundation	–	500

## 9. FINANCE COSTS

	Group 2012	2011
Interest on bank loans which are repayable within five years	503	637
Interest on other loans	1,145	921
Other borrowing costs	183	30
<b>Total borrowing costs</b>	<b>1,831</b>	<b>1,588</b>
Less: Amount capitalised in property, plant and equipment (note 16)	(1,549 )	(1,150 )
	282	438
<b>Other finance costs:</b>		
Unwinding of discount on provision for dismantlement (note 29)	1,359	1,312
Others	(38 )	(43 )
	<b>1,603</b>	<b>1,707</b>

The interest rates used to determine the amount of related borrowing costs for capitalisation varied from 1.06585% to 6.375% (2011: from 0.9455% to 6.375%) per annum during the year ended at 31 December 2012.

## 10. KEY MANAGEMENT PERSONNEL'S REMUNERATION

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of the Company.

## (i) Directors' remuneration

	Fees (1) RMB'000	Salaries, allowances and benefits in kind (1) RMB'000	Performance related bonuses (1) RMB'000	Pension scheme contributions (1) RMB'000	Total paid/payable during the year RMB'000
2012					
Executive directors:					
Li Fanrong (2)	773	–	–	81	854
Wu Guangqi	773	–	–	72	845
Subtotal	1,546	–	–	153	1,699
Non-executive directors:					
Wang Yilin (3)	848	–	–	–	848
Yang Hua (5)	773	–	–	–	773
Zhou Shouwei (6)	788	–	–	–	788
Wu Zhenfang	773	–	–	–	773
Subtotal	3,182	–	–	–	3,182
Independent non-executive directors:					
Chiu Sung Hong	862	–	–	–	862
Lawrence J. Lau	773	–	–	–	773
Tse Hau Yin, Aloysius	895	–	–	–	895
Wang Tao	773	–	–	–	773
Subtotal	3,303	–	–	–	3,303
Total	8,031	–	–	153	8,184
2011					
Executive directors:					
Li Fanrong (2)	788	–	–	75	863
Wu Guangqi	788	–	–	73	861
Subtotal	1,576	–	–	148	1,724
Non-executive directors:					
Wang Yilin (3)	591	–	–	–	591
Fu Chengyu (4)	197	–	–	–	197

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Yang Hua (5)	788	–	–	68	856
Zhou Shouwei (6)	879	–	–	–	879
Wu Zhenfang	788	–	–	–	788
Subtotal	3,243	–	–	68	3,311
Independent non-executive directors:					
Edgar W. K. Cheng (7)	722	–	–	–	722
Chiu Sung Hong	879	–	–	–	879
Lawrence J. Lau	788	–	–	–	788
Tse Hau Yin, Aloysius	913	–	–	–	913
Wang Tao	788	–	–	–	788
Subtotal	4,090	–	–	–	4,090
Total	8,909	–	–	216	9,125

## Share options (8)

	2012 RMB'000	2011 RMB'000
Executive directors:		
Li Fanrong (2)	–	–
Wu Guangqi	2,965	4,687
Subtotal	2,965	4,687
Non-executive directors:		
Wang Yilin (3)	–	–
Yang Hua (5)	3,762	5,483
Zhou Shouwei (6)	2,874	5,503
Wu Zhenfang	2,874	4,596
Subtotal	9,510	15,582
Independent non-executive directors:		
Edgar W. K. Cheng (7)	–	–
Chiu Sung Hong	–	–
Lawrence J. Lau	–	–
Tse Hau Yin, Aloysius	–	–
Wang Tao	–	–
Subtotal	–	–
Total	12,475	20,269

## Notes:

- (1) Fees, salaries, allowances, and benefits in kind represent the gross amount (before applicable individual salary tax) paid/payable to individual directors. All the executive directors have voluntarily waived their salaries, allowances, benefits in kind and performance related bonuses in 2012 and 2011.
- (2) On 23 November 2011, Mr. Li Fanrong was appointed as the Chief Executive Officer of the Company.
- (3) On 15 April 2011, Mr. Wang Yilin was appointed as the Chairman of the Board of Directors and Non-executive Director of the Company. On 28 March 2012, Mr. Wang Yilin was appointed as the Chairman of the Nomination Committee.
- (4) On 15 April 2011, Mr. Fu Chengyu resigned as the Chairman of the Board of Directors and a Non-executive Director of the Company.
- (5) On 23 November 2011, Mr. Yang Hua resigned as the Chief Executive Officer of the Company and was re-designated from an Executive Director to a Non-executive Director of the Company and continues to serve as

the Vice Chairman of the Board of Directors.

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- (6) On 28 March 2012, Mr. Zhou Shouwei ceased serving as Chairman and a member of the Nomination Committee.
- (7) On 3 November 2011, Mr. Edgar W. K. Cheng resigned as an Independent Non-executive Director and a member of the Nomination Committee of the Company.
- (8) This item represents the fair value of share options for the directors measured according to the Group's accounting policy as set out in Note 3. No Directors exercised any share option in 2011 or 2012. During the year, no new share option was granted to Directors in respect of their services to the Group under the applicable share option schemes of the Company. Further details of share option scheme and valuation techniques are set out in note 30 to the financial statements and pages 51 to 53 of the Report of the Directors.

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(ii) Other key management personnel's (excluding Directors') remuneration

	2012	2011
Short term employee benefits	6	6
Pension scheme contributions	1	1
Amount paid/payable during the year	7	7
Share options*	21	27
	28	34

The bands of the remuneration of other key management personnel (excluding Directors) and the related number of members of other key management personnel (excluding Directors) are as follows:

	Number of employees	
	2012	2011
Nil to RMB2,000,000	1	2
RMB2,000,001 to RMB5,000,000	7	–
RMB5,000,001 to RMB6,000,000	–	6
RMB6,000,001 to RMB7,000,000	–	–
	8	8

\*This item represents the fair value of share options measured according to the Group's accounting policy as set out in Note 3. No other key management personnel exercised any share option in 2012 or 2011.



## 11. FIVE HIGHEST PAID EMPLOYEES

During the year, none (2011: one) of the directors, details of whose remuneration are disclosed in note 10 (i) above, received an amount which falls within the category of the five highest paid employees. Details of the remuneration of the five (2011: four) highest paid employees, who are not the directors, for the year are as follows:

	2012	2011
Fees (1)	–	–
Basic salaries, allowances, and benefits in kind (1)	7	4
Performance-related bonuses	2	2
Pension scheme contributions	–	–
Amount paid/payable during the year	9	6
Share options (2)	13	17
	22	23

(1) Fees and salaries, allowances, and benefits in kind represent the gross amount (before applicable individual salary tax) paid/payable to individual employees.

(2) This item represents the fair value of share options measured according to the Group's accounting policy as set out in Note 3. None of the five highest paid employees exercised any share option in 2012 or 2011. During the year, no new share option was granted to the five highest paid employees in respect of their services to the Group. Further details are included in note 30.

The remuneration of the five (2011: four) highest paid employees, who are not the directors, falls within the following bands:

	Number of employees	
	2012	2011
Nil to RMB5,000,000	4	–
RMB5,000,001 to RMB5,500,000	–	1
RMB5,500,001 to RMB6,000,000	–	2
RMB6,000,001 to RMB6,500,000	–	–
RMB6,500,001 to RMB8,000,000	1	1
	5	4

## 12. 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%.

As of 31 December 2012, management of the Company has not provided any deferred tax liabilities related to earnings derived by the Company from its overseas subsidiaries since the timing of the reversal of the taxable temporary differences can be controlled by the Company and it is probable that the temporary differences would not reverse in the foreseeable future.

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

	2012	2011
Overseas		
Current income tax	8,177	1,532
Deferred tax	(1,722 )	906
PRC		
Current income tax	20,662	21,309
Deferred tax	(636 )	(1,437 )
Total tax charge for the year	26,481	22,310

A reconciliation of the statutory PRC corporate income tax rate to the effective income tax rate of the Group is as follows:

	2012	2011
	%	%
Statutory PRC enterprise income tax rate	25	25
Effect of different tax rates for overseas subsidiaries*	4.4	(-0.5 )
Tax credit from the government	(0.2 )	(-0.2 )
Tax reported in equity-accounted entities	-	(0.2 )
Others	0.2	-
Group's effective income tax rate	29.4	24.1

\*The higher effective tax rate for the year ended 31 December 2012 was primarily due to the full utilisation of investment tax credits applicable to Nigeria OML130 Project in 2011.

The movements of deferred tax liabilities are as follows:

2012	2011
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At January 1	5,488	6,841
Credited to the profit and loss	(2,358 )	(531 )
Disposal of a subsidiary	–	(549 )
Unrecognised gain for available-for-sale assets	237	–
Exchange differences	(4 )	(273 )

At 31 December	3,363	5,488
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Principal components of deferred tax balances are as follows:

	Group	
	2012	2011
Deferred tax assets		
Provision for retirement and termination benefits	29	50
Provision for dismantlement	4,149	3,237
Impairment of property, plant and equipment	717	719
Losses available for offsetting against future taxable profit	1,244	4,002
Others	531	299
	6,670	8,307
Deferred tax liabilities		
Accelerated tax depreciation of oil and gas properties	(9,315 )	(13,526 )
Non-current liabilities	(233 )	(88 )
Unrecognised gain for available-for-sale assets	(237 )	–
Others	(248 )	(181 )
	(10,033 )	(13,795 )
Net deferred tax liabilities	(3,363 )	(5,488 )
Of which – deferred tax assets	40	–
– deferred tax liabilities	(3,403 )	(5,488 )

As at 31 December 2012, the Group had approximately RMB15,474 million (2011: RMB25,829 million) of carry-forward tax losses, predominantly in North America, that would be available to offset against future taxable profits of the subsidiaries in which the tax losses arose. The US and Canadian tax losses expire in 14 to 20 years after generation. The Uganda tax losses have no fixed expiry date.

Deferred tax assets in respect of the above tax losses are recognised only to the extent of the anticipated future taxable profits arising from the reversal of existing taxable temporary differences.

As at 31 December 2012, the Group's recognised tax losses amounted to RMB3,555 million (2011: RMB10,975 million). Unrecognised tax losses, where recovery is not currently expected, amounted to RMB11,919 million (2011: RMB14,854 million).





(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% (reduced tax rates may apply) 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% or value-added tax at the rate of 6% on other income;
- City construction tax at the rate of 1% or 7% on the actual paid production taxes, business tax and value-added tax;
- Educational surcharge at the rate of 3% on the actual paid production taxes, business tax and value-added tax; and
- Local educational surcharge at the rate of 2% on the actual paid production taxes, business tax and value-added 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.

### 13. PROFIT ATTRIBUTABLE TO THE SHAREHOLDERS

The consolidated profit attributable to the Company's shareholders for the year ended 31 December 2012 includes a profit of approximately RMB70,174 million (2011: RMB20,741 million) which has been dealt with in the financial statements of the Company (note 31).

## 14. DIVIDENDS

	Group 2012	2011
Declared and paid during the year:		
Interim dividend	5,444	9,106
Final dividend	10,191	9,287
Total dividends paid in the year	15,635	18,393
Weighted average number of ordinary shares	44,646,305,984	44,668,570,359
Dividend per ordinary share	RMB0.35	RMB0.41
Final dividend proposed by the Board of Directors at HK\$0.32 per ordinary share (2011: HK\$0.28 per ordinary share)		
– not recognised as a liability as at the end of the reporting period	11,563	10,142

Pursuant to the Enterprise Income Tax Law of the People's Republic of China and related laws and regulations, the Company is regarded as a Chinese Resident Enterprise, and thus is required to withhold corporate income tax at the rate of 10% when it distributes dividends to its non-resident enterprise (as defined in the "Enterprise Income Tax Law of the People's Republic of China") shareholders, with effect from the distribution of the 2008 final dividend. In respect of all shareholders whose names appear on the Company's register of members and who are not individuals (including HKSCC Nominees Limited, corporate nominees or trustees such as securities companies and banks, and other entities or organizations, which are all considered as non-resident enterprise shareholders), the Company will distribute the dividend after deducting corporate income tax of 10%.

## 15. EARNINGS PER SHARE

	Group 2012	2011
Earnings		
Profit for the year attributable to ordinary equity holders for the basic and diluted earnings per share calculations	63,691	70,255
Number of shares		
Number of ordinary shares issued at the beginning of the year, excluding repurchased but not cancelled shares	44,646,305,984	44,669,199,984

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Weighted average number of ordinary shares for the basic earnings per share calculation	44,646,305,984	44,668,570,359
Effect of dilutive potential ordinary shares under the share option schemes	161,736,346	185,044,651
Weighted average number of ordinary shares for the purpose of diluted earnings per share	44,808,042,330	44,853,615,010
Earnings per share:		
Basic (RMB Yuan)	1.43	1.57
Diluted (RMB Yuan)	1.42	1.57

## 16. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Group Vehicles and office equipment and others	Total
Cost:			
At 1 January 2011	293,257	673	293,930
Additions	43,772	97	43,869
Acquisitions	25,338	1,083	26,421
Disposals and write-offs	(10,137	(9 )	(10,146 )
Exchange differences	(4,500 )	(2 )	(4,502 )
At 31 December 2011	347,730	1,842	349,572
At 1 January 2012	347,730	1,842	349,572
Additions	56,335	267	56,602
Acquisitions	10,781	–	10,781
Disposals and write-offs	(2,465 )	(18 )	(2,483 )
Exchange differences	(351	–	(351 )
At 31 December 2012	412,030	2,091	414,121
Accumulated depreciation, depletion and amortisation:			
At 1 January 2011	(106,900 )	(352 )	(107,252)
Depreciation charge for the year	(30,336 )	(61 )	(30,397 )
Disposals and write-offs	7,748	8	7,756
Exchange differences	887	1	888
At 31 December 2011	(128,601 )	(404 )	(129,005)
At 1 January 2012	(128,601 )	(404 )	(129,005)
Depreciation charge for the year	(33,034 )	(64 )	(33,098 )
Disposals and write-offs	26	14	40
Exchange differences	74	–	74
At 31 December 2012	(161,535 )	(454 )	(161,989)
Net book value:			
At 1 January 2012	219,129	1,438	220,567
At 31 December 2012	250,495	1,637	252,132



Included in the current year's additions was an amount of approximately RMB1,549 million (2011: approximately RMB1,150 million) in respect of interest capitalised in property, plant and equipment (note 9). Included also in the depreciation charge for the year was an amount of approximately RMB2,990 million (2011: approximately RMB3,268 million) in respect of a depreciation charge on dismantlement cost capitalised in oil and gas properties.

Disposals and write-offs include approximately RMB876 million related to unproved properties of Niobrara project located in United States. The write-off of the unproved property was primarily due to the unfavorable exploration drilling results in 2012 in certain blocks.

	Company 2012	2011
Office equipment		
Cost:		
At 1 January	6	6
Additions	-	-
Disposals and write-offs	-	-
Exchange differences	-	-
At 31 December	6	6
Accumulated depreciation:		
At 1 January	(6 )	(6 )
Depreciation charge for the year	-	-
Disposals and write-offs	-	-
Exchange differences	-	-
At 31 December	(6 )	(6 )
Net book value:		
At 1 January	-	-
At 31 December	-	-

## 17. INTANGIBLE ASSETS

	Gas processing right under NWS Project	Software	Total
Cost:			
At 1 January 2011	1,215	491	1,706
Additions	–	132	132
Disposal	–	–	–
Exchange differences	(59 )	–	(59 )
At 31 December 2011	1,156	623	1,779
At 1 January 2012	1,156	623	1,779
Additions	–	142	142
Disposal	–	–	–
Exchange differences	(3 )	–	(3 )
At 31 December 2012	1,153	765	1,918
Accumulated amortisation:			
At 1 January 2011	(296 )	(262 )	(558 )
Amortisation charge for the year	(79 )	(125 )	(204 )
Disposal	–	–	–
Exchange differences	16	–	16
At 31 December 2011	(359 )	(387 )	(746 )
At 1 January 2012	(359 )	(387 )	(746 )
Amortisation charge for the year	-64	(136 )	(200 )
Disposal	–	–	–
Exchange differences	1	–	1
At 31 December 2012	(422 )	(523 )	(945 )
Net book value:			
At 1 January 2012	797	236	1,033
At 31 December 2012	731	242	973





## 18. INVESTMENTS IN SUBSIDIARIES AND DUE FROM/TO SUBSIDIARIES

	Company 2012	2011
Unlisted shares, at cost	58,718	58,707
Due from subsidiaries	116,740	23,846
Due to subsidiaries	(54,484 )	(16,519 )
	120,974	66,034

The amounts due from/to subsidiaries included in the Company's current assets and liabilities are unsecured, interest-free and repayable on demand.

Particulars of the principal subsidiaries are as follows:

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
<b>Directly held subsidiaries:</b>				
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,	US\$1,000	100%	Investment holding

United States  
of America  
28 August  
1997

CNOOC Finance British Virgin US\$1,000 100% Bond issuance  
(2002) Limited (2) Islands  
24 January  
2002

CNOOC Finance British Virgin US\$1,000 100% Bond issuance  
(2003) Limited Islands  
2 April 2003

CNOOC Finance British Virgin US\$1,000 100% Bond issuance  
(2011) Limited Islands  
31 December  
2010

CNOOC Finance British Virgin US\$1,000 100% Bond issuance  
(2012) Limited (3) Islands  
10 April 2012

Indirectly held  
subsidiaries (1):

Name of entity	Place and date of establishment	Nominal value of ordinary shares issued and registered capital	Percentage of equity attributable to the Group	Principal activities
C N O O Deepwater Development Limited (4)	CZhuhai, PRC 1 March 2010	RMB8.5 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
C N O O C N W S 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
		US\$1	100%	

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CNOOC International Limited	British Virgin Islands	15 October 2010	Providing services of petroleum exploration and development in the Republic of Iraq
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CNOOC Canada Inc. (note 4)	Canada	281,749,526 common shares without a par value	100% Oil sands exploration, development and production in Canada
	15 January 1999		

CNOOC Uganda Ltd (note 4)	Uganda	1,000,000 Uganda Shilling	100% Petroleum exploration, development and production in Africa
	11 May 2010		

CNOOC Canada Holding Ltd. (5) (note 4)	Canada	CAD9,505,391,000	100% Oil and gas investment in Canada
	18 July 2012		

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

(2) The guarantee notes issued by CNOOC Finance (2002) Limited were repaid in March 2012 (note 28), and CNOOC Finance (2002) Limited was dissolved on 27 July 2012.

(3) CNOOC Finance (2012) Limited was incorporated on 10 April 2012, for issuance of guaranteed notes (note 28).

(4) The registered capital of CNOOC Deepwater Development Limited was increased to RMB8.5 billion on 29 November 2012.

(5) CNOOC Canada Holding Ltd. was incorporated on 18 July 2012, for oil and gas investment in Canada. On 25 February 2013, the registered capital was increased to CAD9,505,391,000

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year 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.

#### 19. INVESTMENTS IN ASSOCIATES

Name of associates	Place and date of establishment	Nominal value of ordinary shares issued and registered up/capital	Percentage of equity attributable to the Group	Principal activities
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	RMB4 billion	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

\*The registered capital of CNOOC Finance Corporation Limited was increased to RMB4 billion on 1 November 2012, and the percentage of equity attributable to the Group remains unchanged.

None of the associates is audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

The Group's investments in associates represent:

	Group 2012	2011
Share of net assets	3,857	2,822

None of the Group's associates are considered to be individually material. The following table illustrates the summarised financial information of the Group's associates:

	Group 2012	2011
Profit for the year	284	320
Other comprehensive income	21	-20
Total comprehensive income	305	300

## 20. INVESTMENT IN A JOINT VENTURE

Particulars of the principal joint venture are as follows:

Name of entity	Place and date of establishment	Nominal value of ordinary share issued and paid-up/ registered capital	Percentage of equity attributable to the Group	Principal activities
B r i d a s Corporation	British Virgin Islands 15 September 1993	US\$102,325,582	50%	Investment holding

The joint venture is not audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

Summarised financial information of the joint venture is disclosed below:

	Group 2012	2011
Cash and cash equivalents	2,457	2,410
Other current assets	4,994	1,585
<b>Total current assets</b>	<b>7,451</b>	<b>3,995</b>
Non-current assets, excluding goodwill	50,666	51,855
Goodwill	3,557	3,566
<b>Total assets</b>	<b>61,674</b>	<b>59,416</b>
Current financial liabilities (excluding trade and other payables and provisions)	(2,252 )	(1,139 )
Other current liabilities	(2,840 )	(2,254 )
<b>Total current liabilities</b>	<b>(5,092 )</b>	<b>(3,393 )</b>
Non-current financial liabilities	(3,119 )	(3,361 )
Other non-current liabilities	(13,144 )	(12,312 )
<b>Total non-current liabilities</b>	<b>(16,263 )</b>	<b>(15,673 )</b>
<b>Total liabilities</b>	<b>(21,355 )</b>	<b>(19,066 )</b>
<b>Net assets</b>	<b>40,319</b>	<b>40,350</b>
Net assets, excluding goodwill	36,762	36,784
Revenue	31,650	9,882
Depreciation, depletion and amortisation	(2,922 )	(2,940 )
Interest income	47	50
Finance costs	(599 )	(355 )
<b>(Loss)/profit before tax</b>	<b>(967 )</b>	<b>1,062</b>
Income tax expense	345	(568 )
<b>(Loss)/profit after tax</b>	<b>(622 )</b>	<b>494</b>
Other comprehensive income	–	–
<b>Total comprehensive (loss)/income</b>	<b>(622 )</b>	<b>494</b>

Reconciliation of the summarised financial information of the joint venture to the carrying amount of the Group's investment in the joint venture is disclosed below:

Group



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	2012	2011
Group share of net assets of a joint venture, excluding goodwill	18,381	18,392
Goodwill on acquisition less cumulative impairment	1,779	1,783
Impairment of investment in a joint venture	–	–
Carrying amount of investment in a joint venture	20,160	20,175

No dividend was received from the joint venture in 2012 and 2011.

## 21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group 2012	2011	Company 2012	2011
Current:				
Non-publicly traded investments, at fair value:				
Private equity funds	15	15	15	15
Corporate wealth management products (1)	52,310	18,500	–	–
Liquidity funds (2)	9,470	9,061	–	–
	61,795	27,576	15	15
Non-current:				
Publicly traded investments, at fair value:				
Equity investment in MEG (3)	5,516	7,365	–	–
Non-publicly traded investments, at cost:				
Private equity fund in Kerogen Energy Fund (4)	1,535	–	–	–
	7,051	7,365	–	–

The fair values of publicly traded investments are based on quoted market prices. The fair values of non-publicly traded investments are based on fund managers' quotations. The directors believe that the estimated fair values quoted by fund managers are reasonable, and that they are the most appropriate values at the reporting date.

(1) The corporate wealth management products matured from 5 January 2013 to 22 October 2013.

(2) The liquidity funds have no fixed maturity date and no coupon rate.

(3) The equity investment represents an investment in the equity securities of MEG Energy Corporation ("MEG"). As at 31 December 2012, the investment in MEG was stated at the quoted market price. MEG is principally engaged in the exploitation and production of oil sands.

(4) The private equity fund represents an investment in Kerogen Energy Fund and is stated at cost less any impairment, as there is no market price available. Kerogen Energy Fund is principally engaged in the investment in the oil and gas industry.

During the year, the net loss on the Group's and the Company's available-for-sale investments, net of tax, recognised directly in other comprehensive loss amounted to RMB1,128 million and nil, respectively (2011: other comprehensive income RMB800 million and nil, respectively).

In addition, there were no realised gains of the Group and the Company, respectively, transferred from other comprehensive income to the profit and loss for the year (2011: nil and nil, respectively) upon the disposal of the

related available-for-sale financial assets.

None of the financial assets above is either past due or impaired.

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## 22. OTHER NON-CURRENT ASSETS

Included in the other non-current assets were pledged deposits for future dismantlement. Pursuant to the Provisional Regulations on the Dismantlement of Offshore Oil and Gas Production Facilities of the People's Republic of China, the Group accrues dismantlement cost for all the oil and gas fields under production sharing contracts in the PRC, and makes monthly cash contributions to the specific dismantlement fund accounts supervised by the PRC government. The deposit cannot be withdrawn or utilised for any other purposes but the dismantlement of oil and gas production facilities in the future. As of 31 December 2012, the balance of the specified dismantlement fund accounts was RMB547 million (31 December 2011: nil).

## 23. INVENTORIES AND SUPPLIES

	Group 2012	2011
Materials and supplies	4,023	3,510
Oil in tanks	1,371	986
Less: Provision for inventory obsolescence	(147 )	(116 )
	5,247	4,380

The provision for inventory obsolescence during the year was approximately RMB31 million (2011: approximately RMB22 million).

## 24. TRADE RECEIVABLES

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

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

## 25. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

The Group's and the Company's cash and cash equivalents mainly consist of current deposits and time deposits with maturity within seven days. The bank balances are deposited with creditworthy banks with no recent history of default.

The weighted average effective interest rates of the Group's and the Company's bank deposits were 1.7% per annum (2011: 2.7% per annum) and 0.38% per annum (2011: 1.1% per annum), respectively, for the year ended 31 December 2012.

## 26. TRADE AND ACCRUED PAYABLES

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



## 27. OTHER PAYABLES AND ACCRUED LIABILITIES

	Group 2012	2011
Accrued payroll and welfare payable	1,118	888
Provision for retirement and termination benefits	273	280
Accrued expenses	69	65
Advances from customers	177	96
Royalties payable	461	376
Special oil gain levy payable	8,755	14,989
Provision for dismantlement (note 29)	–	31
Other payables	6,582	5,492
	17,435	22,217

Other payables are non-interest-bearing and have an average term of less than one year.

## 28. LOANS AND BORROWINGS

## Current

	Group Effective interest rate and final maturity	2012			2011		
		Bank loan	Notes/ Bonds	Total	Bank loan	Notes/ Bonds	Total
Short-term loans and borrowings							
General loans LIBOR+0.85% to 1.85% per annum with maturity within one year							
		27,343	–	27,343	16,193	–	16,193
		27,343	–	27,343	16,193	–	16,193
Loans and borrowings due within one year							
For Tangguh LNG LIBOR+0.23% to 0.38% per annum with maturity within one year							
Project (5)		231	–	231	207	–	207

For Nigeria	LIBOR+4% per annum with						
	maturity						
OML130	within one						
Project	year	–	–	–	369	–	369
Finance (2002) (1)		–	–	–	–	3,150	3,150
Finance (2003) (2)		–	1,256	1,256	–	–	–
		231	1,256	1,487	576	3,150	3,726
		27,574	1,256	28,830	16,769	3,150	19,919

## Non-current

	Group Effective interest rate and final maturity	2012 Bank loan	Notes/ Bonds	Total	2011 Bank loan	Notes/ Bonds	Total
For Tangguh LNG Project (5)	LIBOR+0.23% to 0.38% per annum with maturity through 2021	2,326	–	2,326	2,562	–	2,562
Finance (2003) (2)		–	1,843	1,843	–	3,102	3,102
Finance (2011) (3)		–	12,396	12,396	–	12,412	12,412
Finance (2012) (4)		–	12,491	12,491	–	–	–
		2,326	26,730	29,056	2,562	15,514	18,076

- (1) The principal amount of US\$500 million of 6.375% guaranteed notes due in 2012 was issued by CNOOC Finance (2002) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2002) Limited in respect of the notes were unconditionally and irrevocably guaranteed by the Company, and the notes were repaid in March 2012.
- (2) The principal amount of US\$200 million of 4.125% guaranteed notes due in 2013 and the principal amount of US\$300 million of 5.500% guaranteed notes due in 2033 were issued by CNOOC Finance (2003) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2003) Limited in respect of the notes are unconditionally and irrevocably guaranteed by the Company.
- (3) The principal amount of US\$1,500 million of 4.25% guaranteed notes due in 2021 and the principal amount of US\$500 million of 5.75% guaranteed notes due in 2041 were issued by CNOOC Finance (2011) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2011) Limited in respect of the notes are unconditionally and irrevocably guaranteed by the Company.
- (4) The principal amount of US\$1,500 million of 3.875% guaranteed notes due in 2022 and the principal amount of US\$500 million of 5.000% guaranteed notes due in 2042 were issued by CNOOC Finance (2012) Limited, a wholly-owned subsidiary of the Company. The obligations of CNOOC Finance (2012) Limited in respect of the notes are unconditionally and irrevocably guaranteed by the Company.
- (5) The amount represented the Group share of utilised bank loans in Tangguh Liquefied Natural Gas Project (the “Tangguh LNG Project”).

The Company delivered a guarantee dated 29 October 2007 in favour of Mizuho Corporate Bank, Ltd., which acts as the facility agent for and on behalf of various international commercial banks under a US\$884 million commercial loan agreement dated 29 October 2007 in connection with the Tangguh LNG Project in Indonesia. The Company



guarantees the payment obligations of the trustee borrower under the subject loan agreement and is subject to a maximum cap of approximately US\$164,888,000. Together with the loan agreement dated 31 July 2006 with a maximum cap of approximately US\$487,862,000, the total maximum guarantee cap is US\$652,750,000.

An agreement in respect of the sale of a 3.05691% interest of the Company in the Tangguh LNG Project to Talisman Energy Inc. (“Talisman”) for a consideration of US\$212.5 million became effective on 1 January 2008. The transaction was completed through the equity transfer of an indirect subsidiary of the Company. The Company through its subsidiary continues to hold a 13.89997% interest in the Tangguh LNG Project after the sale.

In addition, a letter of credit agreement was signed between the Company and Talisman with the execution of the aforesaid agreement. Accordingly, Talisman has delivered valid and unexpired standby letters of credit with the amount of US\$120 million to the Company (as the beneficiary) as a counter-guarantee to offset the exposure of the Company’s guarantee for the aforesaid interest of 3.05691% in respect of the Tangguh LNG Project financing.

As at 31 December 2012, all the bank loans of the Group were unsecured, and none of the outstanding borrowings were guaranteed by CNOOC.

The maturities of the long term bank loans are as follows:

	Group 2012	2011
Repayable:		
Within one year	231	576
After one year but within two years	249	221
After two years but within three years	279	251
After three years but within four years	309	281
After four years but within five years	332	312
After five years	1,157	1,497
	2,557	3,138
Amount due within one year shown under current liabilities	(231 )	(576 )
	2,326	2,562

Supplemental information with respect to the long term bank loans:

For the year ended 31-Dec	Balance at year end	Weighted average interest rate at year end	Maximum amount outstanding during the year	Average amount outstanding during the year (1)	Weighted average interest rate during the year (2)
2012	2,557	0.76 %	3,138	2,847	1.06 %
2011	3,138	1.35 %	8,134	5,636	2.19 %

(1) The average amount outstanding is computed by averaging the outstanding principal balances as at 1 January and 31 December of each year.

(2) The weighted average interest rate is computed by averaging the interest rates as at 1 January and 31 December of each year.

There was no default of principal, interest or redemption terms of the loans and borrowings during the year.

29.

#### PROVISION FOR DISMANTLEMENT

Group 2012	2011
---------------	------

At 1 January	24,995	16,012
Capitalised in oil and gas properties (1)	3,057	7,718
Acquisition of a subsidiary	–	151
Utilised	–	(156 )
Unwinding of discount (2) (note 9)	1,359	1,312
Exchange differences	(5 )	(42 )
At 31 December	29,406	24,995

Current portion of dismantlement included in other payables and accrued liabilities (note 27) – (31 )

At 31 December 29,406 24,964

(1) The amount is included in the additions of oil and gas properties in note 16.

(2) The discount rates used for calculating the amount of unwinding of discount are within the range of 4% to 5% (2011: 5%).

### 30. SHARE CAPITAL

Share	Number of shares	Share capital HK\$ million	Issued share capital equivalent of RMB million
Authorised:			
Ordinary shares of HK\$0.02 each as at 31 December 2012 and 31 December 2011	75,000,000,000	1,500	
Issued and fully paid:			
Ordinary shares of HK\$0.02 each as at 1 January 2011	44,669,199,984	893	949
As at 31 December 2011	44,659,180,984	893	949
Shares repurchased and cancelled*	(12,875,000 )	–	–
As at 31 December 2012	44,646,305,984	893	949

\*During the year of 2011, the Company purchased 22,894,000 of its shares with an aggregate cash payment of HK\$315,016,715 on the Stock Exchange of Hong Kong Limited (“HKSE”). 10,019,000 shares were cancelled by the Company in 2011 and the remaining 12,875,000 shares were cancelled on 10 January 2012.

#### Share option schemes

The Company has adopted the following share option schemes for the grant of options to the Company’s directors, senior management and other eligible grantees:

1. Pre-Global Offering Share Option Scheme (as defined below);
2. 2001 Share Option Scheme (as defined below);

3. 2002 Share Option Scheme (as defined below); and
4. 2005 Share Option Scheme (as defined below).

Under these share option schemes, the Remuneration Committee of the Board will from time to time propose for the Board's approval the grant of share options and the number of share options to be granted to the relevant grantees. The maximum

aggregate number of shares (including those that could be subscribed for under the Pre-Global Offering Share Option Scheme, the 2001 Share Option Scheme, the 2002 Share Option Scheme and the 2005 Share Option Scheme) which may be issued upon exercise of all options granted shall not exceed 10% of the total issued share capital of the Company as at 31 December 2005, being the date on which the shareholders of the Company approved the 2005 Share Option Scheme, excluding shares under options which have lapsed.

#### Pre-Global Offering Share Option Scheme

On 4 February 2001, the Company adopted a pre-global offering share option scheme (the “Pre-Global Offering Share Option Scheme”). Pursuant to the Pre-Global Offering Share Option Scheme:

1. options to subscribe for an aggregate of 23,100,000 shares have been granted; and
2. the exercise price for such options is HK\$1.19 per share.

The exercise periods for the options granted under the Pre-Global Offering Share Option Scheme shall end not later than 10 years from 12 March 2001. No further options may be granted under the Pre-Global Offering Share Option Scheme.

#### 2001 Share Option Scheme

On 4 February 2001, the Company adopted a share option scheme (the “2001 Share Option Scheme”) for the purposes of recognising the contribution that certain individuals had made to the Company and for attracting and retaining the best available personnel to the Company. Pursuant to the 2001 Share Option Scheme:

1. options to subscribe for an aggregate of 44,100,000 shares have been granted; and
2. the exercise price for such options price is HK\$1.232 per share.

The exercise periods for the options granted under the 2001 Share Option Scheme shall end not later than 10 years from 27 August 2001. No further options may be granted under the 2001 Share Option Scheme.

#### 2002 Share Option Scheme

In June 2002, the Company adopted a new share option scheme (the “2002 Share Option Scheme”) for the purpose of recognising the contribution that certain individuals had made to the Company and for attracting and retaining the best available personnel to the Company.

Under the 2002 Share Option Scheme, the Board may, at its discretion, offer to grant to the directors and employees of the Company or any of its subsidiaries options to subscribe for shares of the Company. The maximum number of shares in respect of which options may be granted under the 2002 Share Option Scheme to any individual in any 12-month period up to the date of the latest grant shall not exceed 1% of the total issued share capital of the Company from time to time.

According to the 2002 Share Option Scheme, the consideration payable by a grantee for the grant of options will be HK\$1.00. The exercise price for such options will be determined by the Board at its discretion at the date of grant, except that such price shall be not less than the higher of:

1. the nominal value of a share of the Company on the date of grant;

2. the average closing price of the shares on the HKSE as stated in the HKSE's quotation sheets for the five trading days immediately preceding the date of grant; and
3. the closing price of the shares on the HKSE as stated in the HKSE's quotation sheet on the date of grant.

The exercise periods for the options granted under the 2002 Share Option Scheme shall end not later than 10 years from the date of grant.

On 31 December 2005, the Company terminated the 2002 Share Option Scheme. Upon termination of the 2002 Share Option Scheme, no further options may be granted under the 2002 Share Option Scheme, but in all other respects the provisions of the 2002 Share Option Scheme shall remain in force. The outstanding options under the 2002 Share Option Scheme shall continue to be subject to the provisions of the 2002 Share Option Scheme.

#### 2005 Share Option Scheme

On 31 December 2005, the Company adopted a new share option scheme (the “2005 Share Option Scheme”). Under the 2005 Share Option Scheme, the Board has the authority to grant options to subscribe for shares to the directors, officers and employees of the Company and its subsidiaries, and any other persons who in the sole discretion of the Board, have contributed or will contribute to the Group. Unless approved by the shareholders, the total number of shares issued and to be issued upon exercise of the options granted to each individual (including exercised and unexercised options) under the 2005 Share Option Scheme or any other share option scheme adopted by the Company, in any 12-month period, must not exceed 1% of the shares in issue of the Company.

According to the 2005 Share Option Scheme, the consideration payable by a grantee for the grant of options will be HK\$1.00. The exercise price for such options will be determined by the Board at its discretion at the date of grant, except that such price shall be at least the higher of:

1. the nominal value of a share of the Company on the date of grant;
2. the average closing price of the shares as stated in the HKSE’s daily quotation sheets for the five trading days immediately preceding the date of grant; and
3. the closing price of the shares as stated in the HKSE’s daily quotation sheet on the date of grant.

The period within which the options must be exercised, as well as any minimum holding period or performance targets which apply to the options, will be specified by the Board of the Company at the time of grant. The exercise periods for options granted under the 2005 Share Option Scheme shall end not later than 10 years from the date of grant. No options may be granted under the 2005 Share Option Scheme after the date of the 10th anniversary of the adoption of the 2005 Share Option Scheme.

No new share option was granted during the year (2011: nil) and the Group recognised an equity-settled share option expense of approximately RMB50 million (2011: RMB143 million) during the year.

The fair value of equity-settled share options granted was estimated as at the date of grant if any, using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the options were granted.



Details of the share options outstanding are as follows:

	2012	Weighted average exercise price HK\$	2011	Weighted average exercise price HK\$
	Number of share options		Number of share options	
Outstanding at the beginning of the year	420,960,900	9.56	474,054,900	9.14
Granted during the year	–	–	–	–
Forfeited during the year	(9,806,000 )	11.48	(53,094,000 )	5.87
Exercised during the year	–	–	–	–
Outstanding at end of year	411,154,900	9.51	420,960,900	9.56
Exercisable at the end of the year	380,171,000	9.25	328,525,000	8.91

No share options had been cancelled or modified during the years ended 31 December 2012 and 2011.

At the date of approval of these financial statements, the share options outstanding under these share option schemes represented approximately 0.92% of the Company's shares in issue as at that date (2011: 0.94%). The weighted average remaining contractual life of share options outstanding at the end of the year was 5.06 years (2011: 6.09 years). The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 411,154,900 additional ordinary shares of the Company and additional share capital of RMB6,667,699 and share premium of RMB3,164,432,651.

### 31. RESERVES

According to the laws and regulations of the PRC and the articles of association of CNOOC China Limited, CNOOC China Limited is required to provide for certain statutory funds, namely, the general reserve fund and the staff and workers' bonus and welfare fund, which are appropriated from net profit (after making good losses from previous years), but before dividend distribution.

CNOOC China Limited is required to allocate at least 10% of its net profit as reported in accordance with the generally accepted accounting principles in the PRC ("PRC GAAP") to the general reserve fund until the balance of such fund reaches 50% of its registered capital. The general reserve fund can only be used, upon approval by the relevant authority, to offset against accumulated losses or to increase capital.

Appropriation to the staff and workers' bonus and welfare fund, which is determined at the discretion of the board of directors of CNOOC China Limited, is expensed as incurred under IFRSs/HKFRSs. The staff and workers' bonus and welfare fund can only be used for special bonuses or collective welfare of employees.

As at 31 December 2012, the general reserve fund amounted to RMB10,000 million (2011: RMB10,000 million), representing 50% (2011: 50%) of the total registered capital of CNOOC China Limited.

In accordance with the "Temporary Regulation for Safety Expense Financial Management of Higher Risk Industry" and the implementation guidance issued by the MOF of the PRC, the Group is required to accrue a safety fund for its oil

and gas exploration and production activities within the PRC by appropriating a portion of its net profit to other reserves based on its annual production from offshore China. Such reserve is reduced for expenses incurred to improve the safety conditions of oil and gas production. When the safety fund is fully utilised, additional expenses incurred for safety production purposes are charged directly to the profit or loss for the year. As of 31 December 2012, the Group's safety fund reserve accrued but not utilised under the PRC regulations amounted to nil (2011: nil).

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In accordance with the relevant accounting principles required by the local authorities, as at 31 December 2012, the aggregate amount of the Group's retained earnings available for distribution to the Company's shareholders amounted to approximately RMB253,196 million (2011: RMB205,055 million).

	Company Share premium account and capital redemption reserve	Cumulative translation reserve	Other reserves	Retained earnings	Total
At 1 January 2011	42,129	(14,885 )	5,354	33,572	66,170
Total comprehensive income for the year	–	(2,992 )	–	20,741	17,749
2010 final dividend	–	–	–	(9,287 )	(9,287 )
2011 interim dividend	–	–	–	(9,106 )	(9,106 )
Share repurchases	–	–	–	(256 )	(256 )
Equity-settled share option arrangements	–	–	143	–	143
At 31 December 2011	42,129	(17,877 )	5,497	35,664	65,413
At 1 January 2012	42,129	(17,877 )	5,497	35,664	65,413
Total comprehensive income for the year*	–	87	–	70,174	70,261
2011 final dividend	–	–	–	(10,191 )	(10,191 )
2012 interim dividend	–	–	–	(5,477 )	(5,477 )
Equity-settled share option arrangements	–	–	50	–	50
At 31 December 2012	42,129	(17,790 )	5,547	90,170	120,056

\*Total comprehensive income for the year 2012 includes a loss of approximately RMB2,160 million due to the dissolution of CNOOC Finance (2002) Limited on 27 July 2012 (note 18).

As at 31 December 2012, the distributable retained earnings of the Company amounted to approximately RMB90,170 million (2011: RMB35,664 million).

32.

#### RELATED PARTY TRANSACTIONS

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is a state-owned enterprise subject to the control of the State Council of the PRC. The State Council of the PRC directly and indirectly controls a significant number of state-owned entities and organisations.

Comprehensive framework agreement with CNOOC in respect of a range of products and services

As the Group is controlled by CNOOC, transactions with CNOOC, its subsidiaries and associates (the "CNOOC Group") are disclosed as related party transactions. The Company entered into a comprehensive framework agreement

with CNOOC on 1 November 2010 for the provision (1) by the Group to the CNOOC Group and (2) by the CNOOC Group to the Group, of a range of products and services which may be required and requested from time to time by either party and/or its associates in respect of the continuing connected transactions. The term of the comprehensive framework agreement is for a period of three years from 1 January 2011. The continuing connected transactions and relevant annual caps were approved by the independent shareholders of the Company on 24 November 2010. The annual caps of the “sales of petroleum and natural gas products (other than long term sales of natural gas and liquefied natural gas)” and “provision of exploration and support services”

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categories for the years 2012 and 2013 were revised in 2012. The approved related party/continuing connected transactions are as follows:

1.Provision of exploration, oil and gas development, oil and gas production as well as marketing, management and ancillary services by the CNOOC Group to the Group:

- a) Provision of exploration and support services
- b) Provision of oil and gas development and support services
- c) Provision of oil and gas production and support services
- d) Provision of marketing, management and ancillary services
- e) FPSO vessel leases

2.Provision of management, technical, facilities and ancillary services, including the supply of materials by the Group to the CNOOC Group; and

3.Sales of petroleum and natural gas products by the Group to the CNOOC Group:

- a) Sales of petroleum and natural gas products (other than long term sales of natural gas and liquefied natural gas)
- b) Long term sales of natural gas and liquefied natural gas

#### Pricing principles

The related party/continuing connected transactions referred to in paragraphs 1(a) to 1(d) above provided by the CNOOC Group to the Group and paragraph 2 above provided by the Group to CNOOC and/or its associates are based on negotiations with the CNOOC Group on normal commercial terms, or on terms no less favourable than those available to the Group from independent third parties, under prevailing local market conditions, including considerations such as volume of sales, length of contracts, package of services, overall customer relationship and other market factors.

For services provided by the CNOOC Group to the Group as described above, on the basis of the above pricing principle, such services must be charged in accordance with the following pricing mechanism and in the following sequential order:

- (i) state-prescribed prices; or
- (ii) where there is no state-prescribed price, market prices, including the local, national or international market prices; or
- (iii) when neither (i) nor (ii) is applicable, the costs of the CNOOC Group for providing the relevant service (including the cost of sourcing or purchasing from third parties) plus a margin of not more than 10%, before any applicable taxes.

The related party/continuing connected transactions referred to in paragraph 1(e) above provided by the CNOOC Group to the Group are at market prices on normal commercial terms which are calculated on a daily basis.

The related party/continuing connected transactions referred to in paragraphs 3(a) above provided by the Group to the CNOOC Group are at state-prescribed prices or local, national or international market prices and on normal commercial terms.

The related party/continuing connected transactions referred to in paragraphs 3(b) above provided by the Group to the CNOOC Group are at state-prescribed prices or local, national or international market prices and on normal commercial terms, which are subject to adjustment in accordance with movements in international oil prices as well as

other factors such as the term of the sales agreement and the length of the relevant pipeline.

The following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period and the balances arising from related party transactions at the end of the year:

- (i) Provision of exploration, oil and gas development, oil and gas production as well as marketing, management and ancillary services by the CNOOC Group to the Group
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	Group 2012	2011
Provision of exploration and support services	8,349	6,625
– Inclusive of amounts capitalised under property, plant and equipment	4,060	3,480
Provision of oil and gas development and support services	23,857	13,544
Provision of oil and gas production and support services (note a)	7,523	6,675
Provision of marketing, management and ancillary services (note b)	770	521
FPSO vessel leases (note c)	1,127	1,253
	41,626	28,618

(ii) Provision of management, technical, facilities and ancillary services, including the supply of materials by the Group to the CNOOC Group

The Group did not enter into any transactions in this category for the years ended 31 December 2012 and 2011.

(iii) Sales of petroleum and natural gas products by the Group to the CNOOC Group

	Group 2012	2011
Sales of petroleum and natural gas products (other than long term sales of natural gas and liquefied natural gas) (note d)	157,441	127,270
Long term sales of natural gas and liquefied natural gas (note e)	5,937	5,896
	163,378	133,166