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**CNOOC Limited**  
**(中國海洋石油有限公司)**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*  
**(Stock Code: 00883)**

**2021 Annual Results Announcement**

**CHAIRMAN'S STATEMENT**

Dear shareholders,

In the past year, the world economy struggled to recover amid COVID-19 pandemic outbreaks. Global oil demand gradually revived, while energy transition continued to accelerate. For CNOOC Limited, the capital market environment had undergone tremendous changes.

To survive the extremely challenging external environment, we adhered to the business strategy of seeking progress while maintaining stability. We strived to increase reserves and production, steadily implemented major projects, firmly promoted technological innovation, actively expedited green and low-carbon development, and insisted on enhancing quality and efficiency to reduce costs. By fighting through hardship and challenges, we reached new heights and delivered excellent results.

We continued to step up our efforts in exploration and development, thereby bringing our reserves and production to new records. 22 commercial discoveries were made throughout the year. In offshore China, 4 middle-to-large sized oil and gas fields including Kenli 10-2 were confirmed. Overseas, continuous new discoveries were made in the Stabroek block in Guyana, which now contained a total recoverable resource of over 10 billion BOE. The reserve life of the Company remained above 10 years, which effectively guaranteed the resource base for our sustainable development. During the year, new projects came on stream in succession, firmly underpinning the production growth. The measures to increase production in Bohai oilfields have achieved remarkable results, making it the largest crude oil production base in China. The successful commissioning of "Shenhai-1", the ultra-deep water large gas field, will fuel the construction of a major trillion-cubic-meter-level gas production area in the South China Sea. In 2021, our net production reached 573 million BOE, exceeding the target set at the beginning of the year and hitting a record high.

We actively promoted the innovation-driven strategy and made new breakthroughs in key core technologies. "Shenhai-1" energy station, the world's first 100,000-ton deepwater semi-submersible oil production and storage platform, achieved three world-class innovations, which signified a historic leap into ultra-deep water for the Company's exploration and development activities in offshore China. New progresses were made in digitalization and intelligentization. The proportion of unmanned offshore production platforms was further increased. Enping oilfields realized unmanned production in typhoon condition for the first time.

We accelerated our transition into green and low-carbon development. Natural gas would take a larger share in our production mix, as the ultra-deep water large gas field "Shenhai-1" was commissioned and the large-sized condensate gas field Bozhong 19-6 made steady progress. Meanwhile, the Company facilitated the establishment of a new energy business development system by setting up a new energy branch. Qinhuangdao/Caofeidian onshore power project, a power-from-shore project, commenced operation as scheduled, marking a major breakthrough for the Company's efforts to optimize its development model to save energy and reduce consumption, to control cost and enhance efficiency. The carbon capture and storage (CCS) demonstration project at Enping oilfields made remarkable progress. The first 300 MW offshore wind farm had been connected to the grid at full capacity.

We dedicated unswerving efforts to reduce costs, to enhance quality and efficiency, and witnessed significant improvement in our profitability. All-in cost was US\$29.49 per BOE, and operating cost was US\$7.83 per BOE, which further sharpened our cost competitive edge. We seized favorable opportunity of the rebound of international oil prices and achieved oil and gas sales revenue of RMB222.1 billion. The net profit hit a new high of RMB70.3 billion.

In addition to delivering outstanding operational results, we continued to implement occupational safety campaigns. We improved the risk prevention and control system, and enhanced our emergency response capabilities to ensure a stable performance in health, safety and environmental protection.

In 2021, Mr. Xia Qinglong was appointed as an Executive Director of the Company, and Mr. Hu Guangjie resigned as an Executive Director. On behalf of the Board of Directors, I would like to extend my congratulations to Mr. Xia Qinglong and thank Mr. Hu Guangjie for his contributions to the development of the Company.

A new chapter has begun. We will continue to pursue the strategic goal of building a world-class energy company, by solidly advancing the three major projects of Reserves & Production Augmentation, Independent Technology Innovation, Green Energy Transition, and by further enhancing quality and efficiency. On the basis of ensuring safe and compliant operations, we will continue to consolidate our cost competitiveness, improve profitability, and deliver impressive results.

CNOOC Limited has smoothly delisted from the New York Stock Exchange (NYSE) and the Toronto Stock Exchange (TSX), and has promoted RMB Share Issue in an orderly manner. As disclosed in the announcement of the Company dated 30 March 2022, the CSRC has approved the RMB Share Issue of the Company. In order to avoid the impact on the progress of RMB Share Issue of the Company, the Board decides not to recommend the declaration of the 2021 year-end dividend and will announce a special dividend plan as soon as possible after the completion of the RMB Share Issue, and the 2021 year-end dividend as originally planned and the special dividend for the 20th anniversary of the listing in Hong Kong shall be combined and declared as a special dividend.

In the new capital market environment, we will remain committed to generating returns to our shareholders. The Company has promised at the beginning of the year that, subject to the approval of the general meeting of shareholders on the dividend proposed for each year, the expected annual payout ratio will be no less than 40% in the next three years, and the annual absolute dividend will not be less than HK\$0.70 per share (tax inclusive). In 2022, the Company will appropriately implement share buybacks subject to the authorization granted at the general meeting of shareholders.

Pines do not shed their needles in cold weather, and the emerald sea gets clearer in its vastness. Dear shareholders, riding the waves of 20 years hard working, CNOOC Limited is now in its prime time. We will embark on a new journey with persistence and perseverance, along with all our shareholders to pursue a brighter future.

**Wang Dongjin**  
*Chairman*

Hong Kong, 30 March 2022

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**YEAR ENDED 31 DECEMBER 2021**

*(All amounts expressed in millions of Renminbi, except per share data)*

	Notes	2021	2020
<b>REVENUE</b>			
Revenue recognised from contracts with customers			
Oil and gas sales	3	222,125	139,601
Marketing revenues	3	18,084	12,131
Other revenue		5,902	3,640
		<u>246,111</u>	<u>155,372</u>
<b>EXPENSES</b>			
Operating expenses		(27,985)	(24,240)
Taxes other than income tax		(11,172)	(7,200)
Exploration expenses		(11,702)	(5,601)
Depreciation, depletion and amortisation	5	(57,236)	(52,306)
Special oil gain levy		(2,611)	(79)
Impairment and provision	5	(7,957)	(5,199)
Crude oil and product purchases		(16,641)	(11,671)
Selling and administrative expenses		(8,961)	(8,821)
Others		(5,867)	(3,866)
		<u>(150,132)</u>	<u>(118,983)</u>
<b>PROFIT FROM OPERATING ACTIVITIES</b>			
Interest income	5	95,979	36,389
Finance costs	6	1,341	1,473
Exchange gains, net		(6,019)	(6,190)
Investment income		742	445
Share of profits of associates	5	2,850	2,978
Share of profits of associates		611	171
Loss attributable to a joint venture		(265)	(803)
Other income, net		582	444
<b>PROFIT BEFORE TAX</b>			
Income tax expense	5	95,821	34,907
	7	(25,514)	(9,951)
<b>PROFIT FOR THE YEAR</b>			
		<u>70,307</u>	<u>24,956</u>
Attributable to:			
Owners of the parent		70,320	24,956
Non-controlling interests		(13)	—
		<u>70,307</u>	<u>24,956</u>
<b>OTHER COMPREHENSIVE (EXPENSE)/INCOME</b>			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		(4,577)	(11,983)
Share of other comprehensive expense of associates		(1)	(85)
Other items that will not be reclassified to profit or loss			
Fair value change on equity investments designated as at fair value through other comprehensive income/(expense)		1,172	(1,040)
Others		759	(128)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF TAX</b>			
		<u>(2,647)</u>	<u>(13,236)</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>			
		<u>67,660</u>	<u>11,720</u>
Attributable to:			
Owners of the parent		67,673	11,720
Non-controlling interests		(13)	—
		<u>67,660</u>	<u>11,720</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE PARENT</b>			
Basic (RMB Yuan)	8	1.57	0.56
Diluted (RMB Yuan)	8	1.57	0.56

Details of the dividends proposed and paid for the year are disclosed in note 9.

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

31 DECEMBER 2021

(All amounts expressed in millions of Renminbi)

	Notes	2021	2020
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		465,451	446,668
Right-of-use assets		8,731	9,161
Intangible assets		14,864	15,129
Investments in associates		23,456	23,544
Investment in a joint venture		18,084	18,822
Debt investment		4,483	3,620
Equity investments		2,675	1,829
Deferred tax assets	7	28,592	27,751
Other non-current assets		12,251	11,360
Total non-current assets		578,587	557,884
<b>CURRENT ASSETS</b>			
Inventories and supplies		5,703	5,644
Trade receivables	10	27,048	18,982
Other financial assets		82,440	61,662
Other current assets		13,061	11,272
Time deposits with maturity over three months		38,298	41,812
Cash and cash equivalents		41,432	24,019
Total current assets		207,982	163,391
<b>CURRENT LIABILITIES</b>			
Loans and borrowings	12	15,329	11,217
Trade and accrued payables	11	48,990	41,203
Lease liabilities		1,208	1,297
Contract liabilities		1,983	1,544
Other payables and accrued liabilities		9,903	12,139
Taxes payable		16,538	7,452
Total current liabilities		93,951	74,852
<b>NET CURRENT ASSETS</b>		114,031	88,539
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		692,618	646,423

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	<i>Notes</i>	2021	2020
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	<i>12</i>	<b>112,893</b>	125,013
Lease liabilities		<b>5,712</b>	6,022
Provision for dismantlement		<b>75,482</b>	69,444
Deferred tax liabilities	<i>7</i>	<b>6,915</b>	5,119
Other non-current liabilities		<b>9,640</b>	6,895
Total non-current liabilities		<b>210,642</b>	212,493
<b>NET ASSETS</b>		<b>481,976</b>	433,930
<b>EQUITY</b>			
Issued capital	<i>13</i>	<b>43,081</b>	43,081
Reserves		<b>437,831</b>	390,627
Equity attributable to owners of the parent		<b>480,912</b>	433,708
Non-controlling interests		<b>1,064</b>	222
<b>TOTAL EQUITY</b>		<b>481,976</b>	433,930

**XU Keqiang**  
*Director*

**XIA Qinglong**  
*Director*

## NOTES

31 DECEMBER 2021

*(All amounts expressed in millions of Renminbi unless otherwise stated)*

### 1. CORPORATE INFORMATION

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

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

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

### 2.1 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (the “IASB”), Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong)(the “Companies Ordinance”).

The financial information relating to the years ended 31 December 2021 and 2020 included in this announcement does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with Section 436 of the Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2020 to the Registrar of Companies as required by Section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance, and will deliver the financial statements for the year ended 31 December 2021 in due course.

The Company’s predecessor auditor and auditor have reported in the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2020 and the year ended 31 December 2021, respectively. The auditors’ reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

### 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The IASB has issued a number of new and amendments to IFRSs that are first effective for the current accounting year commencing 1 January 2021 or later but available for early adoption. The equivalent new and amendments to HKFRSs consequently issued by the HKICPA have the same effective dates as those issued by the IASB and are in all material aspects identical to the pronouncements issued by the IASB.

The accounting policies adopted are consistent with those of the year ended 31 December 2020, except for the first time adoption of the new and amendments to IFRSs/HKFRSs effective for the Company and its subsidiaries’ financial year beginning on 1 January 2021. The application of new and amendments to IFRSs/HKFRSs in the current year has had no material impact on the accounting policies, the disclosures or the amounts recognised in the consolidated financial statements of the Company and its subsidiaries.

### 3. OIL AND GAS SALES AND MARKETING REVENUES

	2021	2020
Gross sales	225,729	142,863
Less: Royalties	(2,591)	(2,725)
PRC government's share of oil	(1,013)	(537)
Oil and gas sales	222,125	139,601
Marketing revenues	18,084	12,131

### 4. SEGMENT INFORMATION

#### (a) Segment results

The Company and its subsidiaries are 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. The Company and its subsidiaries report the business through three operating and reporting segments, including exploration of production ("E&P"), trading business and corporate. The division of these operating segments is made because the Company's chief operating decision makers make decisions on resource allocation and performance evaluation by reviewing the financial information of these operating segments. The geographical information is separately disclosed in (b).

The following table presents the segment financial information of the Company and its subsidiaries for the years ended 31 December 2021 and 2020.

	E&P		Trading business		Corporate		Eliminations		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
External Revenue	96,185	128,847	149,390	26,362	536	163	–	–	246,111	155,372
Intersegment Revenue*	131,276	14,257	(131,276)	(14,257)	171	158	(171)	(158)	–	–
Total revenue	227,461	143,104	18,114	12,105	707	321	(171)	(158)	246,111	155,372
Segment profit for the year	68,687	24,895	2,102	179	10,638	1,342	(11,120)	(1,460)	70,307	24,956
Amounts included in the measure of segment profit or loss										
Operating expenses	(28,003)	(24,243)	–	–	–	–	18	3	(27,985)	(24,240)
Taxes other than income tax	(11,031)	(7,120)	(87)	1	(54)	(81)	–	–	(11,172)	(7,200)
Exploration expenses	(11,702)	(5,601)	–	–	–	–	–	–	(11,702)	(5,601)
Depreciation, depletion and amortisation	(56,874)	(51,982)	(59)	(63)	(354)	(328)	51	67	(57,236)	(52,306)
Impairment and provision	(7,955)	(5,085)	–	–	(2)	(114)	–	–	(7,957)	(5,199)
Selling and administrative expenses	(6,978)	(6,857)	(283)	(188)	(1,808)	(1,863)	108	87	(8,961)	(8,821)
Interest income	455	871	69	2	817	1,059	–	(459)	1,341	1,473
Finance costs	(3,636)	(4,240)	(3)	(2)	(2,525)	(2,517)	145	569	(6,019)	(6,190)
Share of profits/(losses) of associates and a joint venture	241	(272)	–	–	105	(360)	–	–	346	(632)
Income tax expense	(25,368)	(10,311)	(393)	(5)	247	265	–	100	(25,514)	(9,951)
Other segment information										
Investments in associates and a joint venture	19,202	19,450	–	–	22,338	22,916	–	–	41,540	42,366
Others	442,250	547,774	20,642	3,781	420,115	404,484	(137,978)	(277,130)	745,029	678,909
Segment assets	461,452	567,224	20,642	3,781	442,453	427,400	(137,978)	(277,130)	786,569	721,275
Segment liabilities	(298,099)	(404,959)	(17,388)	(2,244)	(200,904)	(201,981)	211,798	321,839	(304,593)	(287,345)
Capital expenditure	90,427	80,492	3	–	533	342	–	–	90,963	80,834

\* Certain oil and gas produced by the E&P segment are sold via the trading business segment. For the Company's chief operating decision maker's assessment of segment performance, these revenues are reclassified back to E&P segment.

#### 4. SEGMENT INFORMATION (CONTINUED)

##### (b) Geographical information

The Company and its subsidiaries mainly engage in the exploration, development, production and sale of crude oil and natural gas in China, Canada, the United States of America, the United Kingdom, Nigeria, Argentina, Indonesia, Uganda, Iraq, Brazil, Guyana, Russia and Australia, etc.

In presenting the Company and its subsidiaries' geographical information, revenues from external customers are based on the location of the Company and its subsidiaries' customers, and non-current assets are attributed to the segments based on the location of the Company and its subsidiaries' assets. 70% (2020: 71%) of the Company and its subsidiaries' revenues are generated from PRC customers, and revenues generated from customers in other locations are individually less than 10%.

The following table presents certain non-current assets information for the Company and its subsidiaries' geographical information for the years ended 31 December 2021 and 2020.

	PRC		Canada		Others		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020
Property, plant and equipment	250,687	224,742	77,986	86,251	136,778	135,675	465,451	446,668
Right-of-use assets	4,440	6,402	670	562	3,621	2,197	8,731	9,161
Investments in associates and a joint venture	5,135	4,865	—	2	36,405	37,499	41,540	42,366
Other non-current assets	11,106	11,027	857	287	288	46	12,251	11,360

##### (c) Information about major customers

The current year's revenue of approximately RMB10,531 million (2020: RMB2,373 million) was derived from sales by the E&P segment and the trading business segment to PetroChina Company Limited.



## 5. PROFIT BEFORE TAX

The Company and its subsidiaries' profit before tax is arrived at after (crediting)/charging:

	2021	2020
Crediting:		
Interest income from bank deposits	<u>(1,341)</u>	<u>(1,473)</u>
Investment income:		
– Fair value changes on other financial assets	<u>(2,850)</u>	<u>(2,978)</u>
Insurance compensation on disposal of property, plant and equipment	<u>(43)</u>	<u>(65)</u>
Charging:		
Auditors' remuneration:		
– Audit fee	55	55
– Other fees	<u>14</u>	<u>8</u>
	<u>69</u>	<u>63</u>
Employee wages, salaries, allowances and social security costs	<u>9,708</u>	<u>7,968</u>
Impairment and provision:		
– Property, plant and equipment	7,923	6,697
– Reversal of expected credit losses, net	(6)	(1,373)
– Others	<u>40</u>	<u>(125)</u>
	<u>7,957</u>	<u>5,199</u>
Depreciation, depletion and amortisation:		
– Property, plant and equipment	55,271	52,106
– Right-of-use assets	1,324	1,258
– Intangible assets	490	402
– Net amount capitalised	<u>151</u>	<u>(1,460)</u>
	<u>57,236</u>	<u>52,306</u>
Lease payments not included in the measurement of lease liabilities:		
– Office properties	431	413
– Plant and equipment	<u>379</u>	<u>412</u>
	<u>810</u>	<u>825</u>
Repairs and maintenance	<u>5,861</u>	<u>4,721</u>
Research and development costs	<u>2,926</u>	<u>2,702</u>
Loss/(gain) on disposal of property, plant and equipment	<u>54</u>	<u>(1)</u>

## 6. FINANCE COSTS

	2021	2020
Interest on bank loans	216	51
Interest on other loans	4,691	5,579
Interest on lease liabilities	364	399
Other borrowing costs	14	8
Total borrowing costs	5,285	6,037
Less: Amount capitalised	(2,086)	(2,483)
	3,199	3,554
Other finance costs:		
Unwinding of discount on provision for dismantlement	2,820	2,636
	6,019	6,190

During the year ended 31 December 2021, the effective interest rates used to determine the amount of related borrowing costs for capitalisation varied from 1.08% to 7.875% (2020: from 0.7% to 7.875%) per annum.

## 7. INCOME TAX

An analysis of the tax expense in the Company and its subsidiaries' consolidated statement of profit or loss and other comprehensive income is as follows:

	2021	2020
Current tax		
Provision for PRC enterprise income tax on the estimated taxable profits for the year	20,443	9,821
Provision for overseas enterprise income tax on the estimated taxable profits for the year	5,171	2,080
Deferred tax		
Temporary differences in the current year	(100)	(1,950)
Income tax expense for the year	25,514	9,951

## 7. INCOME TAX (CONTINUED)

A reconciliation of the PRC statutory corporate income tax rate to the effective income tax rate of the Company and its subsidiaries are as follows:

	2021	2020
	%	%
PRC statutory enterprise income tax rate	25.0	25.0
Effect of different tax rates for overseas subsidiaries	3.3	4.3
Tax credit from the government	(4.0)	(3.3)
Tax reported in equity-accounted entities within China	(0.1)	(0.3)
Others	2.4	2.8
Group's effective income tax rate	<u>26.6</u>	<u>28.5</u>

The movements of deferred tax liabilities net of deferred tax assets are as follows:

	2021	2020
Opening Balance	22,632	22,390
Credit to the profit or loss	100	1,950
Charge to equity	(187)	(2)
Exchange differences	(868)	(1,706)
Closing Balance	<u>21,677</u>	<u>22,632</u>

## 8. EARNINGS PER SHARE

	2021	2020
<b>Earnings:</b>		
Profit for the purpose of basic and diluted earnings per share calculation	<u>70,320</u>	<u>24,956</u>
<b>Number of shares:</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	<u>44,647,455,984</u>	<u>44,647,455,984</u>
<b>Earnings per share:</b>		
Basic (RMB Yuan)	1.57	0.56
Diluted (RMB Yuan)	<u>1.57</u>	<u>0.56</u>

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2021 and 2020.

## 9. DIVIDENDS

	2021	2020
Dividend per ordinary share:		
2021 interim dividend – HK\$0.30 (2020: interim dividend HK\$0.20) per ordinary share	11,159	7,744
2020 final dividend – HK\$0.25 (2019: final dividend HK\$0.45) per ordinary share	<u>9,314</u>	<u>18,107</u>

As disclosed in the announcement of the Company dated 30 March 2022, the CSRC has approved the RMB Share Issue of the Company. In order to avoid the impact on the progress of RMB Share Issue of the Company, the Board decides not to recommend the declaration of the 2021 year-end dividend and will announce a special dividend plan as soon as possible after the completion of the RMB Share Issue, and the 2021 year-end dividend as originally planned and the special dividend for the 20th anniversary of the listing in Hong Kong shall be combined and declared as a special dividend. (2020: final dividend proposed at HK\$0.25 per ordinary share by the Board of Directors, approximately RMB9,314 million in aggregate).

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 organisations, which are all considered as non-resident enterprise shareholders), the Company will distribute the dividend after deducting corporate income tax of 10%.

## 10. TRADE RECEIVABLES

The credit terms of the Company and its subsidiaries are generally within 30 days after the delivery of oil and gas. Payment in advance or collateral may be required from customers, depending on credit rating. Trade receivables are non-interest bearing.

All customers have good credit quality with good repayment history and no significant receivables are past due. As at 31 December 2021 and 31 December 2020, the age of substantially all the trade receivables was within one year.

## 11. TRADE AND ACCRUED PAYABLES

As at 31 December 2021 and 2020, substantially all the trade and accrued payables were aged within six months. The trade and accrued payables are non-interest-bearing.

## 12. LOANS AND BORROWINGS

The details of note repaid during the year ended 31 December 2021 are as follow:

Issued by	Maturity	Coupon Rate	Principal Amount USD million
CNOOC Finance (2011) Ltd	2021	4.25%	1,500

### 13. SHARE CAPITAL

	<b>Number of shares</b>	<b>Issued share capital equivalent of RMB million</b>
<b>Issued and fully paid:</b>		
Ordinary shares with no par value as at 1 January 2020, as at 31 December 2020 and as at 31 December 2021	<u>44,647,455,984</u>	<u>43,081</u>

### 14. SUBSEQUENT EVENTS

The Company and its subsidiaries have no significant subsequent events needed to be disclosed.

## **MANAGEMENT’S DISCUSSION AND ANALYSIS**

### **DEVELOPMENT STRATEGY**

As one of the largest independent oil and gas exploration and production companies in the world, we mainly engage in the exploration, development, production and sales of crude oil and natural gas. The Company’s development strategy mainly covers the following three aspects.

#### **Focus on reserves and production growth**

As an upstream company specialising in the exploration, development, production and sale of oil and natural gas, the Company focuses on the increase of reserves and production, which it regards as the cornerstone of development. The increase of reserves and production is achieved mainly by exploration, development and value-driven acquisitions. In China, the Company will adhere to the strategy of boosting the production of both oil and gas and prioritising the gas sector. We will maintain stable development in Bohai, accelerate the development in South China Sea and promote onshore unconventional. Meanwhile, it will focus on risk exploration and field exploration to find replacement areas.

#### **Develop natural gas business**

The Company adopts the low-carbon development concept and actively expands the natural gas business. We will continue to develop the natural gas market, step up the exploration and development activities, and enhance gas supply capacities. In 2021, the successful commissioning of “Shenhai-1” ultra-deep water gas field will drive the construction of a gas producing area of trillion-cubic-meter resources in the South China Sea. We will further advance the construction of key natural gas projects, such as Bozhong 19-6 large-sized condensate gasfield, and strengthen the development of onshore unconventional gas to increase the proportion of natural gas production.

#### **Maintain prudent financial policies**

The Company will continue to maintain our prudent financial policies. As an essential part of the corporate culture, the Company will continue to raise the awareness of cost control among all the employees. Actually, in the performance evaluation system, cost control has been one of the most important performance indicators. Thanks to years of continuous growth in reserves and production and cost control, the Company’s profitability has improved significantly. In 2021, the all-in cost was under US\$30 per BOE, and net profit, amounting to RMB70.3 billion, reaching the best level in history.

The Company also attaches great importance to cash flow management and maintains a healthy financial position. In 2021, the Company’s free cash flow was RMB65.5 billion, and the gearing ratio was 21.9% as at the end of the year.

## 2021 OVERVIEW

In 2021, the global economy has struggled to recover from the severe recession caused by the pandemic and recorded a year-on-year growth of 5.5%. The emerging markets and developing economies achieved outstanding performance, and China's growth rate reached 8.1%.

In 2021, with a tight balance of supply and demand, the international oil prices increased sharply amid fluctuations, as supported by the favorable factors from both supply and demand. In terms of demand, the impact of the pandemic has been significantly reduced due to the growing vaccination rate. As the recovery took hold, the demand for crude oil rebounded. As to supply, major oil producing countries maintained moderate output growth policies. In 2021, the average price of Brent crude oil was US\$70.9 per barrel, a year-on-year increase of 64.2%.

In 2021, the Company vigorously increased reserves and production, and adhered to quality improvement, cost reduction and efficiency enhancement. The Company firmly advanced the construction of major projects, resolutely implemented technological innovation, and actively developed in a green and low-carbon manner. The Company realised a net production of 573 million BOE, representing an increase of approximately 8.5% year-on-year, exceeding the annual target of oil and gas production and hitting another record high.

Thanks to the upward trend of international oil prices and effective cost control in 2021, the Company's profitability was at an all-time high. Oil and gas sales were RMB222,125 million (US\$34,414.5 million with the exchange rate applicable for 2021 at US\$1=RMB6.4544), representing an increase of approximately 59.1% year on year. Net profit was RMB70,307 million (US\$10,892.9 million), representing an increase of approximately 181.7% year on year. The Company's basic and diluted earnings per share were RMB1.57 and RMB1.57, respectively.

As disclosed in the announcement of the Company dated 30 March 2022, the CSRC has approved the RMB Share Issue of the Company. In order to avoid the impact on the progress of RMB Share Issue of the Company, the Board decides not to recommend the declaration of the 2021 year-end dividend and will announce a special dividend plan as soon as possible after the completion of the RMB Share Issue, and the 2021 year-end dividend as originally planned and the special dividend for the 20th anniversary of the listing in Hong Kong shall be combined and declared as a special dividend.

In 2021, the Company's capital market environment has undergone significant changes. On 26 February 2021, the NYSE announced the delisting proceedings of the Company. On 10 March 2021, the Company requested for review of NYSE's determination. On 8 October 2021, the NYSE maintained the decision on the delisting of the Company. The Company's delisting from the NYSE took effect after the market closed on 22 October 2021. On 3 December 2021, the Company applied for voluntary delisting of its ADRs from the TSX. On 31 December 2021, the Company was delisted from the TSX. Since 2 February 2022, the Company bears no reporting obligation in Canada. Since 1 March 2022, the Company bears no reporting obligation in the U.S. In order to expand financing channels, we actively promoted RMB Share Issue. In the new capital market environment, we will continue to create value for our shareholders and distribute returns to our shareholders.

The World Bank forecasts that the global economy will grow by 4.3% in 2022, Chinese government has proposed a national economic growth target of 5.5% for 2022. Even in the context of low-carbon transition, oil and gas will still account for more than 50% of global primary energy consumption for a long time. However, global trade frictions have brought uncertainty to the trend of international oil prices. In the future, we will steadily promote the increase of oil and gas reserves and production, champion green transition and advance technological innovation. We will further improve the quality and efficiency of our operations, to enhance our value creation capacity and bring greater returns to shareholders. Subject to the approval of the general meeting of shareholders on the dividend proposed for each year, the expected annual payout ratio will be no less than 40% in the next three years, and the annual absolute dividend will not be less than HK\$0.70 per share (tax inclusive).

## FINANCIAL RESULTS

### Consolidated net profit

Our consolidated net profit increased 181.7% to RMB70,307 million (US\$10,892.9 million) in 2021 from RMB24,956 million in 2020, primarily as a result of the increase in profitability under the higher international oil price environment and production volume.

### Revenues

Our oil and gas sales, realised prices and sales volume in 2021 were as follows:

	2021	2020	Change Amount	%
Oil and gas sales (RMB million)	<b>222,125</b>	139,601	82,524	59.1%
Crude and liquids	<b>193,027</b>	114,985	78,042	67.9%
Natural gas	<b>29,098</b>	24,616	4,482	18.2%
Sales volume (million BOE)*	<b>552.1</b>	505.8	46.3	9.2%
Crude and liquids (million barrels)	<b>440.5</b>	406.2	34.3	8.4%
Natural gas (bcf)	<b>648.7</b>	577.2	71.5	12.4%
Realised prices				
Crude and liquids (US\$/barrel)	<b>67.89</b>	40.96	26.93	65.7%
Natural gas (US\$/mcf)	<b>6.95</b>	6.17	0.78	12.6%

\* Excluding our interest in equity-accounted investees.

The increase in crude and liquids sales in 2021 was primarily due to the higher international oil price and sales volume. The increase in natural gas sales in 2021 was primarily reflected the higher market price and sales volume.

### Operating expenses

Our operating expenses increased 15.4% to RMB27,985 million (US\$4,335.8 million) in 2021 from RMB24,240 million in 2020, the operating expenses per BOE increased 6.1% to RMB50.6 (US\$7.83) per BOE in 2021 from RMB47.7 (US\$6.90) per BOE in 2020. China operating expenses per BOE increased 3.6% to RMB46.1 (US\$7.15) per BOE in 2021 from RMB44.5 (US\$6.43) per BOE in 2020. Overseas operating expenses per BOE increased 11.4% to RMB61.4 (US\$9.51) per BOE in 2021 from RMB55.1 (US\$7.97) per BOE in 2020. Our operating expenses per BOE for 2021 were higher primarily reflected the commencement of new oil and gas field and was further impacted by higher commodity prices.

### Taxes other than income tax

Our taxes other than income tax increased 55.2% to RMB11,172 million (US\$1,730.9 million) in 2021 from RMB7,200 million in 2020, mainly due to the increase in oil and gas sales which impacted by the higher international oil price.

### Exploration expenses

Our exploration expenses increased 108.9% to RMB11,702 million (US\$1,813.0 million) in 2021 from RMB5,601 million in 2020, mainly driven by the promoted exploration of new areas, new frontiers and new types in order to increase reserves and production, brings the higher level of exploration investment and exploration expense ratio.



## **Depreciation, depletion and amortization**

Our total depreciation, depletion and amortisation increased 9.4% to RMB57,236 million (US\$8,867.7 million) in 2021 from RMB52,306 million in 2020.

The dismantlement-related depreciation, depletion and amortisation costs decreased 8.5% to RMB2,478 million (US\$383.9 million) in 2021 from RMB2,709 million in 2020. Our average dismantling costs per BOE decreased 15.9% to RMB4.48 (US\$0.69) per BOE in 2021 from RMB5.33 (US\$0.77) per BOE in 2020, primarily due to higher reserve of oil and gas fields in production.

Our depreciation, depletion and amortisation, excluding the dismantling costs, increased 10.4% to RMB54,758 million (US\$8,483.8 million) in 2021 from RMB49,597 million in 2020. Our average depreciation, depletion and amortisation per BOE, excluding the dismantling costs, increased 1.4% to RMB98.9 (US\$15.33) per BOE in 2021 from RMB97.5 (US\$14.11) per BOE in 2020, primarily as a result of the depreciation, depletion and amortization, excluding the dismantling costs of increase of certain projects with the rise in oil prices.

## **Impairment and provision**

Our impairment and provision increased 53.0% to RMB7,957 million (US\$1,232.8 million) in 2021 from RMB5,199 million in 2020, primarily related to the impairment of several oil and gas properties located in North America resulting from the change of reserve assessment and the uncertainty of future development plans.

## **Selling and administrative expenses**

Our selling and administrative expenses increased 1.6% to RMB8,961 million (US\$1,388.4 million) in 2021 from RMB8,821 million in 2020. Our selling and administrative expenses per BOE decreased 6.7% to RMB16.19 (US\$2.51) per BOE in 2021 from RMB17.35 (US\$2.51) per BOE in 2020, benefit from strict costs control while increased production.

## **Finance costs/Interest income**

Our finance costs decreased 2.8% to RMB6,019 million (US\$932.5 million) in 2021 from RMB6,190 million in 2020, primarily reflected the decreased interest expense as repayment of bonds due this year. Our interest income decreased 9.0% to RMB1,341 million (US\$207.8 million) in 2021 from RMB1,473 million in 2020, primarily due to the downward trend of US dollar deposit interest rate.

## **Exchange gains/losses, net**

Our net exchange gains increased 66.7% to RMB742 million (US\$115.0 million) in 2021 from RMB445 million in 2020, primarily arising from RMB fluctuation against the US dollars and Hong Kong dollars, as well as Euro fluctuation against the US dollars.

## **Share of profits/losses of associates and a joint venture**

Our share of profits of associates and a joint venture changed to RMB346 million (US\$53.6 million) in 2021, while in 2020 our share of losses were RMB632 million, mainly driven by the increased profitability of the joint venture resulting from the increase of international oil price.

## Income tax expense

Our income tax expense increased 156.4% to RMB25,514 million (US\$3,953.0 million) in 2021 from RMB9,951 million in 2020, mainly because our overall profitability before tax increased resulting from higher international oil price in 2021.

## CAPITAL RESOURCES AND LIQUIDITY

### Overview

Our primary source of cash during 2021 was cash flows from operating activities. We used cash primarily to fund capital expenditure and dividends. The changes are as follows:

	2021		2020		Change	%
	RMB million	US\$ million	RMB million	RMB million		
Generated from operating activities	147,893	22,913.5	82,338	65,555	79.6%	
Used in investing activities	(96,235)	(14,910.0)	(50,850)	(45,385)	89.3%	
Used in financing activities	(33,333)	(5,164.4)	(38,698)	5,365	-13.9%	

### Cash generated from operating activities

The cash inflow from operating activities increased 79.6% to RMB147,893 million (US\$22,913.5 million) in 2021 from RMB82,338 million in 2020, primarily attributable to the increase in oil and gas sales cash inflow caused by the higher international oil price.

### Cash used in investing activities

In 2021, our capital expenditure payment increased 2.9% to RMB73,088 million (US\$11,323.7 million) from 2020. Our development expenditures in 2021 were primarily related to the capital expenditure of Shenhai-1 gas field in offshore China and overseas projects in Guyana, Iraq and Brazil, and the expenses incurred for improving recovery factors of the oil and gas fields in producing. Our cash outflow from acquisition of oil and gas properties was RMB9,349 million (US\$1,448.5 million).

In addition, our cash used in investing activities was also attributable to the purchase of corporate wealth management products of RMB103,308 million (US\$16,005.8 million) this year. Our cash generated from investing activities was mainly from the expired corporate wealth management products in the amount of RMB82,296 million (US\$12,750.4 million), and the decrease in our time deposits with maturity over three months in the amount of RMB3,814 million (US\$590.9 million).

### Cash used in financing activities

In 2021, the net cash outflow from financing activities was mainly due to the repayment of bank loans of RMB3,231 million (US\$500.6 million), repayment of financial notes of RMB9,857 million (US\$1,527.2 million) and the cash outflow of the distribution of dividends of RMB20,473 million (US\$3,171.9 million), partially offset by the proceeds of bank loans of RMB8,108 million (US\$1,256.2 million).

At the end of 2021, our total interest-bearing outstanding debt was RMB135,142 million (US\$20,938.0 million), compared to RMB143,549 million at the end of 2020. The decrease in debt in 2021 was primarily attributable to the repayment of financial notes and impact of changes in the exchange rate of the US dollar and RMB. Our gearing ratio, which is defined as interest-bearing debts divided by the sum of interest-bearing debts plus equity, was 21.9%, lower than that of 24.9% in 2020, mainly due to the decrease of scale of interest-bearing debts.

## Capital Expenditure

The following table sets forth the Company's actual capital expenditure for the periods indicated.

	Year ended 31 December		
	2019	2020	2021
	(RMB million)		
<b>China</b>			
Development	35,659	45,527	48,450
Exploration	<u>15,120</u>	<u>11,689</u>	<u>14,898</u>
<b>Subtotal</b>	<u>50,779</u>	<u>57,216</u>	<u>63,348</u>
<b>Overseas</b>			
Development	24,253	17,503	21,088
Exploration	<u>3,546</u>	<u>2,687</u>	<u>3,156</u>
<b>Subtotal</b>	<u>27,799</u>	<u>20,190</u>	<u>24,244</u>
<b>Total</b>	<u><u>78,578</u></u>	<u><u>77,406</u></u>	<u><u>87,592</u></u>

Note: Capitalised interests for 2019, 2020 and 2021 were RMB3,048 million, RMB2,483 million and RMB2,086 million, respectively.

## OTHERS

### Employees

As of 31 December 2021, the Company had 16,758 employees in China, 2,129 employees overseas and 199 contracted employees.

The Company has set up a market-oriented recruitment structure and has adopted a more appropriate remuneration structure.

## CHARGES ON ASSETS

CNOOC NWS Private Limited, a wholly-owned subsidiary of the Company, together with the other joint venture partners and the operator of the NWS Project, signed a relevant deeds whereby certain liabilities incurred or to be incurred, if any, by the Company in respect of the NWS Project are secured by its interest in the NWS Project.

## **CONTINGENCIES**

As a Chinese Resident Enterprise, the Company may be liable to pay taxes on the deemed interest income for the funding provided to its overseas subsidiaries starting from 1 January 2008. The Company has prepared contemporaneous documentation in accordance with applicable PRC tax laws and regulations and is currently awaiting confirmation from its local tax authority.

The Company and its subsidiaries are subject to tax in numerous jurisdictions around the world. There are audits in progress and items under review. Difference in positions taken by taxation authorities over the interpretation and application of tax laws and regulations may increase the Company and its subsidiaries' tax liability. Management of the Company has assessed the possible future outcome of matters that are currently under dispute. Management of the Company believes that an adequate provision for future tax liability has been included in the consolidated financial statements based on available information.

In addition to the matters mentioned above, the Company or its subsidiaries are dealing with a number of lawsuits and arbitrations that arise in the ordinary course of business. While the results of these legal proceedings cannot be ascertained at this stage, management of the Company believes these proceedings are not expected to have a material effect on the consolidated financial statements.

## **EXCHANGE RATE**

Unless otherwise indicated, in this announcement, the exchange rate of Renminbi and the U.S. dollar in 2021 is RMB6.4544 to US\$1 (2020: RMB6.9110 to US\$1). These exchange rates are for reference only and no representation is made by the Company on the exchange rate of Renminbi and the U.S. dollar.

## **DIVIDENDS**

An interim dividend of HK\$0.30 (tax inclusive) per share was declared on 19 August 2021, and paid to the shareholders of the Company on 13 October 2021.

As disclosed in the announcement of the Company dated 30 March 2022, the CSRC has approved the RMB Share Issue of the Company. In accordance with the regulations of the CSRC, the Company is required to suspend the RMB Share Issue if it proposes a cash dividend plan during the period of the RMB Share Issue. In order to avoid the impact on the progress of RMB Share Issue of the Company, the Board decides not to recommend the declaration of the 2021 year-end dividend and will announce a special dividend plan as soon as possible after the completion of the RMB Share Issue, and the 2021 year-end dividend as originally planned and the special dividend for the 20th anniversary of the listing in Hong Kong shall be combined and declared as a special dividend.

## **AUDIT COMMITTEE**

The Audit Committee of the Company has reviewed, together with the management, the Company and its subsidiaries' consolidated financial statements for the year ended 31 December 2021, including the accounting policies adopted by the Company and its subsidiaries and has discussed the risk management, internal control and financial reporting matters. The Audit Committee of the Company has reviewed the annual results of the Company and its subsidiaries for the year ended 31 December 2021.

This announcement has been based on the Company and its subsidiaries' consolidated financial statements for the year ended 31 December 2021 which have been agreed with the auditor.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

Save as disclosed in this announcement, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of its listed securities during the year ended 31 December 2021.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

For the year ended 31 December 2021, the Company has complied with the provisions of the CG Code as set out in Appendix 14 to the Listing Rules, except for the temporary deviation from the then CG Code Provision A.4.2 of the CG Code. The following summarises the requirements under the above-mentioned CG Code Provision A.4.2 and the reason for such deviations.

### **CG Code Provision A.4.2**

Under the then CG Code Provision A.4.2, all directors appointed to fill a casual vacancy should be subject to election by shareholders at the first general meeting after appointment. Every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

Mr. Xia Qinglong was appointed as an Executive Director with effect from 3 August 2021. Mr. Xia Qinglong did not retire and offer himself for re-election by shareholders in the extraordinary general meeting of the Company held on 26 October 2021. This constitutes a deviation from the then Code Provision A.4.2 of the CG Code. However, the Company believes that this is a minor deviation at the operational level only. The shareholders' interests are not adversely impaired since any Director appointed by the Board is subject to the retirement and re-election provisions under article 101 of the Articles ("Article 101"). According to Article 101, Mr. Xia Qinglong will retire from office and being eligible for re-election at the forthcoming annual general meeting of the Company.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Code of Ethics which has incorporated the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All Directors have confirmed that they complied, during the year ended 31 December 2021, with the Company's Code of Ethics and the required standards set out in the Model Code.

## **PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT**

The electronic version of this announcement is published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkex.com.hk>) and on the Company's website (<http://www.cnooc ltd.com>). The annual report for the year ended 31 December 2021, containing all the information required by Appendix 16 to the Listing Rules, will be despatched to shareholders of the Company and published on the website of The Stock Exchange of Hong Kong Limited and the Company's website in due course.

By Order of the Board  
**CNOOC Limited**  
**Wang Dongjin**  
*Chairman*

Hong Kong, 30 March 2022

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

**Non-executive Directors**

Wang Dongjin (*Chairman*)

Li Yong (*Vice Chairman*)

Wen Dongfen

**Executive Directors**

Xu Keqiang

Xia Qinglong

**Independent Non-executive Directors**

Chiu Sung Hong

Lawrence J. Lau

Tse Hau Yin, Aloysius

Qiu Zhi Zhong

*This announcement includes forward-looking information, including the likely future developments in the business of the Company and its subsidiaries, such as statements regarding expected future events, business prospects or financial results. The words “expect”, “anticipate”, “continue”, “estimate”, “objective”, “ongoing”, “may”, “will”, “project”, “should”, “believe”, “plans”, “intends” and similar expressions are intended to identify such forward-looking statements. These statements are based on assumptions and analyses made by the Company as of this date in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors the Company currently believes are appropriate under the circumstances. However, whether actual results and developments will meet the current expectations and predictions of the Company is uncertain and depends on a number of uncertainties which could cause the actual results, performance and financial condition may differ materially from the Company’s expectations, including but not limited to those associated with fluctuations in crude oil and natural gas prices, macro-political and economic factors, changes in the tax and fiscal regimes of the host countries in which we operate, the highly competitive nature of the oil and natural gas industry, environmental responsibility and compliance requirements, the Company’s price forecast, the exploration and development activities and mergers, acquisitions and divestments activities, HSSE and insurance policies and changes in anti-corruption, anti-fraud, anti-money laundering and corporate governance laws. Consequently, all of the forward-looking statements made in this announcement are qualified by these cautionary statements. The Company cannot assure that the results or developments anticipated will be realised or, even if substantially realised, that they will have the expected effect on the Company, its business or operations.*