CNOOC Limited
中国海洋石油有限公司

SEHK : 00883
SSE : 600938

2022
ANNUAL REPORT

IMPORTANT NOTICE

The Board of Directors (the “Board” or “Board of Directors”), directors and senior management of CNOOC Limited (the “Company” or “CNOOC Limited”) warrant the truthfulness, accuracy and completeness of the information contained herein and there are no material omissions from, or misrepresentation or misleading statements, and jointly and severally assume full responsibility for this annual report.

The annual report has been considered and approved at the 2nd meeting of the Board of the Company in 2023.

The financial statements of the Company have been prepared in accordance with the Chinese Accounting Standards for Business Enterprises and the International Financial Reporting Standards (“IFRSs”)/Hong Kong Financial Reporting Standards (“HKFRSs”), respectively, and have been audited by Ernst & Young Hua Ming LLP and Ernst & Young accounting firms respectively and issued standard unqualified audit reports. Mr. Zhou Xinhuai, Chief Executive Officer, Mr. Xie Weizhi, Chief Financial Officer and Ms. Wang Xin, Manager of Financial Department of the Company warrant the truthfulness, accuracy and completeness of the financial report set out in this annual report.

In overall consideration of the factors such as the future earnings, capital requirements, financial position, future prospect and cash flow of the Company, the Board proposes to distribute the final dividend for the year ended 31 December, 2022 in the amount of HK$0.75 per share (tax inclusive) to all the shareholders. Together with the interim dividend of HK$0.70 per share (tax inclusive) already paid, the total final dividend and interim dividend for 2022 is HK$1.45 per share (tax inclusive). If there is any change in the total number of issued shares of the Company from the date of this annual report to the date of equity registration for the implementation of the 2022 final dividend, the Company intends to maintain the amount of dividend per share unchanged and adjust the total amount of profit distribution accordingly, and will disclose the details of the adjustment separately. Dividends payable shall be denominated and declared in HKD, among which, dividend for A shares will be paid in RMB, applying an exchange rate which equals to the average central parity rate between HKD and RMB announced by the People’s Bank of China in the week before the Annual General Meeting declared the dividend; dividend for Hong Kong shares will be paid in HKD. The Company’s final share distribution plan for 2022 has been approved by the 2nd meeting of the Board of the Company in 2023, and is subject to the approval by the shareholders in the 2022 annual general meeting of the Company.

No appropriation of funds on a non-operating basis by the Company’s controlling shareholder or its related parties has occurred. The Company did not provide external guarantees in violation of the stipulated decision-making procedures.

This presentation includes forward looking information, including statements regarding the likely future developments in the business of the Company and its subsidiaries, such as 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 that 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. Actual results, performance and financial condition may differ materially from the Company’s expectations, as a result of salient factors including but not limited to those associated with macro-political and economic factors, fluctuations in crude oil and natural gas prices, the highly competitive nature of the oil and natural gas industry, climate change and environment policies, the Company’s price forecast, 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 presentation 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.

Totals presented in this report may not add correctly due to rounding of numbers.

CONTENT

COMPANY PROFILE

CNOOC Limited, incorporated in the Hong Kong Special Administration Region ("Hong Kong") in August 1999, was listed on The Stock Exchange of Hong Kong Limited ("HKSE") (stock code: 00883) on 28 February 2001. The Company was admitted as a constituent stock of the Hang Seng Index in July 2001. On 21 April 2022, the Company's RMB shares ("A shares") were listed on the main board of the Shanghai Stock Exchange ("SSE") (stock code: 600938).

The Company is the largest producer of offshore crude oil and natural gas in China and one of the largest independent oil and gas exploration and production companies in the world. The Company mainly engages in exploration, development, production and sale of crude oil and natural gas.

The Company's core operation areas are Bohai, the Western South China Sea, the Eastern South China Sea and the East China Sea in offshore China. The Company has oil and gas assets in Asia, Africa, North America, South America, Oceania and Europe.

As of 31 December 2022, the Company owned net proved reserves of approximately 6.24 billion BOE, and its average daily net production was 1,709,175 BOE (unless otherwise stated, all amounts of reserve and production in this annual report include reserve and production accounted for by equity method). The Company had total assets of approximately RMB929.0 billion.

The basic information of CNOOC Limited:

Chinese Name of the Company	中國海洋石油有限公司
Abbreviation of Chinese Name of the Company	中國海油
English Name of the Company	CNOOC Limited
Chief Executive Officer of the Company	Zhou Xinhuai

Secretary to the Board of the Company (Acting Deputy):

Name	Xu Yugao
Contact address	No. 25 Chaoyangmen Beidajie, Dongcheng District, Beijing
Telephone	(8610) 8452 0883
E-mail	ir@cnooc.com.cn

Place of registration, office address and contact information:

Registered address of the Company	65/F, Bank of China Tower, 1 Garden Road, Hong Kong
Domestic office of the Company	No. 25 Chaoyangmen Beidajie, Dongcheng District, Beijing
Postal code for domestic office of the Company	100010
Overseas office of the Company	65/F, Bank of China Tower, 1 Garden Road, Hong Kong
Postal code for overseas office of the Company	999077
Website of the Company	www.cnoocltd.com
E-mail	ir@cnooc.com.cn

Changes in the places for information disclosure and reference:

The Company's designated press media for A shares information disclosure	China Securities Journal, Shanghai Securities News, Securities Times, Securities Daily
Designated stock exchange website for the annual report	www.sse.com.cn www.hkexnews.hk
The annual report of the Company is available at	A shares: No. 25 Chaoyangmen Beidajie, Dongcheng District, Beijing Hong Kong shares: 65/F, Bank of China Tower, 1 Garden Road, Hong Kong

Stock exchange where the shares are listed, stock abbreviation and stock code:

Hong Kong shares:	The Stock Exchange of Hong Kong Limited
Stock Code:	00883
A shares:	Shanghai Stock Exchange
Stock Abbreviation:	中國海油
Stock Code:	600938

Accounting firm employed by the Company:

Domestic:	Ernst & Young Hua Ming LLP
Office address:	Level 16, Ernst & Young Tower E3, Oriental Plaza No.1 East Chang An Ave, Dongcheng District, Beijing
Name of signing accountants:	Zhong Li, Zhao Yizhi
Overseas:	Ernst & Young
Office address:	27/F, One Taikoo Place 979 King's Road Quarry Bay, Hong Kong
Name of signing accountant:	Cheong Ming Yik

DEFINITION OF TERMS

Wildcat	A well drilled on any rock formation for the purpose of searching for petroleum accumulations, including a well drilled to obtain geological and geophysical parametres
Appraisal well	An exploratory well drilled for the purpose of evaluating the commerciality of a geological trap in which petroleum has been discovered
Exploration wells	Wildcat and appraisal wells
Upstream business	Oil and gas exploration, development, production and sales
Proved reserves	Based on geological and engineering date, estimates of oil or natural gas quantities reasonably thought to be recoverable from known oil and gas reservoirs under existing economic, operating conditions and regulations in future years.
Reserve replacement ratio	For a given year, total additions to proved reserves divided by production during the year.
Earthquake	For the purpose of this document, seismic exploration, a geophysical exploration method based on the difference in elasticity and density of underground medium to generate wave impedance, which is received and processed to reflect and infer the attribute and state of underground rock strata.
Proved in-place volume	The geological reserves that have been proved economically recoverable by appraisal drilling during the Reservoir Appraisal phase. The volumes are estimated with a high level of confidence.
Unconventional oil and gas	Oil and gas resources that cannot be obtained for natural industrial output using traditional development technologies, which can be economically exploited, continuously or quasi-continuously accumulated, only through the use of novel technologies which improve reservoir permeability or fluid viscosity, including tight oil and gas, shale oil and gas, coalbed methane, and natural gas hydrates.

GLOSSARY

Bbl	Barrel
Bcf	Billion cubic feet
BOE	Barrel of oil equivalent
Mbbls	Thousand barrels
Mboe	Thousand barrels of oil equivalent
Mcf	Thousand cubic feet
Mmboe	Million barrels of oil equivalent
Mmbbls	Million barrels
Mmcf	Million cubic feet

CONVERSION

For crude oil, 1 tonne is about 7.21 barrels
For natural gas, 1 cubic meter is about 35.26 cubic feet

FINANCIAL SUMMARY

(All amounts expressed in millions of RMB)

Consolidated Statement of Profit or Loss and Other Comprehensive Income (Audited)

Year ended 31 December

	2018	2019	2020	2021	**2022**
Total revenues	227,711	233,199	155,372	246,111	**422,230**
Total expenses	(147,544)	(149,004)	(118,983)	(150,132)	**(228,905)**
(Finance costs)/interest income, net	(4,364)	(4,798)	(4,717)	(4,678)	**(3,047)**
Share of profits/(losses) of associates and a joint venture	(5,187)	1,002	(632)	346	**1,911**
Investment income	3,685	4,632	2,978	2,850	**2,058**
Profit before tax	75,157	85,649	34,907	95,821	**194,770**
Income tax expense	(22,482)	(24,604)	(9,951)	(25,514)	**(53,093)**
Profit for the year	52,675	61,045	24,956	70,307	**141,677**

Consolidated Statement of Financial Position (Audited)

As of 31 December

	2018	2019	2020	2021	**2022**
Current assets	191,151	205,935	163,391	207,982	**264,679**
Property, plant and equipment	413,383	440,554	446,668	465,451	**532,719**
Investments in associates and a joint venture	24,701	45,490	42,366	41,540	**48,927**
Intangible assets	16,073	16,306	15,129	14,864	**16,600**
Total assets	686,381	757,731	721,275	786,569	**929,031**
Current liabilities	(74,157)	(91,249)	(74,852)	(93,951)	**(113,391)**
Non-current liabilities	(192,314)	(218,256)	(212,493)	(210,642)	**(217,257)**
Total liabilities	(266,471)	(309,505)	(287,345)	(304,593)	**(330,648)**
Equity	419,910	448,226	433,930	481,976	**598,383**

OPERATING SUMMARY

Year ended 31 December

	2018	2019	2020	2021	2022
Production					
Net production of crude and liquids (barrels/day)					
China	705,366	726,866	775,161	851,389	**921,130**
Bohai	433,325	436,173	452,625	494,019	**527,760**
Western South China Sea	109,381	109,906	110,247	108,793	**98,853**
Eastern South China Sea	159,312	176,884	206,911	243,084	**288,504**
East China Sea	3,347	3,902	5,377	5,493	**6,014**
Overseas	317,224	368,886	341,560	359,723	**390,706**
Asia (excluding China)	59,240	45,020	49,822	69,566	**57,109**
Oceania	4,251	3,764	5,131	4,684	**5,015**
Africa	59,844	120,925	90,750	85,078	**71,834**
North America (excluding Canada)	53,120	62,749	67,244	61,157	**58,786**
Canada	64,026	69,947	55,471	62,532	**66,671**
Europe	73,678	62,544	53,300	42,624	**41,430**
South America	3,066	3,937	19,842	34,082	**89,861**
Subtotal	1,022,589	1,095,751	1,116,721	1,211,111	**1,311,836**
Net production of natural gas (mmcf/day)					
China	834.8	987.9	1,153.1	1,299.7	**1,554.5**
Bohai	165.0	158.3	148.5	168.4	**179.8**
Western South China Sea	265.2	318.2	441.7	498.2	**643.5**
Eastern South China Sea	345.4	390.9	400.9	376.5	**403.0**
East China Sea	49.4	44.9	57.4	68.6	**79.9**
Onshore	9.9	75.6	104.7	188.0	**248.3**
Overseas	453.9	388.7	427.3	474.4	**427.8**
Asia (excluding China)	164.2	145.7	152.1	154.1	**143.9**
Oceania	111.1	93.0	140.5	131.8	**139.1**
Africa	–	–	–	70.7	**22.9**
North America (excluding Canada)	126.4	137.1	127.3	114.2	**113.3**
Canada	34.5	4.1	0.1	–	**–**
Europe	17.6	8.9	7.3	3.6	**5.8**
South America	–	–	–	–	**2.8**
Subtotal	1,288.8	1,376.6	1,580.4	1,774.1	**1,982.3**
Total net production (BOE/day)**					
China	845,171	892,928	970,793	1,071,681	**1,184,844**
Bohai	460,822	462,564	477,374	522,084	**557,734**
Western South China Sea	154,248	164,352	187,311	195,511	**210,739**
Eastern South China Sea	216,877	242,026	273,719	305,828	**355,669**
East China Sea	11,580	11,389	14,948	16,927	**19,327**
Onshore	1,644	12,596	17,442	31,331	**41,376**
Overseas	398,187	437,812	418,750	444,526	**467,874**
Asia (excluding China)	88,662	70,715	77,017	97,114	**82,842**
Oceania	26,034	21,987	32,673	30,516	**32,281**
Africa	59,844	120,925	90,750	96,859	**75,647**
North America (excluding Canada)	74,184	85,595	88,458	80,192	**77,674**
Canada	69,783	70,627	55,492	62,532	**66,671**
Europe	76,615	64,027	54,518	43,232	**42,403**
South America	3,066	3,937	19,842	34,082	**90,355**
Total	1,243,357	1,330,740	1,389,543	1,516,208	**1,652,718**
Net production in equity method investees					
Crude and liquids (barrels/day)	28,159	29,039	28,335	28,295	**30,428**
Natural gas (mmcf/day)	173.7	161.3	147.0	145.5	**151.1**
Subtotal (BOE/day)	58,080	56,824	53,658	53,353	**56,457**
Total (BOE/day)	1,301,438	1,387,564	1,443,201	1,569,560	**1,709,175**

OPERATING SUMMARY

Year ended 31 December

	2018	2019	2020	2021	2022
Reserves at year end*					
Net proved crude and liquids reserves (million barrels)					
China	1,783.2	1,899.7	1,952.6	2,094.5	**2,280.4**
Bohai	1,104.1	1,161.7	1,236.9	1,313.7	**1,476.4**
Western South China Sea	223.0	223.4	230.4	229.5	**262.5**
Eastern South China Sea	448.6	500.5	470.7	534.8	**526.8**
East China Sea	7.5	14.1	14.6	16.5	**14.6**
Overseas	1,515.1	1,583.8	1,696.4	1,829.2	**2,053.1**
Asia (excluding China)	54.1	56.1	199.1	183.8	**174.4**
Oceania	8.8	8.6	5.7	5.6	**5.2**
Africa	113.7	83.6	77.5	51.1	**86.6**
North America (excluding Canada)	263.4	249.8	165.2	180.6	**177.8**
Canada	884.4	933.2	890.7	884.2	**919.3**
Europe	111.2	107.5	71.6	65.6	**54.1**
South America	79.5	145.0	286.6	458.3	**635.7**
Subtotal	3,298.3	3,483.5	3,649.0	3,923.8	**4,333.4**
Net proved natural gas reserves (bcf)					
China	6,107.8	6,358.4	6,863.3	7,019.8	**7,786.2**
Bohai	753.4	1,112.3	1,242.0	1,338.8	**1,467.9**
Western South China Sea	3,715.6	3,602.8	3,603.9	3,557.2	**3,728.0**
Eastern South China Sea	903.7	800.1	732.9	782.1	**929.6**
East China Sea	735.1	774.9	820.2	832.1	**1,077.2**
Onshore	–	68.3	464.3	509.5	**583.4**
Overseas	1,519.0	1,468.8	1,093.1	1,331.4	**1,179.2**
Asia (excluding China)	841.6	798.7	714.6	736.2	**614.1**
Oceania	279.5	260.5	185.5	173.3	**171.0**
Africa	–	–	–	9.5	**10.2**
North America (excluding Canada)	390.9	405.3	190.9	322.3	**321.2**
Canada	0.2	–	–	–	**–**
Europe	6.7	4.4	2.1	2.7	**1.2**
South America	–	–	–	87.5	**61.4**
Subtotal	7,626.8	7,827.1	7,956.4	8,351.2	**8,965.3**
Total net proved reserves (million BOE)**					
China	2,804.6	2,964.3	3,108.5	3,289.1	**3,597.3**
Bohai	1,229.7	1,347.1	1,443.9	1,536.9	**1,721.1**
Western South China Sea	845.8	828.7	843.0	847.0	**903.1**
Eastern South China Sea	599.2	633.9	592.9	665.1	**681.7**
East China Sea	130.0	143.2	151.3	155.2	**194.1**
Onshore	–	11.4	77.4	84.9	**97.2**
Overseas	1,785.4	1,843.6	1,892.7	2,066.2	**2,262.8**
Asia (excluding China)	203.3	196.6	326.9	315.5	**284.2**
Oceania	63.6	59.6	42.0	39.6	**38.7**
Africa	113.7	83.6	77.5	52.7	**88.3**
North America (excluding Canada)	328.6	317.3	197.0	234.3	**231.4**
Canada	884.4	933.2	890.7	884.2	**919.3**
Europe	112.3	108.3	72.0	66.1	**54.3**
South America	79.5	145.0	286.6	473.9	**646.7**
Total	4,590.0	4,807.9	5,001.2	5,355.3	**5,860.1**
Net proved reserves in equity method investees					
Crude and liquids (million barrels)	258.1	269.8	271.0	275.2	**270.0**
Natural gas (bcf)	661.5	620.3	583.6	563.5	**629.3**
Subtotal (million BOE)	372.2	376.7	371.6	372.3	**378.5**
Total*	4,962.1	5,184.6	5,372.7	5,727.6	**6,238.6**

OPERATING SUMMARY

Year ended 31 December

	2018	2019	2020	2021	**2022**
Others					
Reserve life (years)	10.1	9.9	9.8	9.7	**9.7**
Reserve life (years) (including equity method investees)	10.5	10.2	10.2	10.0	**10.0**
Reserve replacement ratio (%)	126	145	138	164	**184**
Reserve replacement ratio (%) (including equity method investees)	126	144	136	162	**182**
Average realised price					
Crude oil (US$/barrel)	67.22	63.34	40.96	67.89	**96.59**
Natural gas (US$/mcf)	6.41	6.27	6.17	6.95	**8.58**

* *Approximately 69%, 66%, 62%, 74% and 89%, respectively, of our net proved reserve estimates in 2018, 2019, 2020, 2021 and 2022 were based on the Company's internal evaluation and the remaining were made by independent third-party consultants. The Company referred to the SEC's final rules on "Modernization of Oil and Gas Reporting" to evaluate reserves.*

** *In calculating barrels of oil equivalent, or BOE, we have assumed that 6,000 cubic feet of natural gas equals one BOE, with the exception of Buzios project in Brazil, BC Energy project in Argentina, NWS project in Australia, Madura and Tangguh projects in Indonesia, and Dongfang 13-2, Shenhai-1, Yacheng 13-1, and Wenchang 9-2/9-3/10-3 Oil and Gas Fields in China, which we have used the actual thermal unit for conversion.*

CHAIRMAN'S STATEMENT

Dear shareholders,

In spite of the sluggish global economic recovery and geopolitical turbulence during 2022, CNOOC Limited was resolved to increase reserves and production amid rising oil prices. From our efforts, we delivered the best operating results in history for our shareholders.

In 2022, we listed on the main board of the Shanghai Stock Exchange and became the largest IPO in a decade from China's energy industry. The IPO gives us access to China's dynamic capital market and unfolds a new horizon for our future development.

During 2022, we remained committed to increasing oil and gas production, and the net production reached 624 million BOE, hitting another record high.

We also stepped up our exploration efforts and made 18 commercial discoveries in the year. Our oil and gas exploration was fruitful as it yielded a reserve replacement ratio of 182% and the reserve life remained above 10 years.

We efficiently pushed forward the construction of major projects, 9 projects were brought on stream and more than 40 projects were under construction throughout the year. These projects will be an important driver of our future development.

We implemented an innovation-driven development strategy, and achieved multiple breakthroughs in technological innovation. Digitalization and the use of artificial intelligence were accelerated, and science and technology systems were further improved.

We diligently advanced our green and low-carbon transition, and actively promoted green and clean production of oil and gas. Leveraging offshore advantages, we steadily developed the new energy business and opened a new chapter of resources acquisition.

CHAIRMAN'S STATEMENT

We have fully utilized our strengths to maintain our cost competitiveness over the years and create better value. In 2022, our net profit amounted to RMB141.7 billion, which is another record high. To share the development results with shareholders, the Board of Directors has recommended the payment of a final dividend of HK$0.75 per share (tax inclusive) for 2022.

We were, are and will be committed to becoming a first-class energy supplier, a creator of superior value and a pioneer in high-quality development. To fulfill our corporate social responsibilities, we remained active in marine conservation, rural revitalization, community development and employee care.

Looking ahead to 2023, we will capitalize on our strengths to enhance our value-creation capabilities and elevate our international competitiveness.

We will continue to increase our reserves and production. In doing so, we will look for mid-to-large-sized oil and gas fields to consolidate the reserve base and expand our production capacity construction to enlarge our production scale.

We will continue to enhance quality and efficiency, as well as reduce cost. We will also improve our managerial performance to achieve high-quality development of the Company.

We will continue to promote technological innovation. We will work hard to support high-quality development with technological breakthroughs and innovation.

We will continue to strive for green development. We will cultivate green and low-carbon sectors and support the integration of the oil and gas sector with new energy sector.

In 2022, Mr. Xu Keqiang resigned as CEO of the Company, and was re-designated as a Non-executive Director of the Company. Mr. Zhou Xinhuai was appointed as an Executive Director and the CEO. Mr. Lin Boqiang was appointed as an Independent Non-executive Director. On behalf of the Board of Directors, I would like to thank Mr. Xu Keqiang for his contributions to the Company during his term of office as the CEO and welcome Mr. Zhou Xinhuai and Mr. Lin Boqiang. Going forward, all directors will remain dedicated to their duties and work hard for the sound and sustainable development the Company.

Headwinds are no stranger to sailors, who will ride the tides to pursue glories. Greater efforts are required to tackle challenges along the long journey. Dear shareholders, let's join hands to build CNOOC Limited into a world-class energy company and achieve better results for the future.

Wang Dongjin
Chairman

Hong Kong, 29 March 2023

BUSINESS OVERVIEW

Zhou Xinhuai
CEO

OVERVIEW

CNOOC Limited is an upstream company specialising in oil and natural gas exploration, development and production, and remains the dominant oil and natural gas producer in offshore China. In terms of reserves and production, it is one of the largest independent oil and natural gas exploration and production companies in the world. As of the end of 2022, the Company had net proved reserves of approximately 6.24 billion BOE (including approximately 0.38 billion BOE in its equity method investees). In 2022, the Company achieved a net production of 1,709,175 BOE/day (including a net production of 56,457 BOE/day in its equity method investees).

In China, CNOOC Limited engages in oil and natural gas exploration, development and production in Bohai, Western South China Sea, Eastern South China Sea, East China Sea and onshore, either independently or through cooperation with partners. As of the end of 2022, approximately 57.7% of the Company's net proved reserves and approximately 69.4% of its net production were from China.

We have a diversified and high-quality portfolio overseas. We hold interests in a number of world-class oil and gas projects and have become a leading player in the industry. Our assets are located in more than 20 countries and regions around the globe, including Indonesia, Australia, Nigeria, Iraq, Uganda, Argentina, the U.S., Canada, the U.K., Brazil, Guyana, Russia and the United Arab Emirates. As of the end of 2022, overseas oil and gas assets accounted for approximately 47.2% of the total oil and gas assets of the Company, and overseas net proved reserves and overseas net production accounted for approximately 42.3% and approximately 30.6%, respectively.

In 2022, the Company seized the opportunity and followed the trend, actively promoted reserves and production augmentation, technological innovation and green development, firmly enhanced quality and efficiency and our operating results reached the best level in history. During the year, we made 18 new discoveries and successfully appraised 28 oil and gas-bearing structures. In China, Bozhong 26-6, a large oil and gas discovery with proved in-place volume of 100 million-tons, and Baodao

BUSINESS OVERVIEW

21-1, Bozhong 19-2 and other mid-to-large sized oil and gas fields have been discovered or successfully appraised, and steady progresses in unconventional oil and gas exploration were made. Overseas, 10 new discoveries were made in Stabroek block in Guyana. As disclosed by the operator, the recoverable resources in the block have been expended to approximately 11 billion BOE.

In 2022, the Company achieved a net oil and gas production of 623.8 million BOE, exceeding the annual target and hitting another record high. Production growth was supported by the smooth commencement of production of nine new projects. The fine management of producing oil fields has been strengthened to effectively control the natural decline rate and maintain a high rate of production. At the same time, the Company steadily and efficiently promoted the construction of new capacity, more than 40 projects are under construction throughout the year, which will strongly support the sustainable development in the future.

Profitability improved significantly due to the high oil price environment, production growth from ongoing efforts in reserve and production growth and quality and efficiency enhancement. In 2022, we achieved oil and gas sales revenue of RMB353.0 billion and the net profit increased significantly by 101.5% and hit a new high of RMB141.7 billion. The Company strengthened cost control and continued to consolidate cost competitive advantage, with all-in cost of US$30.39 per BOE. At the same time, we increased investment in increasing reserves and production, technology research and development, and oil and gas infrastructure construction. The capital expenditure for the year reached RMB102.5 billion, exceeding the plan set at the beginning of the year.

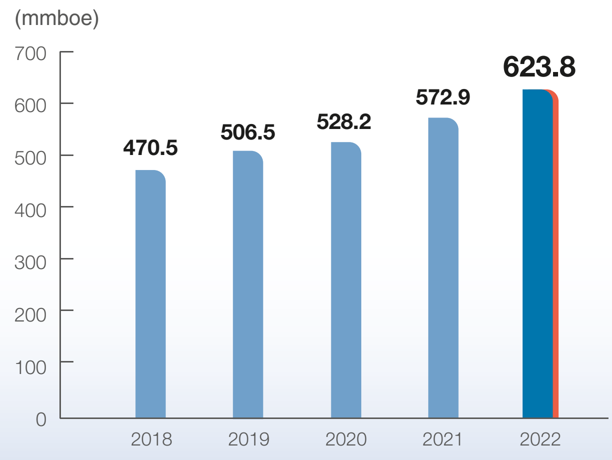
The Company has taken new steps in green and low-carbon development. Smooth progress was made for new energy business with acquisition of Hainan Dongfang offshore wind power and other projects, and the first far-reaching offshore floating wind power platform "CNOOC Guanlan" completed floating general installation. China's first offshore CCS demonstration project was completed in the Enping Oilfields, and the second phase of the Bozhong-Kenli Oilfields onshore power project was completed and brought on stream, making solid progress in the green production of oil and gas.

In 2022, fruitful progress was made in tackling key and core technologies. The first set of self-developed subsea oil and gas production systems were successfully demonstrated and applied. We successfully installed "Haiji-1" jacket platform, the first deepwater jacket in Asia, which was independently designed and built by the Company. Qinhuangdao 32-6, Dongfang Gas Fields and other smart oil and gas fields took shape, and the unmanned rate of offshore oil fields further increased.

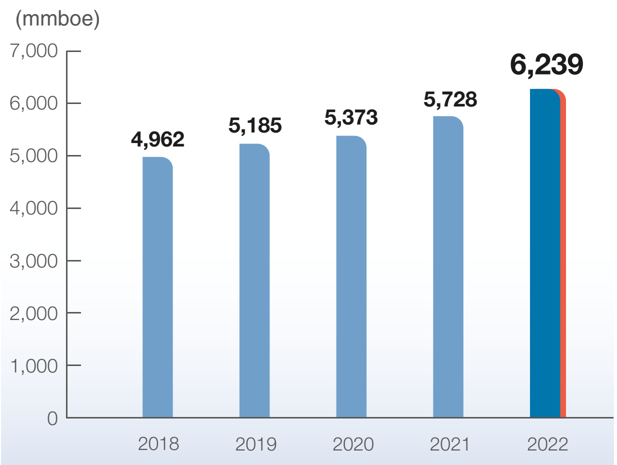
In 2022, the health, safety and environmental protection situation of the Company remained stable, providing strong support for the smooth operation of our businesses.

Net Production **623.8** million BOE *increased by 8.9% YoY*	**Net Proved Reserves** **6,238.6** million BOE *stable reserve life at 10 years*	**Net Profit Attributable To Equity Shareholders** **141.7** billion RMB *increased by 101.5% YoY*
Net Operating Cash Flow **205.6** billion RMB *increased by 39.0% YoY*	**All-in Cost** **30.39** US$/BOE *good performance in cost control*	**Annual Regular Dividend** **1.45** HK$/share (tax inclusive) *proposed final dividend of HK$0.75/share (tax inclusive)*

Net Production



Net Proved Reserves



BUSINESS OVERVIEW

EXPLORATION

In 2022, we gave top priority to exploration and continued to increase exploration investment, highlighting large-scale discoveries and efficient reserves, and achieved remarkable results. In China, we made great efforts to promote risk exploration, facilitated in-depth integration of exploration and development, and actively explored new unconventional areas to lay a solid foundation for reserves growth. Overseas, we actively expanded exploration into new battlefields and focused on the strategic core area. The Stabroek block in Guyana continued to make new progress.

In 2022, the Company's reserve replacement ratio reached 182%, with a reserve life of 10.0 years. For 6 consecutive years, our reserve life remained above 10 years, providing a sound resource base for our sustainable development in the future.

The Company has vast area of exploration blocks in our core regions in offshore China and holds rights to many exploration blocks in Africa, South America and North America. The Company's major exploration areas as of the end of 2022 are shown in the table below:

	Areas	Major Exploration Areas (Net) (km^2)
China	Bohai	29,505
	Western South China Sea	56,571
	Eastern South China Sea	38,052
	East China Sea	84,577
	Onshore	8,255
	Subtotal	**216,960**
Overseas	Asia (excluding China)	–
	Africa	17,899
	Oceania	179
	North America	2,992
	South America	8,189
	Europe	100
	Subtotal	**29,359**
Total		**246,319**

In offshore China, the exploration workload remained at a high level, and a total of 224 exploration wells were drilled, including 9 PSC wells. A total of 17,453 square kilometres of 3-Dimensional (3D) seismic data and 4,256 kilometres of 2-Dimensional (2D) seismic data were acquired through independent operations. The Company made 8 new discoveries and successfully appraised 28 oil and gas bearing structures in offshore China.

In 2022, the exploration achievements in offshore China mainly include:

Firstly, we have successfully discovered Bozhong 26-6, a large oil and gas field with 100 million-ton scale of resources, as well as Baodao 21-1, Bozhong 19-2 and other mid-to-large sized oil and gas fields, which further underpinned our reserve base.

Secondly, we continued to explore in new areas, new fields, and new types. We obtained several new discoveries including Jinzhou 14-6 and Yacheng 13-10, expanding new exploration areas for reserves and production growth.

Thirdly, we promoted the in-depth integration of exploration and development. The efficiency of rolling exploration has been continuously improved, and nearly 100 million tons of resources have been found, effectively supporting the rapid conversion from reserves to production.

Fourthly, offshore unconventional exploration opened a new field, offshore shale oil exploration achieved a major forward-looking breakthrough in Weixinan area, and the fracturing test of Weiye-1 well, the first offshore shale oil well, was successful.

Onshore China, we stepped up unconventional natural gas exploration, drilled 132 exploration wells, and acquired 516 square kilometers 3D seismic data and 120 kilometers 2D seismic data. The fracturing of the first onshore deep coalbed methane well has been completed, pushing onshore exploration to a depth of more than 2,000 meters.

Overseas, we drilled 13 exploration wells, mainly in Guyana and Mexico. Ten mid-to-large sized new discoveries were made in the Stabroek block in Guyana. As of the end of 2022, a total of 30 new discoveries were made in the Stabroek block, with the total recoverable resources in the block reaching 11 billion BOE as disclosed by the operator.

The Company's major exploration activities in 2022 are set out in the table below:

	Exploration Wells				New Discoveries		Successful Appraisal Wells		Seismic Data			
	Independent		PSC						2D (km)		3D (km^2)	
	Wildcat	Appraisal	Wildcat	Appraisal	Independent	PSC	Independent	PSC	Independent	PSC	Independent	PSC
Offshore China												
Bohai	31	69	0	2	4	0	35	0	0	0	3,807	0
Eastern South China Sea	17	32	2	0	1	0	4	0	0	0	6,563	0
Western South China Sea	26	30	5	0	2	1	11	0	4,256	0	5,806	0
East China Sea	3	7	0	0	0	0	3	0	0	0	1,277	0
Subtotal	**77**	**138**	**7**	**2**	**7**	**1**	**53**	**0**	**4,256**	**0**	**17,453**	**0**
Overseas	**1**	**0**	**10**	**2**	**0**	**10**	**0**	**2**	**0**	**0**	**0**	**0**
Total	**78**	**138**	**17**	**4**	**7**	**11**	**53**	**2**	**4,256**	**0**	**17,453**	**0**

In 2023, we will continue to target the discovery of mid-to-large sized oil and gas fields, increase risk exploration efforts, so as to lay a solid reserve foundation for the Company's sustainable development. In China, we will develope oil and gas simultaneously with a target of stabilizing oil and increasing gas. We will deepen the efforts in the Bohai Sea, accelerate exploration in the South China Sea, and continue to strengthen risk exploration to seek replacement areas for reserves; we will explore unconventional resources, especially deep layer coalbed methane. Overseas, we will continue to focus on efficiency and value exploration in the hot exploration basins.

ENGINEERING CONSTRUCTION, DEVELOPMENT AND PRODUCTION

The Company focuses on oil and gas production growth, anchors the annual production target, continuously strengthens production and operation management, efficiently organizes project operations, and promotes a substantial increase in production efficiency. In 2022, the Company achieved a net oil and gas production of approximately 623.8 million BOE, exceeding the production target of 600 to 610 million BOE set at the beginning of the year, with a year-on-year growth of 8.9% and achieved a rapid production growth for several consecutive years.

In 2022, the Company continued to accelerate the construction of new production capacity to support oil and gas production. A total of 9 new projects successfully commenced production during the year, including Weizhou 12-8 Oilfield East development project, Kenli 6-1 Oilfield 10-1 North block development project, Dongfang 1-1 Gas field Southeast and Ledong 22-1 Gas field South development project, Jinzhou 31-1 Gas field development project, Enping 15-1/10-2/15-2/20-4 oilfields joint development project, Kenli 6-1 oilfield block 5-1, 5-2, 6-1 development project, as well as the Mero oilfield Phase I project in Brazil, Liza oilfield Phase II project in Guyana, and MDA gas field of 3M Project in Indonesia. More than 40 projects were under construction throughout the year, and the development and construction of key projects progressed smoothly. Asia's first deep-water jacket "Haiji-1", independently designed and built by the Company, was successfully installed. The Shenmu-Anping coalbed methane pipeline (Shen'an Pipeline) was fully connected.

In 2022, the Company continued to increase reserves and production, maintained stable production in producing oil fields, accelerated the construction of new oil fields, and strengthened scientific and technological innovation to support production growth. The main measures included:

Firstly, we efficiently organized engineering project operations to ensure that new projects commenced production on time. We focused on key production capacity projects, strengthened quality and safety risk control, carefully coordinated the deployment of resources, and made every effort to ensure the implementation of projects as planned. We continued to promote the standardization of engineering construction and accelerated the construction of production capacity.

Secondly, we actively promoted efficiency enhancement to ensure steady and increased production in producing oil and gas fields. Continuous efforts were made in waterflooding, water control and production stabilization. The effect of waterflooding was improved, and the natural decline rate of offshore oil fields dropped to the best level in history. We accelerated the implementation of development wells and adjustment wells. The number of adjustment wells and their production contribution both reached record highs. We also optimized shutdown maintenance, increased production efficiency, and applied new technology measures to increase production.

Thirdly, we vigorously promoted the integration of exploration and development. By adhering to the concept of regional development, we coordinated resources, comprehensively accelerated the preliminary research process, strengthened drilling and testing, timely optimized the plans, improved the overall development efficiency, and accelerated the conversion of reserves to high-quality production.

Fourthly, we adopted innovative development mode to effectively increase production and enhance efficiency. We accelerated the construction of heavy oil thermal production demonstration areas and steadily advanced pilot tests for low-permeability fracturing. Breakthroughs were made in subsea production systems and other technologies; and progress has been made in the construction of smart oilfield, unmanned platform and oilfield typhoon production mode.

Looking forward to 2023, we will actively promote the construction of key projects and maintain production growth, strengthen drilling and completion quality management and schedule control to achieve the goal of improving production and efficiency. Meanwhile, we will continue to ensure steady production in producing oil and gas fields, continue to optimize and adjust well deployment to increase production per well; conduct solid and refined research on oil and gas reservoirs to reduce the natural decline rate; strictly control project cost and strengthen post-project evaluation management.

The Company has set a net production target of 650-660 million BOE for 2023. More than 50 projects are expected to be under construction throughout the year, including the "Shenhai-1" phase II project (Lingshui 25-1 gas field development project) and the Bozhong 19-6 condensate gas field phase I development project in China, and overseas projects including Payara project in Guyana and Uganda projects. 9 new projects are scheduled to come on stream during the year, mainly including the Bozhong 19-6 condensate gas field Phase I development project and the Lufeng 12-3 oilfield development project in China, and the Mero2 project in Brazil and Payara project in Guyana.

OVERVIEW BY REGION

China

In China, we conduct oil and gas exploration and development primarily through independent operations and cooperation projects.

Independent operations. We have been increasing our reserves and production mainly through independent exploration and development. As of the end of 2022, approximately 84.4% of our net proved reserves and approximately 85.0% of our net production in China were obtained from the oil and gas fields 100% owned and operated by CNOOC Limited.

Cooperation projects. We cooperate with partners through product sharing contracts ("PSCs") in oil resources (including crude oil and gas) exploitations. China National Offshore Oil Corporation ("CNOOC Group"), our controlling shareholder, has the exclusive right to enter into PSCs with foreign contractors to cooperate in the exploration, development and production of oil and gas resources in offshore China where acreage are open to foreign cooperation. CNOOC Group has transferred to the Company all its rights and obligations under the existing and future PSCs (except those rights and obligations related to the management and supervision that should be implemented by a State Corporation).

Bohai

Bohai is the most important crude oil producing area for the Company. The crude oil produced in this region is mainly heavy oil. The operational area in Bohai is mainly shallow water with a depth of approximately 10 to 30 meters. As of the end of 2022, the reserves and production in Bohai reached 1,721.1 million BOE and 557,734 BOE/day, respectively, representing approximately 27.6% of the Company's total reserves and approximately 32.6% of its production.

With rich oil and gas resources, Bohai is one of the Company's core areas for exploration and development. In 2022, the Company successfully made 4 discoveries in Bohai, namely Bozhong 26-6, Bozhong 19-2, Jinzhou 25-1 North and Jinzhou 14-6. In addition, the Company successfully appraised 14 oil and gas bearing structures, including Luda 16-3, Luda 6-2 South, Bozhong 19-2, Bozhong 19-4, Bozhong 26-3, Bozhong 27-2, Bozhong 29-1, Bozhong 36-1, Qinhuangdao 27-3, Caofeidian 1-2, Caofeidian 11-3 East, Jinzhou 25-1 North, Longkou 7-6 and Jinxian 1-1.

In 2022, the Company made new breakthroughs in the exploration of inside-buried hills. The newly proved in-place oil volume in Bozhong 26-6 exceeded 100 million tons, which is the largest integrated metamorphic buried hill oilfield in China. In addition, large scale lithology exploration was made in Bozhong 19-2, with proved in-place oil volume exceeding 60 million tons. The exploration of Paleogene lithologic oil and gas reservoirs in Bohai has obtained Jinzhou 14-6, a 10-million-ton in-place-volume lightweight and high-yield oil and gas fields, showing a good exploration prospect.

In terms of development and production, Kenli 6-1 oilfield 10-1 North block development project, Kenli 6-1 oilfield 5-1, 5-2, 6-1 block development project and the Jinzhou 31-1 gas field development project have all commenced production. In particular, Kenli 6-1 oilfield 5-1, 5-2, 6-1 block development project is the Company's first large-scale application of standardized unmanned platform in Bohai Sea, which has become a good practice for the Company to promote the intelligent, standardized and unmanned offshore oilfield. In addition, China's largest offshore oil fields onshore power application project – Bozhong-Kenli onshore power application engineering project has been successfully put into operation during the year.

In 2023, Bozhong 19-6 condensate gas field phase I development project and Bozhong 28-2 south oilfield secondary adjustment project in Bohai will commence production.

Western South China Sea

Western South China Sea is one of the Company's important crude oil and natural gas production areas. The typical operating water depth in the region ranges from 40 to 1,500 metres. The crude oil produced here is mostly light or medium. As of the end of 2022, the reserves and production in Western South China Sea reached 903.1 million BOE and 210,739 BOE/day, respectively, representing approximately 14.5% of the Company's total reserves and approximately 12.3% of its production.

In 2022, the Company made 3 new discoveries in Western South China Sea, namely Wenchang 19-3, Weizhou 12-8 East and Yacheng 13-10. The Company successfully appraised 10 structures bearing oil and gas, namely Baodao 21-1, Wushi 1-6, Wushi 22-9, Wenchang 8-3 North, Wenchang 14-3, Wenchang 13-1 East, Wenchang 16-2, Wenchang 19-3, Weizhou 11-6 and Weizhou 12-2. In particular, Baodao 21-1 is the first large deep-water integrated gas field with proven in-place volume of over 50 billion cubic meters of natural gas, a historic breakthrough in deep-water and deep-layer exploration in the South China Sea, and will lay a solid foundation for the construction of a trillion-cubic-meter gas area in the South China Sea. Testing production of Yacheng 13-10 obtained high-yield gas flow and realized reserves replacement for the producing gas field.

In addition, the Weiye-1 well, the first offshore shale oil well, conducted fracturing test successfully, achieving a major breakthrough in offshore shale oil exploration and strengthening the Company's confidence in the offshore unconventional oil and gas exploration.

Weizhou 12-8 Oilfield East development project, Dongfang 1-1 Gas field Southeast and Ledong 22-1 gas field South development project have successfully commenced production during the year. Weizhou 5-7 oilfield development project is expected to start production in 2023.

Eastern South China Sea

Eastern South China Sea is another important crude oil and natural gas producing area of the Company. The typical operating water depth in the region ranges from 100 to 1,500 metres. The crude oil produced here is mostly light or medium. As of the end of 2022, the reserves and production in Eastern South China Sea reached 681.7 million BOE and 355,669 BOE/day, respectively, representing approximately 10.9% of the Company's total reserves and approximately 20.8% of its production.

In 2022, the Company made a new discovery in Eastern South China Sea, namely Liuhua 28-2 West. In addition, 4 oil and gas bearing structure were successfully appraised, namely Enping 20-5, Huizhou 25-14, Liuhua 28-1 and Xijiang 24-7. Based on the hydrocarbon rich sag, the Company established the innovative accumulation model, achieving an important breakthrough in Huizhou deep Paleogene.

In 2022, Asia's first deep-water jacket "Haiji-1", independently designed and built by the Company, was successfully installed, indicating that CNOOC Limited has mastered complete sets of key technologies for manufacturing and installation of deepwater ultra-large jacket platform. Enping 15-1/10-2/15-2/20-4 oilfields joint development project has been brought on stream. The project is China's first offshore CCS demonstration project, which will realize the re-injection and sequestration of carbon dioxide produced by the oilfields. The Enping 18-6 oilfield development project and Lufeng 12-3 oilfield development project are expected to start production in 2023.

East China Sea

The typical operating water depth in the East China Sea region is approximately 90 metres. As of the end of 2022, the reserves and production in the region represented approximately 3.1% and approximately 1.2% of the Company's total reserves and production, respectively.

In 2022, the Company continued to optimize the adjust well deployment in the East China Sea to promote sustainable and stable production of producing oil fields. At the same time, it has promoted the transformation of offshore platforms into unmanned and semi-unmanned platforms, which has significantly reduced operating costs.

Onshore

We mainly engaged in the exploration, development and production of unconventional natural gas resources in onshore China. We have established two major production bases in the Qinshui Basin and the eastern edge of the Erdos Basin, namely Shenfu and Linxing. As of the end of 2022, the reserves and production in onshore China represented approximately 1.6% and approximately 2.4% of the Company's total reserves and production, respectively.

In 2022, major breakthroughs were made in the exploration of new areas of onshore deep coalbed methane. The large-scale fracturing of the first deep coalbed methane well has been completed, pushing onshore exploration to coal seam with a depth of 2,000 meters.

The Company has achieved rapid growth in onshore natural gas production for several consecutive years, which will lead to a further increase in the proportion of natural gas production. China's longest coal bed methane pipeline – Shen'an Pipeline has been completed, which will provide stable and efficient clean energy for North China in the future. In 2023, the integrated tight gas exploration and development project in the Mugua area of Shenfu Block is expected to begin production. In the future, we will actively promote the construction of another onshore unconventional gas area of 100 billion cubic meters in-place volume, to provide strong support for the increase of proportion of natural gas production.

Overseas

Asia (excluding China)

Asia (excluding China) is the first overseas region the Company entered. Currently, the Company owns oil and gas assets mainly in Indonesia, Iraq and the United Arab Emirates. As of the end of 2022, the reserves and production in Asia (excluding China) reached 284.2 million BOE and 82,842 BOE/day, respectively, representing approximately 4.6% of the Company's total reserves and approximately 4.8% of its production.

Indonesia

As of the end of 2022, the Company's asset portfolio in Indonesia comprised mainly of two development and production blocks, namely the Madura Strait and Tangguh.

Among them, the Madura Strait block is a joint operation block. In 2022, the MDA and MBH gas fields in the block were successfully commissioned, and the MAC gas field was being drilled. As of the end of 2022, the Company had built a gas production base with an annual capacity of 2.57 billion cubic meters, making it the largest gas supplier in East Java.

The Company owns approximately 13.9% interest in the Tangguh LNG project in Indonesia. In 2022, phase I production remained stable with a daily net production of approximately 20,000 BOE. The construction of the phase II LNG production line has been delayed. The Indonesian government has approved the extension of the PSC for the Tangguh project until the end of 2055.

Iraq

The Company owns a 63.75% participating interest in the technical service contract of Missan oilfields in Iraq and acts as the lead contractor.

In 2022, the Company adopted innovative management measures and technology initiatives in the Missan oilfield and continuously adjusted and optimized the production enhancement project program, resulting in a successful increase in a gross production of 300,000 BOE per day and a sustained steady production. Daily net production declined to approximately 25,000 BOE due to the impact of the contract recovery model.

United Arab Emirates

The Company indirectly holds 4% interest in each of the two oilfield contract areas, namely the Lower Zakum Shallow Water Oilfield and Umm Shaif & Nasr Oilfield in Abu Dhabi. In 2022, the projects maintained stable production with an average daily net production of approximately 30,000 BOE.

BUSINESS OVERVIEW

Oceania

Currently, the Company's oil and gas assets in Oceania are mainly located in Australia and Papua New Guinea. As of the end of 2022, the reserves and production from Oceania reached 38.7 million BOE and 32,281 BOE/day, respectively, representing approximately 0.6% of the Company's total reserves and approximately 1.9% of its production.

Australia

The Company owns a 5.3% interest in the North West Shelf LNG Project in Australia. The producing project supplies gas to the end-users including the Dapeng LNG Regasification Terminal in Guangdong, China.

In 2022, production from the NWS Project remained stable. The incremental gas production exceeded target and generated favourable economic returns.

Other Regions in Oceania

The Company owns interests in one exploration block in Papua New Guinea.

Africa

Africa is an important source of oil and gas for the Company overseas. The Company's assets in Africa are primarily located in Nigeria and Uganda. As of the end of 2022, the reserves and production in Africa reached 88.3 million BOE and 75,647 BOE/day, respectively, representing approximately 1.4% of the Company's total reserves and approximately 4.4% of its production.

Nigeria

The Company owns a 45% interest in the OML130 block in Nigeria. The OML130 block is a deepwater block comprised of four oilfields, namely Akpo, Egina, Egina South and Preowei.

In 2022, daily net production of Akpo oilfied was approximately 38,000 barrels due to natural decline. The Egina oilfield maintained stable production with a daily net production of approximately 31,000 barrels.

In addition, the Company holds a 20% non-operating interest in the OML138 block offshore Nigeria, and an 18% non-operating interest in the OML139 and OML154 PSCs, respectively.

We will deepen our regional coordination to establish an oil and gas production base in West Africa centred around Nigeria.

Uganda

The Company owns a 28.3333% interest in each of EA 1, EA 2 and EA 3A blocks in Uganda. The blocks are located at the Lake Albert Basin in Uganda, which is one of the most promising basins in terms of oil and gas resources onshore Africa.

In February 2022, the full-scale construction of the long-distance pipeline project was officially launched and is now progressing steadily. In the future, the Company will continue to work actively with its project partners and the Ugandan government.

Other Regions in Africa

Apart from Nigeria and Uganda, the Company also owns interests in exploration blocks in countries and regions such as Gabon, Congo-Brazzaville and the Senegal-Guinea-Bissau Joint Economic Zone.

North America

North America is one of the Company's largest overseas oil and gas reserves and production regions. The Company holds interests in oil and gas blocks in the U.S., Canada, Mexico and Trinidad and Tobago. As of the end of 2022, the reserves and production in North America reached 1,150.6 million BOE and 144,345 BOE/day, respectively, representing approximately 18.4% of the Company's total reserves and approximately 8.4% of its production.

The U.S.

The Company owns interests in two onshore shale oil and gas projects in the U.S. and two offshore deepwater projects in the Gulf of Mexico.

CNOOC Limited holds 26% and 13% interests in Eagle Ford and Rockies, respectively, which are two onshore shale oil and gas projects in the U.S. Production from the Eagle Ford and Rockies projects was impacted in 2022 by a decline in drilling activities, with daily net production from the Eagle Ford project at 34,000 BOE.

CNOOC Limited owns 25% and 21% interests in two important deepwater projects, namely Stampede and Appomattox, respectively, in the U.S. Gulf of Mexico. In 2022, both projects' production increased, benefiting from better-than-expected performance of production wells in. In particular, the daily net production of Appomattox project reached approximately 22,000 BOE. In addition, the Company also owns interests in several other exploration blocks in the U.S. Gulf of Mexico.

Canada

Canada is one of the areas rich in oil sands resources in the world. The Company owns 100% working interest in Long Lake and three other oil sands projects in the Athabasca region of northeastern Alberta in Canada.

In 2022, the Company seized the opportunity of high oil prices, actively drilled adjustment wells and accelerated production of the Long Lake Southwest project, effectively increasing time efficiency rate. The successful resumption of production from the K1A project and the smooth restart of some facilities at the reforming plant boosted a significant increase in production, with a daily net production of approximately 44,000 BOE.

The Company holds a 7.23% interest in the Syncrude project and its daily net production in 2022 was approximately 18,000 BOE. The Company also holds a 25% interest in the Hangingstone oil sands project and non-operating interests under several other exploration and development licences.

Other Regions in North America

The Company owns a 12.5% interest in the 2C block in Trinidad and Tobago, which is a producing asset with stable output and favourable economic returns in 2022.

In addition, the Company also owns 100% operating interest in block 1 and a 40% operating interest in block 4 of the Cinturon Plegado Perdido deepwater exploration blocks in Mexico, respectively. In 2022, the drilling of one wildcat well in block 1 was completed.

South America

South America has become the largest region for the Company's overseas oil and gas production and is a significant source of production growth for the Company. The Company holds interests in oil and gas blocks in Brazil, Guyana and Colombia, as well as a 50% interest in BC ENERGY INVESTMENTS CORP. ("BC") in Argentina. As of the end of 2022, the reserves and production in South America reached 1,024.0 million BOE and 145,677 BOE/day, respectively, representing approximately 16.4% of the Company's total reserves and approximately 8.5% of its production.

Brazil

Brazil deepwater is one of the world's most important deepwater oil and gas development regions. CNOOC Limited holds a 10% interest in Libra project and a 7.34% interest in Buzios project in Brazil. The projects are both located in the Santos Basin.

The deepwater pre-salt Libra project is divided into the west, east and central zones, of which the west zone was commercially discovered in 2017 and is named the Mero oilfield. The Mero oilfield consists of four phases, namely Mero 1, Mero 2, Mero 3 and Mero 4. In 2022, the Phase I of Mero project successfully commenced production. The final investment decisions for Mero 2, Mero 3 and Mero 4 oilfields have been made, and the projects are expected to commence production in 2023, 2024 and 2025, respectively.

The Buzios project is the world's largest producing deepwater oilfield. The Buzios project consists of 11 development units, and units 1, 2, 3 and 4 have been already in production with a daily net production of approximately 23,000 BOE, and the Buzios5 project is scheduled to commence production in 2023. Other development units will come on stream in the future, strongly supporting the Company's overseas production growth.

In the future, the Company will fully leverage the development of the Libra project and Buzios project to seek new drivers of production growth.

CNOOC Limited also holds a 100% interest in block 592 in offshore Brazil, a 20% interest in the ACF Oeste block and a 30% interest in the Pau Brasil block.

BUSINESS OVERVIEW

Guyana
The Stabroek block in offshore Guyana is located in northeastern Guyana with a water depth of 1,600-2,000 meters, and is one of the world's largest exploration discoveries in recent years and CNOOC Limited holds a 25% interest in the block.

The Phase I and Phase II of the Liza oilfield in the block were commissioned in 2019 and 2022 respectively, with a designed peak daily production of 340,000 BOE. As of the end of 2022, the above two phases of the project saw steady production above their designed peak daily production, with an average daily production of approximately 380,000 BOE. Phase III of the project, the Payara oilfield, is under construction and expected to be commissioned in 2023. Phase IV of the project, the Yellowtail oilfield, was approved by the Guyana government in 2022 and expected to come on stream in late 2025.

In 2022, 10 new discoveries including Lau Lau, Fangtooth, Barreleye, Lukanani, Patwa, Kiru Kiru, Seabob, Yarrow, Sailfin and Fangtooth SE were made in the Stabroek block. Currently, a total of over 30 discoveries have been made in the block and the total recoverable resources in the block amounted to approximately 11 billion BOE as disclosed by the operator.

Argentina
CNOOC Limited holds a 50% interest in BC and makes joint decisions on its management. BC holds a 50% interest in Pan American Energy Group in Argentina.

In 2022, the daily net production of BC remained stable at approximately 55,000 BOE.

Other Regions in South America
The Company also holds recurring exploration rights in Boqueron block in Colombia.

Europe
In Europe, CNOOC Limited holds interests in oil and gas fields such as Buzzard and Golden Eagle in the U.K. North Sea, and holds a 10% equity interest in Arctic LNG 2 LLC in Russia. As of the end of 2022, the reserves and production in Europe reached 54.3 million BOE and 42,403 BOE/day, respectively, representing approximately 0.9% of the Company's total reserves and approximately 2.5% of its production.

The U.K.
The Company's asset portfolio in the U.K. North Sea comprises of producing projects and exploration projects, which mainly include: a 43.21% interest in the Buzzard oilfield, one of the largest oilfields in the North Sea, and a 36.5% interest in the Golden Eagle oilfield. The Company also holds 41.9%, 80.4%, and 79.3% interests in Scott, Telford, and Rochelle oilfields of STaR production blocks, respectively.

In 2022, the daily net production of the Buzzard oilfield increased to approximately 30,000 BOE due to the early completion of overhaul operations.

The Company also holds a 50% drilling operation interest in P2215 exploration block in the U.K. North Sea.

Russia
The Company owns a 10% interest in Arctic LNG 2 LLC. The project is located in the Gydan Peninsula in the Arctic region of Russia. In 2022, the construction of the first LNG production line was progressing on schedule.

SALES AND MARKETING

Sales of Crude Oil

The Company sells the crude oil produced in offshore China in domestic market mainly through CNOOC International Trading Co., Ltd., its wholly-owned subsidiary. The Company sells the crude oil produced overseas in international and domestic markets mainly through CNOOC International Trading Co., Ltd. and CNOOC International Limited.

The Company's crude oil sales prices are mainly determined by reference to the prices of international benchmark crude oil of similar quality, with certain premiums or discounts subject to the prevailing market conditions. Although the prices are denominated in U.S. dollar, customers in China settle with Renminbi. The Company currently sells three types of crude oil in China, i.e., heavy crude oil, medium crude oil and light crude oil. The sale prices are benchmarked against Brent oil price. The Company's major customers in China are CNOOC Group, CNPC, Sinopec Group and some local private refineries. Overseas crude oil sold in international markets is benchmarked against the Brent, Dubai, Oman and WTI prices and regularly updated official oil prices of the host countries.

In 2022, the Company's achieved crude oil sales volume of 478.7 million barrels, an increase of 8.7% year-on-year and average realised oil price was US$96.59 per barrel, representing a sharp year-on-year increase of approximately 42.3%, basically in line with international oil prices.

Sales of Natural Gas

The Company's natural gas sales prices are mainly determined through negotiation with customers. Generally, natural gas sales agreements are long-term contracts, and the contract terms normally include a price review mechanism. The Company's natural gas customers are primarily located in the southeast coastal areas of China, and the major customers include CNOOC Gas and Power Group, China BlueChemical Ltd, Hong Kong Castle Peak Power Company Limited, etc.

LNG produced from the NWS Project in Australia and the Tangguh LNG Project in Indonesia are under long-term supply contracts and are sold to various customers in the Asia-Pacific region, including the Dapeng LNG Terminal in Guangdong Province and the LNG terminal in Putian, Fujian Province in China.

In 2022, the Company increased its exploration and development efforts in offshore China, and the production and sales volume continued to increase, with natural gas sales volume reaching 726.2 bcf, representing a year-on-year increase of 11.9%. The Company's average realised natural gas price was US$8.58/mcf, representing a year-on-year increase of approximately 23.5%, mainly because the international natural gas price increased significantly year-on-year under the influence of the situation between Russia and Ukraine, and drove up the price of natural gas.

RESEARCH AND SCIENTIFIC DEVELOPMENT

In 2022, CNOOC Limited further promoted the innovation-driven strategy and continued to promote the construction of digital intelligence, increased the research and development investments by 22% year-on-year. The Company intensified scientific and technological research around the field of offshore oil and gas exploration and development and energy transformation, accelerated the transformation and application of technical achievements, and provided solid scientific and technological support for the increase of oil and gas reserves and production.

Innovate geological understanding to achieve exploration breakthroughs

The Company carried out innovative research on key reservoir-forming conditions of buried hills in the Archean, and effectively guided the discovery of Bozhong 26-6, the first integrated light oil field of over 100 million tons in China in recent 10 years, in Bohai Sea. We made a significant breakthrough in natural gas exploration by developing a new model of gas resources' storage and aggregation. This breakthrough was achieved in the southeast waters of Hainan Island, where the Qiongdongnan Basin was explored, leading to the discovery of China's first deep-sea and deep-play gas field, Baodao 21-1. This was the biggest achievement in the region in more than half a century.

Advance development technologies to release potential reserves

In 2022, the Company increased the scale of promotion and application of key technological achievements such as integrated injection and production, high temperature safety control and long-term sand control. Luda 5-2 North Oilfield, the first large-scale extra-heavy oil oilfield in offshore China, was brought on stream, and the thermal recovery output of heavy oil from Bohai Sea exceeded 500,000 tons.

Strengthen innovation to improve our ability to support and lead science and technology

In 2022, China's first shallow-water subsea oil and gas production system was demonstrated and applied in southeastern block of Dongfang 1-1 gas field and southern block of Ledong 22-1 gas field, marking a new level of core technology and equipment for the development of shallow-water oil and gas resources in China. China's first self-developed shallow water subsea production system was successfully brought on stream in Jinzhou 31-1 gas field in Bohai Sea, which innovated the development mode of offshore oil field in shallow water. The autonomy rate of key equipment of the "Shenhai-1" semi-submersible production platform has been improved, supporting the efficient development of the "Shenhai-1" ultra-deep water gas field.

Accelerate digital transformation to help the Company develop in high quality

In 2022, Enping 15-1 oil fields were brought on stream. The oil field was built and put into use as the first crude oil production platform integrating onshore and offshore operations in China, and achieved nearly 300 production hours in typhoon mode throughout the year. Hainan Oriental Operation Company has realized the unmanned operation of 5 wellhead platforms, completed the semi-unmanned transformation of 4 central platforms, and comprehensively promoted and applied the Eastern terminal production control center and 5G+ industrial Internet to realize the optimal allocation of offshore personnel and reduce the number of offshore personnel by 20%.

LOW CARBON DEVELOPMENT

In 2022, CNOOC Limited further upgraded energy conservation and emission reduction measures and green and low-carbon production mode, introduced onshore power on a large scale, actively developed carbon negative industries such as marine CCUS, accelerated the development of new energy business, and took substantial steps in green development.

Continue to perfect management mechanism to construct the full coverage control mode

The Company has strengthened the construction of organizational structure, officially established the new energy branch and regional companies in Hainan, Guangdong and Fujian, and constructed a multi-level management and control mode with full coverage of key provinces consisting of new energy department, new energy branch companies, regional companies and project companies.

Remarkable results in green oil and gas production with great efforts in energy saving and carbon reduction

The Company strived to promote the green development mode of offshore oil and gas, and China's largest offshore oil fields onshore power application project – Bozhong-Kenli oil fields onshore power application project has been successfully brought on stream. Compared with the self-generating power of offshore platforms, it showed great effectiveness in energy saving and emission reduction.

The Company continued to increase the consumption of green electricity, expanded the channels of external introduction and internal consumption of green electricity, and reduced carbon emissions through the use of green electricity. In 2022, our total trading volume of green electricity ranked among the best in the regional electricity market.

The Company strictly followed the national regulations on carbon emission management, actively responded to the call of low-carbon operation and emission reduction policies, and established a carbon emission monitoring and management system. The Company reduced carbon dioxide emissions through flare gas recovery, shore power replacement, waste heat recovery, pump frequency conversion and other measures.

Steady progress in key projects to help build a green industrial chain

The Company actively promoted the integrated development of oil and gas business and offshore wind power. The Company's first offshore wind power project in Jiangsu has been connected to the grid at full capacity, and the project is currently operating normally. In 2022, the Company acquired 40% equity interest in China Nuclear Huihai Wind Power Investment Co., Ltd., effectively expanding its business in the new energy sector. The Company focused on promoting the construction of offshore wind power projects. The first "Double Hundred" floating wind power platform with an offshore distance of more than 100km and a water depth of more than 100m completed the floating general installation. The Penglai distributed wind power project, China's first distributed wind power project directly supplying oil field production facilities with electricity at high permeability, was officially launched. CNOOC Limited's first large-scale offshore wind power demonstration project, Hainan CZ7 offshore wind power demonstration project, was approved. In addition, the Company has successfully acquired Shanghai Jinshan 300,000kw offshore wind power project.

The photovoltaic business has also made positive progress. The Company's first onshore centralized photovoltaic project – the "Husbandry-Photovoltaic-Hybrid" project in Gannan Cooperative City started smoothly.

In addition, the Company steadily carried out CCS/CCUS. The first set of offshore carbon dioxide sequestration unit was installed in the Enping 15-1 production platform, and the first offshore 100-million-ton CCS/CCUS cluster demonstration project commenced practical research tasks. In addition, new energy development of major scientific and technological projects and research on key technologies of CCUS were officially launched to promote the development of the Company's new energy industry with technological innovation.

HEALTH, SAFETY AND ENVIRONMENTAL PROTECTION ("HSE")

As always, CNOOC Limited adheres to the core HSE values of "Safety First, Environment Paramount, People-oriented and Equipment Intact". The Company continuously improves the management of the HSE system and strives to provide a safe working environment for its employees and contractors, to maintain a relatively stable performance of production safety and build a first-class safety risk management and control system.

Deepen efforts to prevent and control environmental pollution

Adhering to the principle of "developing in protection and protecting in development", the Company considers conservation of ecological environment as the foundation of sustainable development, strictly complies with relevant laws and regulations and standards on environmental protection and continuously enhances whole process management of environmental protection. It has invested nearly RMB1.43 billion in environmental management and environmental protection projects throughout the year. In addition, the *Regulations on Managing Ecological and Environmental Protection* and implementation rules have been issued to further improve the management system.

In accordance with national and local environmental protection and pollution control laws and standards, the Company constructs pollution control facilities for exhaust gas, waste water, solid waste and noise, prepares and improves its own monitoring program, and ensures its effective and stable operation. It also strengthens the full life cycle management of ecological and environmental protection in construction projects, and strictly implements management requirements such as environmental impact assessment, completion, acceptance, operation of national construction projects.

At the same time, the Company strictly implements the requirements of the *Emergency Plan for Environmental Pollution Events caused by Oil Spills in Offshore Oil Exploration and Development*, prepares emergency plans for oil spills in construction projects and submits them to the government for record. It also continuously improves the oil spill emergency plan and emergency material allocation, maintenance, training and drills.

The Company vigorously promotes energy-saving technology transformation and the implementation of energy efficiency improvement project, strengthens the whole process management of energy saving and low-carbon source control, process supervision and terminal management, improves energy efficiency, and arranges green development evaluation and green factory establishment to provide green momentum for the high-quality development of the company. Liaodong Operation Company of Tianjin Branch, Shenzhen Branch and Wenchang Oil Fields Operation Company of Zhanjiang Branch were selected as green factories of petroleum and chemical industry in 2022.

Safety risk control capabilities continued to improve

In 2022, the Company coordinated and promoted the three-year special campaign on production safety, deployed and carried out the general inspection of production safety, carried out the activities of improving the basic foundation of production safety, and deployed the special campaign on production safety improvement, the special campaign on rectification of unsafe behavior, the special campaign on submarine pipeline maintenance, the special campaign on drilling and workover safety of production facilities and other annual key work to promote the treatment of hidden dangers, strengthen source control, and further deepen the Company's preventive safety management. It also comprehensively promoted maritime emergency response capability building and emergency communication support capability building, and further strengthened the ability of emergency response team and emergency resources support capability; further strengthened production safety responsibility system, and strengthened production safety warning education.

We continued to strengthen the audit and inspection of key operating processes, conducted special supervision and inspection of key points of time and key engineering projects; implemented closed-loop management of safety audit and inspection, and established a long-term mechanism for supervision, inspection and follow-up rectification. Special investigation and rectification of potential safety risks were conducted at offshore oil platforms to achieve full coverage of self-inspection.

We continued to shape a robust safety culture featuring "People orientation, Implementation and Intervention". We intensified education on the necessity and tasks of safety and environmental protection through "safety classes" and safety seminars. We organized the evaluation and commendation work in QHSE field to create a good atmosphere for safe production. We also guided our employees to continuously improve safety awareness and skills.

We paid great attention to the safety risks of overseas operations, and shared global safety warning information in a timely manner. We clarified the allocation of overseas safety responsibilities and strengthened the safety supervision and management of overseas projects to ensure the compliant, safe and stable operation of our overseas projects.

Fully protect the life and health of employees

We upheld the core value of "people orientation" and deeply carried out the "big health" work, strictly complied with the Occupational Disease Prevention and Control Law of the People's Republic of China and the relevant laws and regulations on occupational health in the countries and regions where we operate. We implemented the management of occupational health system, promoted the use of occupational health information system, actively promoted the safety management of onboard catering, performed in-depth work on employee mental health, and comprehensively conducted regular testing of occupational disease hazards and occupational health monitoring.

In 2022, CNOOC Limited adhered to high HSE standards. OSHA (Occupational Safety and Health Administration) statistics for the year are set out below:

Scope	Total Man-hours (million)	Number of Personnel Injury Recordable Cases	Rate of Personnel Injury Recordable Cases	Number of Lost Workday Cases	Rate of Lost Workday Cases	Fatalities
Staff of the Company	42	1	0.02	1	0.02	0
Staff of the Company and direct contractors	176	19	0.11	9	0.05	2

CORPORATE CITIZEN

We are committed to extracting natural resources in a safe, efficient, and environmentally-friendly manner, to providing society with clean, reliable and stable energy, to meeting people's reasonable energy demand and thereby achieving sustainable development of the Company. The economy, environment, and society form three cornerstones for us to develop energy resources and generate value. Along with the steady growth of our business and economic contributions, we will press ahead on the road of environmental protection and social progress, so as to drive the sustainable development of the Company.

While pursuing production growth, CNOOC Limited will actively respond to climate change, practise the concept of green and low-carbon development, and transform itself into a green and low-carbon enterprise. The philosophy of our social responsibility could be summarized as follows: to build CNOOC Limited into a driving force for sustainable energy supply, a leading force for clean, healthy and green development and a facilitating force for the common progress of stakeholders and society.

In 2022, CNOOC Limited invested a total of RMB96.02 million in external donations and public welfare projects, including RMB92.89 million in cash and RMB3.13 million in supplies. During the year, the Company adhered to the work idea of "implementing policies based on local conditions, providing targeted assistance, consolidating achievements and promoting revitalization" to promote the development of rural revitalization, supported the development of industries with regional characteristic, stable education and employment, infrastructure and public service construction, and implemented 26 assistance projects, thereby making every effort to consolidate and expand the achievements in poverty alleviation and effectively connecting with rural revitalization. In terms of education assistance, we made donation to build two small and medium-sized science and technology museums to benefit the general public through science and technology and culture.

In March 2023, the Company published on its website the "2022 Environmental, Social and Governance Report", which provided a systematic review of the Company's activities to fulfill its corporate social responsibility in 2022.

HUMAN RESOURCES

CNOOC Limited always believes that its employees are the driving force for its development and the foundation for the continuous growth of its corporate values. We regard our employees as the core competitiveness of the Company's development. We always adhere to the people-oriented development concept, constantly improve employment policies, attach great importance to the rights and interests of employees, and create a good environment for their development.

Objective, Open and Equal Employment Policy

In accordance with the principles of diversity and anti-discrimination in employment, the CNOOC Limited insists on treating employees equally in the recruitment, training, promotion and remuneration systems regardless of race, nationality, religion, gender, age, marital status or whether subject to special statutory protections, strives to provide employees with equal opportunities in all aspects, and creates respectful, open and inclusive corporate culture and values the diverse talents of its employees.

The Company adheres to the principle of gender equality in employment, actively increases the number of female employees and carries out cultivation and education activities for female management. As of the end of 2022, the Company had a total 3,634 female employees, accounting for 17% of its total workforce and 17% of its senior and middle management.

All employees sign employment contracts with the Company based on the principles of equality and voluntariness. The Company strictly complies with labour laws and regulations, opposes any form of inhumane treatment, abides by the regulations on salaries, overtime hours and statutory benefits promulgated by jurisdictions where the business are operated and prohibits any forced labour.

Fully protect the rights and interests of employees

CNOOC Limited strives to create an open, transparent, equal and diverse environment, adheres to the concept of putting people first and caring for employees, and attaches importance to and effectively safeguards the legitimate rights and interests of employees.

The Company strives to provide employees with competitive remuneration package in the same industry, and establishes a salary increment mechanism, and gradually establishes a distribution mechanism that matches market practice. The Company implements multi-level precise incentive mechanism for salary distribution that further tilts towards technical experts and front-line workers and closely links with work quality and value contribution, so as to align employee income with the Company's profit growth and share the Company's development results with employees. A comprehensive and effective social security system has also been built, and various social and multi-level supplementary insurances are provided to employees on a timely basis.

At the same time, the Company respects and supports the freedom of association, assembly and union membership enjoyed by its employees under the laws. The Company has established trade union organisations at all levels in accordance with the Trade Union Law of the People's Republic of China to protect the legitimate rights and interests of the employees. In addition, the Company maintains close communication with the legal department and trade union organisations to jointly protect the legitimate rights and interests of employees.

Overseas, CNOOC Limited fully protects the legitimate rights and interests of local employees, strictly complies with the employment regulations in the location of operations, provides employees with vacation, social insurance and other benefits in accordance with local labour laws and regulations, and establishes remuneration adjustment mechanisms and incentive mechanisms that correspond to the practical situations of the respective localities to encourage local employees to develop together with the enterprise. It also provides necessary occupational skill trainings and skill enhancement trainings to local employees; champions cultural integration, and actively participates in the construction and activities of local communities.

Staff development

CNOOC Limited adheres to the development concept of common growth of employees and the Company, improves the training system, optimizes employee growth and development system, and opens channels for talent development to provide opportunities for each employee to become the backbone of the Company's high-quality development.

The Company actively promotes the university-enterprise joint talent cultivation mechanism. On the one hand, CNOOC Limited helps young talents in universities to grow. On the other hand, CNOOC Limited actively enters into strategic cooperation with China University of Petroleum (Beijing), China University of Petroleum (Huadong), Shanghai Jiao Tong University, etc. At the same time, we trains young scientific and technological innovative talents, upholds the spirit of scientists, and improves their creative thinking and practical abilities.

The Company continues to increase efforts in the selection and training of experts. In 2022, the Company expanded its team of senior technical experts. In the meantime, the Company accelerated the reform of talent evaluation mechanism, continued to optimize the vocational skill rating system, further promoted the reform of offshore operation supervision, and accelerated the growth of young technical backbone.

Cultivation of International Talents

The Company continues to strengthen the training of international talents, focuses on the key and difficult problems in the development of overseas business, and establishes a systematic training system and a hierarchical and interconnected international talent reserve mechanism. In 2022, 120 business cadres were selected to participate in international talent training course, a closed and centralized training over 5 months, thereby enhancing their capacity to perform their duties.

RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT, INTERNAL CONTROL AND COMPLIANCE MANAGEMENT SYSTEM

Since its establishment, the Company has treated risk management, internal control and compliance management system as a top priority. The Company recognizes that it is the duty and obligation of its management to establish and maintain a risk management, internal control and compliance management system which serves the Company's strategic objectives and meets the Company's business practice.

The Board ensures that the Company establishes and maintains appropriate and effective risk management and internal control systems, strengthens the construction of compliance system on this basis, and regularly reviews their effectiveness. Such systems are designed to manage the risks a company may face in achieving its business objectives. The Board receives a report on risk management and internal control systems from executives twice a year. All major risks are reported to the Board which also evaluates the risks and their response plan. Appropriate and effective risk management and internal control system can help the company reasonably reduce the possible loss caused by the occurrence of risks. the Company's Risk Management, Internal Control and Compliance Management Committee (RMICC Committee) is authorised by the Board to organise and carry out the Company's overall risk management and internal control. Its responsibilities include developing risk management and internal control systems, standardizing institutional framework, authorisation, responsibilities, processes and methods for the systems, continuously monitoring the operation of the systems, and regularly reporting the construction and compliance management of the systems to the Audit Committee and the Board.

- With respect to risk management, the Company has chosen and adopted the ISO 31000:2018 Risk Management Guideline,, meanwhile has taken Guidelines for Comprehensive Risk Management of Central Companies by the State-owned Assets Supervision and Administration Commission (SASAC) and the risk management framework issued by COSO (namely, the Committee of Sponsoring Organizations of the Treadway Commission) of the U.S. as an important reference, established a risk management system covering design, implementation, monitoring, assessment and continuous improvement. The RMICC Committee of the Company shall establish the overall targets and strategies of the risk management system which are in line with the strategic objectives of the Company, and identified, analysed and assessed the overall risks of the Company, including the Company's key risks in making major decisions, important events and key business processes. The RMICC Committee is also responsible for reviewing and approving the response plans to major risks, as well as following up and periodically reviewing the implementation of such response plans and the handling of major compliance incidents, in order to ensure that sufficient attention, monitoring and responses will be afforded to all key risks and compliance incidents of the Company.

- With respect to internal control, the Company has established an internal control system and mechanism for financial, operational and compliance monitoring in accordance with the internal control framework formulated by the COSO of the United States, and has conducted continuing review and evaluation of the internal control system of the Company according to the provisions of the Basic Standard for Enterprise Internal Control and the supporting guidelines jointly formulated by Five Ministries including the Ministry of Finance of the PRC, in order to ensure safety, compliance and the timeliness, accuracy and completeness of all information reported.

- Relying on the existing framework of risk management and internal control system, the Company refined and clarified the compliance responsibilities of the Board, the management and the executives, established strict internal prevention and management system, strengthen the construction and effective operation of the compliance management system, compliance training and cultural promotion and implementation, so as to regulate all employees to perform their duties properly. The Company maintained the mechanism of "Commitment to Compliance" signed by all employees to enhance their awareness of integrity and compliance responsibility, and established a unified domestic and overseas compliance complaint channel (https://www.cnoocltd.com/complaint), and conducted investigations timely.

- The Board considered that as of 31 December 2022, the Company's risk management system and the Company's internal control over financial reporting were effective.

As a company listed in Hong Kong and Shanghai, the Company will continue to strictly comply with all regulatory requirements, strengthen its risk management, internal control and compliance management system and maintain a high standard of corporate governance to ensure the Company's healthier development.

RISK FACTORS

Although we have established the risk management system to identify, analyze, evaluate and respond to risks, our business activities may subject to the following risks, which could have material effects on our strategies, operations, compliance and financial condition. We urge you to carefully consider the risks described below.

Macro economy and policy risk

Macro economy risk

The industry in which the Company operates is closely linked to the macro economy. The low growth of the global economy is likely to continue. Global trade growth and economic growth will further slow down, and the recovery of the world economy will be sluggish. The combination of geopolitics and trade frictions has negatively impacted the global flow of goods, people and capital, sustained inflationary pressure and unprecedented challenges to the global supply chain. Macro economy changes will affect the supply and downstream demand for oil and gas, which adversely affects the Company's performance.

Risk of changing international, political and economic factors

The international political and economic situation is complex and changeable. The conflict between Russia and Ukraine has accelerated the profound changes in the world landscape and triggered violent shocks in the international energy market. Some of the countries in which we operate may be considered politically and economically unstable. As a result, our financial condition and operating results could be adversely affected by associated international actions, domestic civil unrest and general strikes, political instability, war and acts of terrorism. Any changes in regime or social instability, or other political, economic or diplomatic changes, or changes in policies, laws, fiscal and tax regimes are not within our control, Our operations, existing assets or future investments may be materially and adversely affected by these changes as well as trade and economic sanctions due to deteriorated relations among different countries.

The Arctic LNG 2 project in Russia, in which the company has a 10% interest, has been somewhat adversely affected by sanctions stemming from the military conflict. In addition, other overseas projects of the company are not affected by the military conflict between Russia and Ukraine, and the production and operation situation is normal.

Risk of industry policy changes
The ongoing oil and gas system reform in China may have certain impacts on the Company's business in China. For example, at present, China's foreign investment access policies no longer restrict foreign investment to participate in the oil and gas exploration and development business in China through joint venture and cooperation only. As at 31 December 2019, the Ministry of Natural Resources published the Opinions of the Ministry of Natural Resources on Several Matters Concerning Promoting Reform of Mineral Resources Administration (for Trial Implementation), which put forward opinions on the reform of mineral resources management, including opening the oil and gas exploration and exploitation market. In the future, the Company may face competition and challenges from a variety of competitors in the industry to obtain and retain exploration rights in oil and gas fields.

Risk of climate change and environmental policy changes
With the coming into force of the Paris Agreement and the continuing growth of the public's awareness of climate change problems, the carbon emission policies of different countries have been enacted one after another. China has also put forward the time goal of "Carbon peak and Carbon neutrality". The goal of "Carbon peak and Carbon neutrality" proposed by various countries will greatly accelerate the process of energy transition, posing challenges to the oil and gas industry. It is expected that the CO2 emissions will increase as our production grows. CO2 emissions arising from the burning of fossil fuels in oil and gas fields will continue to increase without a mature and reliable CO2 reduction technologies in place. The Company expects to be supervised by relevant agencies and organizations in the future. If we are unable to find economically viable and publicly acceptable solutions that could reduce our CO2 emissions from our new and existing projects, we may experience additional costs, and our reputation may be adversely affected.

At present, some countries have accelerated the global transition to low-carbon clean energy by setting emission reduction standards, strictly implementing the renewable energy proportion plan, levying high carbon taxes, and enacting strict regulatory bills and other relevant measures. Green and low-carbon transformation may lead to intensified competition in the energy supply market, resulting in an increase in our operating costs.

Our offshore operating platforms and exploration and development activities will generate sewage and solid waste. If they are not properly handled, they may not meet the standard of discharge or the disposal process is not in compliance, which will damage our reputation and operations and increase costs, and even expose us to lawsuits and penalties.

Market risk

Risk arising from volatility in oil and gas prices
Prices for crude oil, natural gas and oil products may fluctuate widely in response to relative changes in the supply and demand for crude oil and natural gas, market uncertainty and various other factors beyond our control, such as macroeconomic conditions, oil policies of OPEC and major oil exporting countries, geopolitics, economic conditions and actions related to major oil-producing countries, the prices and accessibility of other energy sources, natural disasters, weather conditions and major global public health emergencies, etc.

Volatility in oil and gas prices may impact our business, cash flows and profits fluctuate. Oil and gas prices are volatile. A downward trend in oil and gas prices which lasts for a long period may adversely affect our business, revenue and profits, and may also result in write-off of higher cost reserves and other assets, reduction in the amount of oil and natural gas we can produce economically and termination of existing contracts that have become uneconomic. The prolonged slump in oil and gas prices may also impact our long-term investment strategies.

Risk arising from increasing market competition
The new round of scientific and technological revolution and industrial transformation has had a profound impact on the development of the energy industry. We compete in the PRC and other countries in which we operate with national oil companies, major integrated oil and gas companies and various other independent oil and gas companies for access to oil and gas resources, products, alternative energy, customers, capital financing, technology and equipment, talents and business opportunities. Competition may result in shortage of these resources or over-supply of oil and gas, which could increase our cost or reduce our earnings, and adversely impact our business, financial condition and results of operations.

At the same time, environmental protection supervision in energy sector is becoming increasingly strict, and the world is actively promoting the transition and transformation to low-carbon and clean energy. The new energy industry will develop rapidly. The green and low-carbon transformation may lead to increasing demand for alternative energy, which in turn will lead to increasing competition in the energy supply market, which may adversely affect the operations and performance of the Company.

Business risk

HSSE risk
Given the geographical area, operational diversity and technical complexity of our operations every aspect of our daily operations exposes us to potential health, safety, security and environment (HSSE) risk. Part of our operations are located in environmentally sensitive regions or politically unstable regions, and part of our business are operated in offshore environment, especially in new deep water area such as Mexico, etc. Our operations expose us and the communities in which we operate to a number of risks, including probable major safety incidents, and natural disasters, social unrest, personal health and safety mistakes and potential consequences from unforeseeable external destruction, for instance, typhoons, sea ice, etc. may damage platform structure, and submarine pipelines may lead to oil spills and gas leaks due to damage from external force. If a major HSSE risk materialises, such as an explosion or hydrocarbon spill, it could result in casualties, environmental damage, disruption to business activities and material impact on our reputation, exclusion from bidding or eventually loss of our licence to operate. At the same time, regulatory regimes for HSSE in the countries in which we operate may become more stringent over time. In the future, we may incur significant costs, such as fines, penalties, clean-up costs and third-party claims, as a result of breach of laws and regulations relating to HSSE matter.

Our oil and gas transportation involves marine, land and pipeline transportation, which are subject to hazards such as capsizing, collision, acts of piracy and damage or loss from severe weather conditions, explosions and oil and gas spills and leakages. These hazards could result in serious personal injury or loss of human life, significant damage to property and equipment, environmental pollution, operating loss, risk of financial loss and reputational harm. We may not be able to arrange insurance coverage for all of these risk and uninsured losses and liabilities arising from these hazards may have a material and adverse effect on our business, financial condition and results of operations.

Risk of deviation between forward-looking judgments of oil and gas prices and the actuality
The Company, as an oil and gas exploration and development enterprise, will makes forward-looking judgments on oil and gas prices when evaluating oil and gas projects or related business opportunities, while economic returns of projects normally depend to some extent on the Company's robustness and accuracy of price predictions. The Company will review the oil and natural gas price predictions on a periodic basis. Although we believe our current forward-looking predictions on long-term price range are prudent, if such predictions are deviated in the future, it could have a material and adverse effect on us.

Risk that the anticipated benefits from mergers and acquisitions and disposals may not be realized
Part of the Company's oil and gas assets are acquired through mergers and acquisitions. In mergers and acquisitions practice, mergers and acquisitions may not succeed due to various reasons, such as difficulties in integrating activities and realizing synergies, outcomes differing from key assumptions, host countries' governments reacting or responding in a different manner from that envisaged, or liabilities and costs being underestimated. Any of these reasons would reduce our ability to realize the anticipated benefits. We may not be able to successfully dispose of non-core assets at acceptable prices, resulting in increased pressure on our cash position. In the case of asset disposals, we may be held liable for past acts, or failures to act or perform obligations, we may also be subject to liabilities if a purchaser fails to fulfill its commitments. These risks may result in an increase in our costs and inability to achieve our business goals.

Risk of limited control over our investments in joint ventures and our joint operation with partners
Due to the special nature of the oil and gas industry, a portion of our operations are conducted in the form of partnerships or in joint operation, we may have limited capability to influence and control their operation or future development. Our limited ability to influence and control the operation or future development of such joint ventures could materially and adversely affect the realization of our target returns on capital investment and lead to unexpected future costs.

The risk of high concentration of customers

During the reporting period, sales to major customers of the Company accounted for a relatively high proportion. If any of our major customers reduces its crude oil or natural gas purchases from us significantly, and the Company fails to find alternative customers in time, our results would be adversely affected.

The risk of high supplier concentration

During the reporting period, procurement from the Company's major suppliers accounted for a relatively high proportion. The Company, as an exploration, development and production of oil and gas enterprise, is principally engaged in the exploration and development with services procurement as its main procurement. We maintain a good working relationship with our major suppliers, and actively explore new suppliers to ensure supply adequacy and foster competition. However, if the major suppliers fail to continue to provide services to the Company due to accidental factors, and the Company fails to find suitable alternative suppliers, its operating activities may be disrupted and the performance would be adversely affected.

Risk from irrealizable undeveloped reserves

By the end of 2022, approximately 49.9% of our proved reserves were undeveloped. There are various risk in developing reserves, mainly including construction, operational, geophysical, geological and regulatory risk. Failure to develop these reserves in a timely and cost-effective manner could adversely affect the Company's results. The reliability of reserve estimates depends on a number of factors, including the quality and quantity of technical and economic data, the market prices of our oil and gas products, the production dynamics of oil reservoirs, extensive engineering judgments, comprehensive judgement of engineers and the fiscal and tax regimes in the countries where we have operations or assets. The factors, assumptions and variables involved in estimating reserves are beyond our control and may be proved to be incorrect over time. That may result in volatility of our initial reserve data.

Technology development and deployment risk

Technology and innovation are vital for us to enhance the Company's competitiveness in a competitive environment and exploration and development challenges. For example, we strive to rely on technologies and innovations to realize our strategy and enhance our competeviness and operation capacity in the development of unconventional oil and gas resources, including heavy oil, oil sands, shale oil and gas and coalbed methane, deep water exploration and development, and offshore enhanced oil recovery. If our core technology reserves are insufficient, it may have a negative impact on the Company's reserves and production targets and cost control targets.

Network security and IT infrastructure damage risk

Malicious attacks on our cyber system, negligence in the management of our cyber security and IT system and other factors may cause damage or breakdown to our IT infrastructure, which may disrupt our operations, result in loss or misuse of data or sensitive information, cause injuries, environmental harm or damages in assets, violate laws or regulations and result in potential legal liability. These actions could result in significant increase in costs or damage to our reputation.

Risks to business and operations in Canada

Transportation and export infrastructure in Canada is limited, and without the construction of new transportation and export infrastructure, realization of our full oil and natural gas production capability may be affected. In addition, we may be required to sell our products into the North American markets at lower prices than in other (international) markets, which could materially and adversely affect our financial performance.

Furthermore, First Nations in Canada have aboriginal land claims, including claims to certain mineral resources, in a substantial portion of western Canada. As a result, negotiations with First Nations prior to commencing future projects (including surface activities necessary to conduct mineral extraction) are prudent. Failure to successfully negotiate with affected First Nations may result in timing uncertainties or delays of future development activities.

Financial risk

Exchange rate risk

The Company's oil and gas sales are substantially denominated in Renminbi and U.S. dollars. The appreciation of Renminbi against U.S. dollar may have double effects. The depreciation of U.S. dollar against Renminbi may reduce the Company's revenue from the sales of oil and gas, but may reduce our import costs for equipment and raw materials. The Company may have exchange rate risk in the case of inconsistency between revenue and cost scale. When there may be a capital gap in overseas capital expenditure, the Company needs to remit overseas payment by converting domestic RMB into USD, and the exchange rate fluctuation of RMB against USD brings certain exchange rate risks.

The risk of foreign exchange control

Certain restrictions on dividend distribution imposed by the laws of the countries in which we operate may adversely and materially affect our cash flows. For instance, subsidiaries established in countries and regions with foreign exchange control to remit funds overseas shall satisfy the regulatory requirements of local laws and regulations, and face the risk of policy changes at any time, which may cause the Company' failure to recover the cash income of subsidiaries in a timely manner.

Risk of related party transactions

We regularly enter into connected transactions with CNOOC Group and its affiliates. Certain connected transactions require a review by the regulatory authorities of the place where the shares are listed and are subject to prior approvals by our independent shareholders. If these transactions are not approved, the Company may not be able to proceed with these transactions as planned.

Management risk

Risk caused by the actual controller's influence on the Company

By the end of 2022, CNOOC Group directly and indirectly owns or controls approximately 61.97% of the issued shares (percentage in the total shares of both Hong Kong shares and A shares). As a result, CNOOC Group can have an impact on the election of our Board members, our dividend payments and other decisions. Under current PRC laws, CNOOC Group has the exclusive right to enter into PSCs with foreign enterprises for petroleum resources exploitation in offshore China. Although CNOOC Group has undertaken to transfer all of its rights and obligations (except for those relating to administrative functions as a state-owned company) under any new PSCs that it enters into to us (save for certain exceptions), our strategies, results of operations and financial position may be adversely affected in the event CNOOC Group takes actions that favor its own interests over ours.

Legal risks

Risk of violating anti-corruption, fraud, money laundering and corporate governance and other laws and regulations

Laws and regulations of the host countries or regions in which we operate, such as laws on anti-corruption, anti-fraud, anti-money laundering and corporate governance, are constantly changing and becoming more comprehensive, especially in the U.S., the U.K., the EU, Canada, Australia, Guyana and China. If the Company, our directors, executives or employees fail to comply with any of such laws and regulations, it may expose us to prosecution or punishment, damage to our reputation and image, and our ability to obtain new resources and/or access to the capital markets, and it may even expose us to civil or criminal liabilities.

Risk of violating laws and regulations related to data security

Laws and regulations related to privacy and data protection are generally becoming more stringent. Some countries and jurisdictions where we operate in or have access to data have data security, data privacy or data protection laws and regulations, such as Personal Information Protection Law of the People's Republic of China, the European Union General Data Protection Regulation (GDPR) and Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong). As a company with operations in various countries and regions, we are subject to data privacy and security laws in numerous jurisdictions as a result of having access to and processing confidential, personal or sensitive data in the course of our business. Therefore, compliance with the various data privacy regulations around the world may require significant expenditures. In addition, failure to comply with current and future laws and regulations could result in government enforcement actions (including the imposition of significant penalties), criminal and civil liability for us and our officers and directors, private litigation and/or adverse publicity that negatively affects our business.

The risk of U.S. sanctions

Different levels of the U.S. government – federal, state or local government may impose economic sanctions of varying severity against certain countries or regions and their residents or designated governments, individuals, and entities. It is impossible to predict whether the business of the Company or its affiliates, the countries/regions where the business is conducted or its partners will be affected by the U.S. sanctions regime in the future due to changes in the U.S. sanctions regime. If this happens, the Company may not be able to continue to carry out relevant business, or it may not be able to continue to carry out business in the affected countries or regions or with the affected partners, thus affecting investors' perception of the Company and investment in the Company, and harming the Company's opportunity or ability to obtain new business.

Overall risk response measures:

The company strives to build a risk management system matching the world-class energy companies. We will make overall management of major risks, respond to them at different levels, and strive to identify, prevent, handle and report them in a timely manner. Carry out risk monitoring and early warning in important business areas, and conduct dynamic research and judgment and disposal. A whole-process risk management mechanism of "pre-prevention, in-process control and post-evaluation" has been established.

Continue to improve the risk management-oriented internal control system. Focus on the modernization of corporate governance system and governance capacity, strengthen the construction of compliance system, and ensure that all risks are effectively addressed.

The company integrates environmental, social and governance (ESG) risk management into normal risk management, and includes at least six ESG risks, including climate change, emissions and waste, renewable energy, supply chain, privacy and data security, and controversial development, into risk sources of major risks of the company, and regularly evaluates and develops corresponding countermeasures. Taking HSSE risk as an example, we will further strengthen the implementation of production safety responsibilities, strengthen the inspection and special improvement of the system, focus on well control and contractor safety management in the production process, and strive to achieve intrinsic safety. As required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules of Stock Exchange"), more ESG risk identification and response can be found in the Company's Environmental, Social and Governance Report.

CORPORATE GOVERNANCE REPORT

GOVERNANCE STANDARDS

The Company has always upheld and attained high standard of business ethics, for which its transparency and standard of governance have been recognised by the public and its shareholders. In 2022, the Company was honoured, among others, as "Best Investor Relations Management for Listed Company", "Best Board Secretary for Listed Company" of China Securities Golden Bauhinia Awards hosted by Ta Kung Wen Wei Media Group, the Asset ESG Corporate Award "Gold Award", the "Sustainable Development Benefit Award" at the Evergreen Award hosted by Caijing, the "Best Investor Relations Company", "Asia's Best CSR" and "Asia's Best CFO (Investor Relations)" hosted by Corporate Governance Asia, and China ESG Golden Responsibility Award "Best Responsibility and Progress Award" hosted by Sina Finance. Strict and high standard of corporate governance enables the Company to operate steadily and efficiently and is in the long-term interests of the Company and its shareholders.

The Company is a company incorporated under the Hong Kong Companies Ordinance. Pursuant to the Notice of the Office of the State Council on the Forwarding the Opinions on the Pilot Programmes of Innovative Enterprises Issuing Stocks or Depositary Receipts in Mainland China, the company law and other laws and regulations stipulated by its place of incorporation outside China may apply to the shareholding structure, corporate governance, operational regulations and other matters of a pilot red-chip enterprise. The corporate governance system of the Company is currently subject to the Hong Kong Companies Ordinance and its Articles of Association which vary to a certain extent with the corporate governance model currently applicable to domestic A-share listed companies registered in China in terms of, amongst others, profit distribution mechanism, decision-making procedures for material matters, distribution of residual assets. For specific details, please refer to the section titled "III. Major Difference Between the Corporate Legal System Prevailing at the Place of Incorporation and Articles of Association and the Company Law and Other Laws and Regulations of the PRC" under "Chapter 9 Corporate Governance Structure" of the Prospectus of CNOOC Limited for Initial Public Offering of RMB Ordinary Shares (A-shares) dated 11 April 2022 of the Company.

Since its listing in Hong Kong, the Company has used its endeavour to maximise its shareholders' value. In 2022, the Company executed its corporate governance policies strictly and sought to comply with the relevant provisions in the "Corporate Governance Code" set out in Part II of Appendix 14 to the Listing Rules of Stock Exchange (the "CG Code"), unless otherwise specified, references in this Report to the CG Code or Corporate Governance Principles refer to the CG Code as currently in force in 2022 and the Corporate Governance Principles set forth therein, ensuring that all decisions were made on the principles of trust and fairness and in an open and transparent manner so as to protect the interests of all shareholders. At the same time, as a Company listed on the main board of the SSE, the Company also attaches great importance to the domestic regulatory rules prescribed by China Securities Regulatory Commission ("CSRC") and the SSE governing the operation standards of listed companies. In accordance with the relevant provisions of the Notice of the Office of the State Council on the Forwarding the Opinions on the Pilot Programmes of Innovative Enterprises Issuing Stocks or Depositary Receipts in Mainland China, the Company adheres to at all times the principles of making arrangements for protecting the rights and interests of investors that are generally no less favourable than those required by laws within the PRC, and of maintaining a sound and effective corporate governance structure and supervising and procuring directors and senior management to perform their duties faithfully and diligently, with an aim at protecting the legal interests of the investors. The Company values the importance of corporate governance and in light of the relevant regulatory rules stipulated by The Stock Exchange of Hong Kong Limited ("HKSE"), CSRC and SSE, the Company sets out a summary of its key corporate governance practices during 2022 below.

KEY CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A. CORPORATE PURPOSE, STRATEGY AND GOVERNANCE

A.1 Corporate strategy, business model and culture

Principle: "An issuer should be headed by an effective board which should assume responsibility for its leadership and control and be collectively responsible for promoting its success by directing and supervising its affairs. Directors should take decisions objectively in the best interests of the issuer."

- The Company mainly engages in the exploration, development, production and sales of crude oil and natural gas and is the largest producer of offshore crude oil and natural gas in China and one of the largest independent oil and gas exploration and production companies in the world.

- The Company has been striving to become a first-class energy supplier, a superior value creator and a pioneer of high-quality development. The development strategies of the Company include: focusing on increasing oil and gas reserves and production, and expanding on a continuous basis reserves and production through exploration and development as well as value-driven acquisitions; practicing the concept of the low-carbon development, and proactively expanding its natural gas business. It also adheres to the prudent financial policy and maintains its cost competitiveness and healthy financial condition.

- In China, the Company engages in oil and natural gas exploration, development and production in Bohai, Western South China Sea, Eastern South China Sea, East China Sea and onshore China independently or through cooperation projects. In overseas, the Company has a diversified and high-quality portfolio. We hold interests in a number of world-class projects in which the assets are located in more than 20 countries and regions around the world.

- The Company extracts natural resources in a safe, efficient, and environmentally friendly manner, and provides the society with clean, reliable and stable energy so as to inject inexhaustible energy to fuel economic development. The Company regards meeting society's needs for energy as the cornerstone to ensure as sustainable development. The Company pursues green and low-carbon development strategy, actively reduces the impacts of oil and gas exploration and development activities on the environment, and steadily promotes the development of new energy business and green technology. The Company cultivates a corporate culture of "patriotism, commitment, hardworking and innovation" as the core values, and actively fulfills its social responsibilities.

- The Board and its Strategy and Sustainability Committee regularly review the Company's development objectives, development strategy and medium and long term development plans, to ensure that the Company's vision, values and strategies are aligned with the corporate culture.

- Going forward, the Company will steadily promote the reserves and production growth, encourage technological innovation and green and low-carbon development, intensify the enhancement of quality and reduction of costs, continuously improve efficiency and value creation capability so as to generate better returns to shareholders.

A.2 Corporate Governance Functions

Principle: "The board is responsible for performing the corporate governance duties. It may delegate the responsibility to a committee or committees."

- The Board has delegated the responsibility for performing certain corporate governance related duties and functions to the Audit Committee and the Nomination Committee.

- The Audit Committee shall be responsible for performing the corporate governance duties set out below:

  (i) Developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

  (ii) Reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements and making recommendations to the Board in that regard;

  (iii) Developing, reviewing and monitoring the Code of Ethics for Directors and Senior Officers ("Code of Ethics") and making recommendations to the Board in that regard; and

  (iv) Reviewing the Company's compliance with the CG Code and disclosure in the Corporate Governance Report and making recommendations to the Board in that regard.

- The Nomination Committee shall be responsible for reviewing and monitoring the training and continuous professional development of Directors and senior management and making recommendations to the Board in that regard.

B. BOARD COMPOSITION AND NOMINATION

B.1 Board composition, succession and evaluation

Principle: "The board should have a balance of skills, experience and diversity of perspectives appropriate to the requirements of the issuer's business, and should ensure that the directors devote sufficient time and make contributions to the issuer that are commensurate with their role and board responsibilities. It should ensure that changes to its composition can be managed without undue disruption. It should include a balanced composition of executive and non-executive directors (including independent non-executive directors) so that there is a strong independent element on the board, which can effectively exercise independent judgment. Non-executive directors should be of sufficient calibre and number for their views to carry weight."

- The Board, as representatives of the shareholders of the Company, is committed to the achievement of business success and the enhancement of long-term shareholder's value with the highest standards of integrity and ethics. The role of the Board is to direct, guide and oversee the conduct of the Company's business and to ensure that the interests of the shareholders are being served.

- As of 31 December 2022, the Board consisted of eleven members: two of them were Executive Directors, four of them were Non-executive Directors and five of them were Independent Non-executive Directors. All Directors were identified by categories of Executive Director(s), Non-executive Director(s) and Independent Non-executive Director(s) in all corporate communications that set out the names of the Directors of the Company. A list of the Directors identifying their updated roles and functions was maintained on the Company's website and on the websites of HKSE and SSE, respectively, during the reporting period.

- The Executive Directors of the Company are individuals with extensive experience in the Company's respective fields of operation. Both of them are familiar with the Company's businesses and have cooperated with leading global players in the oil and gas industry.

- The Non-executive Directors of the Company are all individuals with extensive experience in the parent company's respective fields of operation.

- The Independent Non-executive Directors of the Company are all professionals or scholars with backgrounds in the legal, economic, financial or investment fields. They have extensive experience and knowledge of corporate management and make significant contributions to the Company's strategic decisions.

- A list of the Directors, their respective biographies and their positions on various committees of the Board and in the management are set forth in pages 68 to 78 and 172 respectively of this annual report, which are also available on the Company's website.

- The Company believes that the active involvement of the Non-executive Directors and Independent Non-executive Directors in the management and decision making of the Board and its Committees strengthens the objectivity and independence of the Board.

- The diverse backgrounds of the Board members ensure that they can fully represent the interests of all shareholders of the Company and to enhance the effectiveness of the Board and corporate governance.

- The Company has received annual confirmations from all of its Independent Non-executive Directors acknowledging full compliance with the relevant requirements in respect of their independence pursuant to Rule 3.13 of the Listing Rules of Stock Exchange. The Company is therefore of the view that all of the Independent Non-executive Directors are independent.

- To demonstrate the Company's continued commitment to high standards of corporate governance, the Board adopted a board diversity policy (the "Policy") on 20 August 2013. The Policy aims to continue to improve corporate governance and ensure the diversity of Board members. A summary of the Policy is set out below:

Purpose:	The Policy aims to continue to improve corporate governance and ensure the diversity on the Board.
Policy statement:	With a view to leading its high quality development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In designing the Board's composition, board diversity shall be considered from a number of aspects, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board.
Selection criterion:	Selection of candidates will be based on diversity of perspectives, including but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and diversified vision.

- Since the adoption of the Policy in August 2013, the Board has regularly observed the Policy and took into account the objectives set out in the Policy in reviewing its Board composition. In particular, in selecting the candidates for Non-executive Director, not only the Board considered the knowledge, experience and industry-specific exposures of the candidates, the Board also took into account other factors such as cultural background and diversified vision of the candidates. In selecting candidates for Executive Director, the Board will consider knowledge and exposures in the oil and gas industry, leadership and management skills and experience and length of service in the industry. As a result, the Nomination Committee considered that the appointments of Executive Director and CEO, and Independent Non-executive Director of the Company (as the case maybe) during the reporting period were appropriate and that there is sufficient diversity at the Board level. In addition, in accordance with the Listing Rules of Stock Exchange which states that the HKSE will not consider diversity to be achieved for a single gender board, and in this regard, gender diversity is achieved at the Board level with one female Director and the Board will continue to maintain the current level.

- The Board has reviewed the implementation and effectiveness of the Company's policy on board diversity in 2022.

- In accordance with the principles of diversity and anti-discrimination in employment, the Company insists on treating employees equally in the recruitment, training, promotion and remuneration systems regardless of race, nationality, faith, gender, age, marital status or whether subject to special statutory protections, strives to provide employees with equal opportunities in all aspects, and creates a respectful, open and tolerant corporate culture and values the diverse talents of its employees. The Company will continue to uphold the principle of gender equality in employment by ensuring that both the number and quality of female staff in the workplace remain relatively stable and actively maintaining a steady increase in the number of female employees. As of the end of 2022, the Company had a total of 3,634 female employees, representing an increase from 14% in 2020 to 17% in 2022. The Company also pays attention to the education training and career development made available to female managers and through which the percentage of female managers at the middle to senior levels has been increased from 16% in 2020 to 17% in 2022. In addition, the Company also adopts a range of measures to enrich the life of the female employees after work and to encourage them to participate in various activities.

- The Board and/or its committees have also reviewed the following key features and/or mechanisms of the Board and governance structure of the Company and accordingly are of the view that the relevant features and mechanism are adequate to ensure that independent views and input are available to the Board:

  – Five out of the eleven directors are Independent Non-executive Directors which is near to half of the total Board members and also exceeds the requirement that Independent Non-executive Directors shall make up at least one third of the Board as stipulated under the Listing Rules of Stock Exchange.

- Close to half the number of the Board members are Independent Non-executive Directors to ensure that independent advice is delivered and taken into account at Board meetings and during the decision-making processes of the Board.

- The Nomination Committee will assess the independence of a candidate before the appointment of a new Independent Non-executive Director and also assess annually whether the existing Independent Non-executive Directors remain independent. All Independent Non-executive Directors are required to confirm in writing annually whether they have complied with the independence requirements.

- The Company has policy and procedures in place to avoid any potential conflict of interests and not to undermine the objectivity and integrity of the Board for decisions making. Under the Policy, if a substantial shareholder or a Director has a conflict of interest in a matter to be considered by the Board which the Board has determined to be material, the matter should be dealt with by a physical Board meeting rather than a written resolution. The Independent Non-executive Directors who do not have a material interest in the transaction will be present at such Board meeting.

- The Board and Committees may, upon reasonable request, seek independent professional advice in appropriate circumstances at the Company's expense and ensure independent views and input are available to the Board. The Board would resolve to provide separate independent professional advice to Directors to assist them in performing their duties to the Company at the Company's expense.

- The Chairman holds meetings with the Independent Non-executive Directors without the presence of other Directors at least annually.

- The Board and each Director have separate and independent access to the Company's senior management and also the Joint Company Secretaries, who will provide full and prompt responses to queries raised by the Directors. All Directors are entitled to have access to the Board documents, minutes and related materials upon reasonable notice.

B.2 Appointments, re-election and removal and

B.3 Nomination Committee

Principle: "There should be a formal, considered and transparent procedure for the appointment of new directors. There should be plans in place for orderly succession for appointments. All directors should be subject to re-election at regular intervals. An issuer must explain the reasons for the resignation or removal of any director. In carrying out its responsibilities, the nomination committee should give adequate consideration to the Principles under B.1 and B.2."

- The Nomination Committee comprised two Independent Non-executive Directors (Mr. Lawrence J. Lau and Mr. Qiu Zhi Zhong) and one Non-executive Director (Mr. Wang Dongjin), with Mr. Wang Dongjin served as the Chairman of the Nomination Committee. A list of members of the Nomination Committee as of the date of publication of this annual report is set out under the section headed "Company Information" on page 172 of this annual report.

- The role of the Nomination Committee is to determine the policy and establish proper procedures for the selection of the Company's leadership positions, upgrade the quality of Board members and perfect the Company's corporate governance structure.

- The main authorities and responsibilities of the Nomination Committee are to make recommendations to the Board for suitable candidates to serve as Directors and senior management of the Company for approval by the Board, to review the structure, size and composition of the Board (including the skills, knowledge and experience), and to evaluate the leadership abilities of Executive Directors, so as to ensure the competitiveness of the Company.

- With respect to nomination for new directors and re-election of directors, the Company follows a considered and transparent nomination policy and the Nomination Committee adheres to such policy for nomination of Directors. The nomination of Directors was made in accordance with the nomination policy and the objective criteria (including gender, age, cultural, educational background and relevant or professional experience, ethnicity, skills, knowledge, etc.), with due regard for the benefits of diversity, as set out under the board diversity policy of the Company. Under the nomination policy for Directors of the Company, the Nomination Committee shall nominate suitable candidates to the Board for it to consider and make recommendations to shareholders for election and re-election of Directors.

- When nominating a particular candidate for Director, the Nomination Committee will consider (1) integrity and character; (2) the breadth and depth of the management and/or leadership experience of the candidate; (3) financial literacy or other professional or business experience of the candidate that are relevant to the Company and its business; (4) the experience or knowledge of the candidate that are relevant to the Company's business and corporate strategy and in international operations; (5) commitment in respect of available time; (6) diversity including gender, age, cultural, educational background, ethnicity, skills, knowledge, experience, etc.; and (7) independence criteria as required under the Listing Rules of Stock Exchange for candidates for Independent Non-executive Directors. All candidates must be able to meet the standards set out in Rules 3.08 and 3.09 of the Listing Rules of Stock Exchange and the qualification requirements of directors under the applicable rules of SSE.

- The Nomination Committee considers the personal profile and credentials of the proposed candidates and may request candidates to provide additional information and documents if it considers necessary, and assesses the proposed candidates or incumbent candidates on criteria set out above. The Nomination Committee may also invite nominations of suitable candidates from Board members (if any) for consideration by the Nomination Committee prior to its meeting. For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election and re-election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation.

- When nominating an Independent Non-executive Director for re-election, the Board will propose shareholders' vote by way of a separate resolution and include in the circular and/or explanatory statement accompanying the notice of the relevant general meeting to shareholders the reasons why the Board considers such Director shall be re-elected. If an Independent Non-executive Director who has been proposed for re-election has already served the Company for more than nine years, the reasons why the Board considers such Director still independent and should be re-elected as stated in the above circular and explanatory statements, include the factors considered, the process and the discussion of the Board in arriving at such determination.

- The Nomination Committee is also responsible for evaluating the contributions and independence of incumbent Directors so as to determine whether they should be recommended for re-election. Based on such evaluation, the Nomination Committee will recommend to the Board candidates for re-election at general meetings and appropriate replacements (if necessary). The Board, based on the recommendations of the Nomination Committee, will propose to the shareholders the candidates for re-election at the relevant general meetings.

- A Director appointed by the Board to fill a casual vacancy or as an addition shall hold office until the next extraordinary general meeting and/or annual general meeting (as appropriate).

- The Non-executive Directors and Independent Non-executive Directors are appointed for a term of 36 months.

- All Directors are subject to retirement by rotation once every three years and are subject to re-election in accordance with the Articles of Association of the Company and the CG Code.

- In 2022, the nomination committee convened six meetings, and two of which were conducted by way of written resolutions and four of which were in form of a combination of physical meeting and video conferencing. The following is a summary of the work performed by the Nomination Committee under its charter during 2022:

  – Reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board and its committees and made recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

  – Assessed the independence of Independent Non-executive Directors;

  – Identified individuals suitably qualified to become Board members and made recommendations to the Board on the selection of individuals nominated for directorships;

  – Made recommendations to the Board on the re-election of Directors and reviewed succession planning for Directors, in particular the Chairman and CEO, according to the nomination procedure and process and criteria adopted by the Company;

  – Reviewed and monitored the training and continuous professional development of Directors and senior management and made recommendations to the Board in that regard; and

  – Evaluated and assessed the effectiveness of the Nomination Committee and the adequacy of the charter of the Nomination Committee, and considered and proposed the amendments to the charter and presented to the Board for approval.

- During the reporting period, Mr. Xu Keqiang resigned as the Chief Executive Officer of the Company and was re-designated from Executive Director to Non-executive Director of the Company with effect from 28 April 2022. On the same day, Mr. Zhou Xinhuai was appointed as an Executive Director and the Chief Executive Officer of the Company. Mr. Yan Hongtao was appointed as the Vice President of the Company with effect from 28 April 2022. Ms. Wen Dongfen was appointed as a member of the Audit Committee of the Company with effect from 28 April 2022. Mr. Wang Dongjin was appointed as the chairman of the Strategy and Sustainability Committee of the Company and Mr. Li Yong, Mr. Xu Keqiang, Mr. Zhou Xinhuai, Mr. Lawrence J. Lau and Mr. Qiu Zhi Zhong were appointed as members of the Strategy and Sustainability Committee of the Company with effect from 25 August 2022. Mr. Lin Boqiang was appointed as an Independent Non-executive Director and a member of the Strategy and Sustainability Committee of the Company with effect from 30 September 2022. Mr. Deng Yunhua ceased to serve as the Deputy Chief Exploration Engineer of the Company with effect from 27 October 2022 and Mr. Xu Changgui was appointed as the Deputy Chief Exploration Engineer of the Company on the same date. Ms. Wu Xiaonan ceased to serve as the Joint Company Secretary, Secretary to the Board and Domestic Representative for Information Disclosure of the Company with effect from 22 December 2022 and Mr. Xu Yugao, the General Counsel and the Chief Compliance Officer of the Company, was appointed as the Joint Company Secretary, Secretary to the Board and Domestic Representative for Information Disclosure of the Company on the same day. Since Mr. Xu Yugao has not obtained the qualification for serving as the Secretary to the Board from the SSE, Mr. Xu Yugao was designated by the Board to perform the duties of the substitute Secretary to the Board of the Company, and shall duly perform the duties of the Secretary to the Board after obtaining such qualification.

Attendance of individual members at Nomination Committee meetings in 2022

	No. of meeting attended (Six meetings in total)	
Directors	**by committee member**	**by proxy**
Wang Dongjin *(Chairman)*	6	0
Lawrence J. Lau	6	0
Qiu Zhi Zhong	6	0

C. DIRECTORS' RESPONSIBILITIES, DELEGATION AND BOARD PROCEEDINGS

C.1 Responsibilities of Directors

Principle: "Every director must always know his responsibilities as a director of an issuer and its conduct, business activities and development. Given the essential unitary nature of the board, non-executive directors have the same duties of care and skill and fiduciary duties as executive directors."

- The Company regularly updates its Directors with changes in laws and regulations relevant to their roles as Directors of the Company.

- Directors' training and professional development

  – All Directors newly appointed to the Board receive a comprehensive, formal and tailored induction on appointment for the purpose of giving an overview of the business and operations of the Company and its subsidiaries and appropriate briefings and trainings from the Company covering the statutory and regulatory obligations of Directors, organisational structure, policies, procedures and codes of the Company and terms of reference of Committees. The senior management and the Joint Company Secretaries will also conduct subsequent briefings as and when necessary to ensure that the Directors are kept appraised of the latest developments relevant to the operations and business of the Company, and their responsibilities under statutes and common law, the Listing Rules of Stock Exchange, the Rules Governing the Listing of Stocks on SSE ("Listing Rules of SSE"), legal and other regulatory requirements as well as the Company's business and governance policies, so that they are able to discharge their responsibilities properly.

  – The Company also recognises the importance of continuous professional development of the Directors. Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. During the reporting period, the Company arranged for the Directors a brief introduction of the continuing regulatory system for Shanghai and Hong Kong dual listed company provided by the SSE as well as a training for Directors and senior managers of the companies listed in A share market conducted by external consultants. In addition, the Company provided compliance training on International Anti-Corruption/Anti-Bribery to all Directors.

  – Certain Directors also attended trainings organised by the Company or external professional bodies on other regulatory updates as well as obligations of directors. In addition, Directors also read materials/publications which they thought appropriate and necessary for the fulfillment of their roles. The Directors provided their regular training records to the Company.

  – In addition, the Company also provided regular updates to Directors in respect of continuing obligations of listed issuers and their directors, monthly reports on the business and operations of the Company and its subsidiaries, as well as public opinion monitoring report on every business day.

  – The Company Secretary of the Company is responsible for maintaining records of the Directors' participation in continuous professional development. Based on the records maintained by the Company, our Directors participated in the following continuous professional development activities during 2022:

	Type of Continuous Professional Development Activities
Executive Directors	
Zhou Xinhuai *(CEO)*	A, B
Xia Qinglong	A, B
Non-executive Directors	
Wang Dongjin *(Chairman)*	A, B
Yi Yong *(Vice Chairman)*	A, B
Xu Keqiang	A, B
Wen Dongfen	A, B
Independent Non-executive Directors	
Chiu Sung Hong	A, B
Lawrence J. Lau	A, B
Tse Hau Yin, Aloysius	A, B
Qiu Zhi Zhong	A, B
Lin Boqiang	A, B

A: Attend briefings and/or training courses

B: Study articles, journals, newspapers and/or other materials

- The Non-executive Directors and the Independent Non-executive Directors actively participate in Board meetings and Committees meetings to exercise their independent judgement on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct of the Company. They are responsible for taking the lead where potential conflicts of interests arise.

- The Non-executive Directors and the Independent Non-executive Directors are invited to serve on the Audit, Remuneration and Nomination Committee and the Strategy and Sustainability Committee of the Company.

- During 2022, each Non-executive Director or Independent Non-executive Director attended or otherwise appointed an alternate to attend all regularly scheduled meetings of the Board and Committees on which such Non-executive Director or Independent Non-executive Director sat in, and reviewed the meeting materials distributed in advance for such meetings and shared their experience, skills and expertise with the Board or the relevant Committees. All of the Non-executive Directors and Independent Non-executive Directors of the Company made positive contributions to the development of the Company's strategy and policies through independent, constructive and informed comments. The Non-executive Directors and the Independent Non-executive Directors have been responsible for scrutinising our performance in achieving agreed corporate goals and objectives and monitoring our performance reporting.

- Mr. Wang Dongjin, the Chairman of the Board, together with the Independent Non-executive Directors and other Non-executive Directors attended the General Meetings held in 2022 and responded to questions raised by the shareholders in order to develop a balanced understanding of the views of shareholders.

Attendance of individual Directors at general meetings in 2022:

	No. of meetings attended (Two meetings in total)
Executive Directors	
Zhou Xinhua *(CEO) (Note 1)*	2
Xia Qinglong	2
Non-executive Directors	
Wang Dongjin *(Chairman)*	2
Li Yong *(Vice Chairman)*	2
Xu Keqiang *(Note 2)*	2
Wen Dongfen	2
Independent Non-executive Directors	
Chiu Sung Hong	2
Lawrence J. Lau	2
Tse Hau Yin, Aloysius	2
Qiu Zhi Zhong	2
Lin Boqiang *(Note 3)*	1

Note 1: With effect from 28 April 2022, Mr. Zhou Xinhua was appointed as an Executive Director and the Chief Executive Officer of the Company.

Note 2: With effect from 28 April 20221, Mr. Xu Keqiang resigned as the Chief Executive Officer of the Company and re-designated from Executive Director to Non-executive Director of the Company.

Note 3: With effect from 30 September 2022, Mr. Lin Boqiang was appointed as an Independent Non-executive Director of the Company.

- The Directors are required to inform the Company in case of any change in the number and nature of offices held in public companies or organisations and other significant commitments. Please refer to "Directors and Senior Management" on pages 68 to 78 for the biographies of the Directors.

C.2 Chairman and Chief Executive

Principle: "There are two key aspects of the management of every issuer – the management of the board and the day-to-day management of business. There should be a clear division of these responsibilities to ensure a balance of power and authority, so that power is not concentrated in any one individual."

- The Chairman ensures all Directors are properly briefed on issues arising at Board meetings and is responsible for ensuring that Directors receive, in a timely manner, adequate information, which must be accurate, clear, complete and reliable.

- One of the important roles of the Chairman is to provide leadership for the Board. The Chairman ensures that the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by the Board in a timely manner. The Chairman delegates the responsibility of drawing up the agenda for each Board meeting and Committee meeting to the Joint Company Secretaries who will take into account, where appropriate, any matters proposed by the other Directors for inclusion in the agenda, and the Chairman is primarily responsible for approving the agenda.

- The Chairman takes primary responsibility for ensuring that good corporate governance practices and procedures are established.

- The Chairman encourages all Directors to make full and active contribution to the Board's affairs and takes the lead to ensure that the Board acts in the best interests of the Company. The Chairman encourages Directors with different views to voice their concerns, allows sufficient time for discussion of issues and ensures that Board decisions fairly reflect Board consensus.

- The Chairman ensures that appropriate steps are taken to provide effective communication with shareholders and that their views are communicated to the Board as a whole.

- The Chairman promotes a culture of openness and debate by facilitating the effective contribution of Non-executive Directors and Independent Non-executive Directors in particular and ensuring constructive relations between Executive, Non-executive and Independent Non-executive Directors.

- The CEO is responsible for conducting the Company's business and affairs consistent with the principles and directions established by the Board.

C.3 Management functions

Principle: "An issuer should have a formal schedule of matters specifically reserved for board approval. The board should give clear directions to management on the matters that must be approved by it before decisions are made on the issuer's behalf."

- The Board is the ultimate decision-making body of the Company, other than those matters reserved to shareholders of the Company. The Board oversees and provides strategic guidance to senior management in order to enhance the long-term value of the Company for its shareholders. The Board delegates its management and administration functions to management, makes the Board Authorization Management Measures and a list of relevant authorizations, and gives clear directions as to the powers of management, in particular, with respect to the circumstances where management should report back and obtain prior approval from the Board before making decisions or entering into any commitments on the Company's behalf.

- The day-to-day management is conducted by senior management and employees of the Company, under the direction of the CEO and the oversight of the Board. In addition to its general oversight of the management, the Board also performs a number of specific functions. The Company formalises the functions reserved to the Board and those delegated to management and reviews those arrangements periodically to ensure that they remain appropriate to the Company's needs.

- The primary functions performed by the Board include:

  (i) Reviewing and approving long-term strategic plans and annual operating plans, and monitoring the implementation and execution of these plans;

  (ii) Reviewing and approving significant financial and business transactions and other major corporate actions;

  (iii) Reviewing and approving financial statements and reports, and overseeing the establishment and maintenance of controls, processes and procedures to ensure accuracy, integrity and clarity in financial and other disclosures;

  (iv) Overall responsibility for the Company's ESG strategy and reporting, evaluating and determining the Company's ESG-related risks, and ensuring appropriate and effective ESG risk management and internal control systems are in place;

  (v) Determining the appointment or dismissal of senior management, determining the performance assessment results of senior management, and reasonably control the remuneration level of senior management; and

  (vi) Other functions of the Board as stipulated in the Articles of Association.

- The Board and the senior management have respective responsibilities, accountabilities and contributions. The primary functions performed by the senior management are to conduct the daily business and implement the abovementioned affairs approved and delegated by the Board and other matters as the Board may from time to time request.

- The Directors review such delegation arrangements periodically to ensure they remain appropriate to our needs.

- Directors clearly understand delegation arrangements in place. The Company has entered into service agreements with the Executive Directors, Non-executive Directors and Independent Non-executive Directors setting out the key terms and conditions of their engagements.

C.4 Board committees and performance of duties during the year

Principle: "Board committees should be formed with specific written terms of reference which deal clearly with their authority and duties."

- The Company has established the Audit Committee, the Remuneration Committee, the Nomination Committee and the Strategy and Sustainability Committee (each a "Committee") and has established a specific written committee charter (the "Charter") for each of the Committees which deals clearly with its authority and duties. The Charters of the Committees have been published on the websites of the HKSE, the SSE and/or the Company in accordance with the relevant regulatory requirements. These Committees will report to the Board on their decisions and recommendations.

- For details on the major responsibilities and authority of the Audit Committee, an overview of its work performed in 2022 and the attendance rate of each member of the Audit Committee, please refer to "D.3 Audit Committee" on pages 56 to 60 of this Annual Report.

- For details on the major responsibilities and authority of the Remuneration Committee, an overview of its work performed in 2022 and the attendance rate of each member of the Remuneration Committee, please refer to "E.1 The level and make-up of remuneration and disclosure" on pages 60 to 62 of this Annual Report.

- For details on the major responsibilities and authority of the Nomination Committee, an overview of its work performed in 2022 and the attendance rate of each member of the Nomination Committee, please refer to "B.2 Appointments, re-election and removal and B.3 Nomination Committee" on pages 41 to 44 of this Annual Report.

- The Company established the Strategy and Sustainability Committee on 25 August 2022 in which Mr. Wang Dongjin, the Chairman and Non-executive Director, served as the chairman of the Strategy and Sustainability Committee; and Mr. Li Yong, the Vice Chairman and Non-executive Director, Mr. Xu Keqiang, the Non-executive Director, Mr. Zhou Xinhuai, the Executive Director, Mr. Lawrence J. Lau, the Independent Non-executive Director, and Mr. Qiu Zhi Zhong, the Independent Non-executive Director, served as committee members. On 30 September 2022, Mr. Lin Boqiang, an Independent Non-executive Director of the Company, was appointed as a member of the Strategy and Sustainability Committee.

- The purpose and main responsibilities of the Strategy and Sustainability Committee are to conduct study on the long term development strategy, major business plans and investment decisions, sustainable development and other related matters of the Company, and make recommendations to the Board. In 2022, the Strategy and Sustainability Committee convened one meeting, conducted reviews on the development strategy and also the annual plan and budget of the Company pursuant to its charter, and gave recommendations to the Board for making decisions on the development objectives and development strategies of the Company.

Attendance of individual Directors at the meeting convened by Strategy and Sustainability Committee in 2022

	No. of meetings attended (One meeting in total)	
Executive	**By committee member**	**By proxy**
Wang Dongjin *(Chairman)*	1	0
Li Yong	1	0
Xu Keqiang *(Note 1)*	0	1
Zhou Xinhuai	1	0
Lawrence J. Lau	1	0
Qiu Zhi Zhong	1	0
Lin Boqiang	1	0

Note 1: Mr. Xu Keqiang appointed Mr. Li Yong to act as his proxy to attend the meeting of the Strategy and Sustainability Committee held on 1 November 2022 and to vote on his behalf.

C.5 Conduct of board proceedings and supply of and access to information

Principle: "The issuer should ensure directors can participate in board proceedings in a meaningful and effective manner. Directors should be provided in a timely manner with appropriate information in the form and quality to enable them to make an informed decision and perform their duties and responsibilities".

- The Board and Committee members of the Company are dedicated, professional and accountable.
- The Company holds Board meetings at least four times a year at approximately quarterly intervals. Members of the Board have also actively participated in the discussions on the business and operation of the Company, either in person or through other electronic means of communication such as emails, when necessary.
- There exists an open atmosphere for Directors to contribute alternative views. All decisions of the Board are made on the principles of trust and fairness in an open and transparent manner, so as to protect the interests of all shareholders.
- The Board has regularly reviewed the contribution required from a Director to perform his responsibilities to the Company, and whether he is spending sufficient time performing them in accordance with the CG Code.

In 2022, the Board convened eleven meetings in total, and six of which were conducted by way of written resolutions and five of which were in form of a combination of physical meeting and video teleconferencing. The Directors were present either in person or via video or teleconferencing. All relevant resolutions were adopted upon consideration.

Attendance of individual Directors at full Board meetings held in 2022:

	Board Meetings		Number of Attendance (Eleven meetings in total)		
	Number of attendance during the year	Failure to attend in person for two consecutive meetings or not	Absence	By director	By proxy
Executive Directors					
Zhou Xinhuai *(CEO) (Note 1)*	6	No	0	5	1
Xia Qinglong *(Note 2)*	11	No	0	10	1
Non-executive Directors					
Wang Dongjin *(Chairman)*	11	No	0	11	0
Li Yong *(Vice Chairman)*	11	No	0	11	0
Xu Keqiang *(Note 3)*	11	No	0	10	1
Wen Dongfen *(Note 4)*	11	No	0	10	1
Independent Non-executive Directors					
Chiu Sung Hong	11	No	0	11	0
Lawrence J. Lau	11	No	0	11	0
Tse Hau Yin, Aloysius	11	No	0	11	0
Qiu Zhi Zhong	11	No	0	11	0
Lin Boqiang *(Note 5)*	3	No	0	3	0

Note 1: With effect from 28 April 2022, Mr. Zhou Xinhuai was appointed as an Executive Director and the Chief Executive Officer of the Company. Mr. Zhou Xinhuai appointed Mr. Xia Qinglong to act as his proxy to attend and vote on his behalf at the Board meeting held on 25 August 2022.

Note 2: Mr. Xia Qinglong appointed Mr. Zhou Xinhuai and Mr. Chiu Sung Hong to act as his proxy to attend the Board meeting held on 2 November 2022 at which Mr. Zhou Xinhuai exercised his voting right on his behalf for resolutions items No. (1) to (4) and No. (6) to (10) of such meeting, and Mr. Chiu Sung Hong exercised his voting right on his behalf for resolutions item No. (5) of such meeting.

Note 3: With effect from 28 April 2022, Mr. Xu Keqiang resigned as the Chief Executive Officer of the Company and re-designated from Executive Director to Non-executive Director of the Company. Mr. Xu Keqiang appointed Mr. Li Yong to act as his proxy to attend the Board meeting held on 2 November 2022 and to vote on his behalf.

Note 4: Ms. Wen Dongfen appointed Mr. Li Yong to act as her proxy to attend the Board meeting held on 28 April 2022 and to vote on her behalf.

Note 5: With effect from 30 September 2022, Mr. Lin Boqiang was appointed as an Independent Non-executive Director of the Company.

- The Joint Company Secretaries consulted the Directors on matters to be included in the agenda for regular Board meetings.
- Dates of regular Board meetings have been scheduled at least two months before the meeting to provide sufficient notice to all Directors so that they can have an opportunity to attend. For non-regular Board meetings, reasonable advance notices have been given.
- Minutes of the meetings of the Board and Committees are kept by the Joint Company Secretaries and open for inspection at any reasonable time upon reasonable request by any Director.

- Minutes of the meetings of the Board and Committees recorded sufficient details of the matters considered by the Board and Committees and decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of the minutes of the Board meeting and Committee meetings are sent to all Directors and all Committee members respectively within a reasonable time after the Board meetings and Committee meetings for their comments and records.

- The Company's senior management regularly provides the Board and its Committees with adequate information to enable them to make informed decisions. Senior management also organises presentations to the Board conducted by professional advisers on specific transactions as appropriate.

- For regular Board meetings and Committee meetings, the agenda and accompanying Board documents are sent in full to all Directors at least three days before the intended date of the Board meetings or Committee meetings.

- The Board and each Director have separate and independent access to the Company's senior management and also the Joint Company Secretaries, who will provide full and prompt responses to queries raised by the Directors. All Directors are entitled to have access to the Board papers, minutes and related materials upon reasonable notice.

- The Company has arranged appropriate insurance cover in respect of legal action against its Directors.

- During the reporting period, none of the Directors raised any objection to matters reviewed by the Board.

C.6 Company Secretary

Principle: "The company secretary plays an important role in supporting the board by ensuring good information flow within the board and that board policy and procedures are followed. The company secretary is responsible for advising the board through the chairman and/or the chief executive on governance matters and should also facilitate induction and professional development of directors."

- The Nomination Committee of the Company has the responsibility to make recommendation for suitable candidates for the appointment of Company Secretary to the Board and the Board has the responsibility to approve their selection, appointment or dismissal by physical meeting of the Board. Mr. Xu Yugao and Ms. Tsue Sik Yu, May are the Joint Company Secretaries of the Company. Ms. Wu Xiaonan ceased to serve as the Joint Company Secretary, Secretary to the Board and Domestic Representative for Information Disclosure of the Company with effect from 22 December 2022 and Mr. Xu Yugao, the General Counsel and the Chief Compliance Officer of the Company, was appointed as the Joint Company Secretary, Secretary to the Board and Domestic Representative for Information Disclosure of the Company on the same day. Since Mr. Xu Yugao has not obtained the qualification for serving as the Secretary to the Board from the SSE, Mr. Xu Yugao was designated by the Board to perform the duties of the substitute Secretary to the Board of the Company, and shall duly perform the duties of the Secretary to the Board after obtaining such qualification. Their biographies are set out on page 78 of this annual report.

- The Joint Company Secretaries will report to the Chairman of the Board and/or the CEO.

- Each of the Joint Company Secretaries has taken no less than 15 hours of relevant professional training every year.

- All Directors have access to the advice and services of the Joint Company Secretaries to ensure that Board procedures as well as all applicable rules and regulations are followed.

D. AUDIT, INTERNAL CONTROL AND RISK MANAGEMENT

D.1 Financial reporting

Principle: "The board should present a balanced, clear and comprehensible assessment of the company's performance, position and prospects."

- The Company has established a mechanism for reporting to the Board by providing a monthly management report in order to ensure that the Board fully understands the operating conditions and the relevant financial position of the Company. The Board is responsible for preparing accounts that give a true and fair view of the Company and its subsidiaries' financial position on a going-concern basis and other financial disclosures. Management provides the Board with the relevant information it needs to fulfill these responsibilities.

- Directors discuss the operating budget for the next year and approve the operating budget at the end of each year and will review the execution of the operating budget for the whole year. Management will also provide sufficient explanations and information to the Board. All significant changes in the operating conditions and investment decisions will be discussed in sufficient details by the Board.

- Directors also discuss and analyse the performance of the Company and its subsidiaries, the long-term business model and corporate strategies of the Company for achieving the Company's objectives and generating or preserving value over the longer term. Please refer to the relevant section in Management's Discussion and Analysis on pages 93 to 98 of this annual report for details.

- If necessary, the Directors will also engage professional independent consultants so that the Directors can gain an in-depth and comprehensive understanding and assessment of the relevant matters, in order to make well-grounded assessments.

- The management has evaluated the effectiveness of the Company's internal control over financial reporting in accordance with the provisions of *the Basic Standard for Enterprise Internal Control* and the supporting guidelines and the internal control framework formulated by the COSO, and the auditor of the Company have also audited the effectiveness of internal control over financial reporting.

- The Company regularly updates investors with progress of development and performance of the Company through formal channels such as annual reports, interim reports and announcements made through the websites of HKSE, SSE and the Company, as well as through press releases. The Company also issues quarterly reports and announces its strategy at the beginning of the year to enhance transparency about its performance and to give details of the latest development of the Company in a timely manner.

- The Company provides a balanced, clear and understandable assessment of the Company's performance in its interim and annual reports, other financial disclosures required by the Listing Rules of Stock Exchange, the Listing Rules of SSE, the reports to the regulators and information disclosed under statutory requirements.

- The Company has also engaged independent technical consultant firms to conduct a review of its oil and gas business and discloses details of its oil and gas properties in its annual report (as set out on pages 168 to 171 of this annual report).

- The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

- The statement by the auditor of the Company regarding its reporting responsibilities on the financial statements of the Company and its subsidiaries is set out in the Independent Auditor's Report on pages 99 to 102 of this annual report.

D.2 Risk management and internal control

Principle: "The board is responsible for evaluating and determining the nature and extent of the risks it is willing to take in achieving the issuer's strategic objectives, and ensuring that the issuer establishes and maintains appropriate and effective risk management and internal control systems. Such risks would include, amongst others, material risks relating to ESG (please refer to the ESG Reporting Guide in Appendix 27 to the Listing Rules of Stock Exchange for further information). The board should oversee management in the design, implementation and monitoring of the risk management and internal control systems, and management should provide a confirmation to the board on the effectiveness of these systems."

- The Board acknowledges that it has responsibilities to ensure that the Company establishes and maintains appropriate and effective risk management, internal control and compliance management systems and review their effectiveness. Such systems are designed to manage rather than eliminate risks of failure to achieve business objectives, and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

- The Board regularly, and at least annually, receives reports from the management of the Company regarding the establishment, review and evaluation of the Company's strategic, financial, operational and compliance control, and also the risk management, internal control and compliance management systems. All major risks and compliance events are reported to the Board. The Board will also evaluate the corresponding risks, the response plan and the handling of the compliance events.

- The Audit Committee is delegated by the Board to oversee the risk management, internal control and compliance management systems and the internal audit function of the Company on an on-going basis (at least annually). For work completed by the Audit Committee on the Company's risk management and internal control systems, please refer to the section headed "D.3 Audit Committee" below.

- The Risk Management, Internal Control and Compliance Management Committee (RMICC Committee) of the Company has been authorised by the Board to be in charge with the organisation and implementation of the overall risk management and internal control. The RMICC Committee is responsible for establishing the risk management and internal control systems, implementing standardised organisation, authorisation, responsibilities, procedures and methods for the risk management and internal control systems. The RMICC Committee is also responsible for ongoing monitoring of the risk management and internal control systems of the Company, and makes periodic reports to the Audit Committee and the Board regarding the status of the risk management and internal control systems and compliance control of the Company.

- With respect to risk management (including the ESG risks), the Company has chosen and adopted the ISO 31000: 2018 Risk Management Guidelines, and has taken the *Guidelines for Comprehensive Risk Management of Central Companies* issued by the State-owned Assets Supervision and Administration Commission (SASAC) of the PRC and the risk management framework developed by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) as an important reference, established a risk management system covering design, implementation, monitoring, assessment and continuous improvement. The RMICC Committee established the overall targets and policies of the risk management system which are in line with the strategic objectives of the Company, and identified, analysed and assessed the overall risk of the Company, including the Company's key risks in making major decisions, important events and key business processes. Additionally, the ESG risk management was also integrated into the routine risk management practice and accordingly at least six types of ESG risks, including those associated with climate change, emission and waste, renewable energy, supply chain, privacy and data security and controversial development, were listed as the source of risks under the major risks of the Company. The RMICC Committee therefore conducted regular assessment and kept track with the above risks on a continuous basis in order to promptly address such risks. The RMICC Committee is also responsible for the response plans to major risks, as well as periodically following up and reviewing the implementation of such response plans, and the handling of compliance events, in order to make sure that sufficient attention, monitoring and responses will be paid to all key risks and compliance events of the Company. The risk management reports are submitted to the Audit Committee and the Board periodically.

- With respect to internal control, the Company has established an internal control system and mechanism for financial, operational and compliance monitoring in accordance with the provisions of *the Basic Standard for Enterprise Internal Control* and the supporting guidelines jointly formulated by five ministries, including Ministry of Finance of the PRC and the internal control framework formulated by the COSO, and has conducted continuing review and evaluation of the internal control system of the Company, in order to ensure safety and compliance of such system and mechanism and the timeliness, accuracy and completeness of all information reported.

- The Company has established procedures for identifying, handling and disseminating inside information pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), the Securities Law of the People's Republic of China, the Listing Rules of SSE and other laws, regulations and regulatory documents, including the inside information disclosure policy, pre-approved management procedure on Directors and senior management in dealing in Company's securities, notification of regular blackout period and securities dealing restrictions to Directors and employees, identification of project by code name and disclosure of project information to relevant personnel on the need-to-know basis as a precondition to guard against possible mishandling of inside information within the Company and its subsidiaries.

- Whistleblowing policy and system have been established for employees and those who deal with the Company to raise concerns about possible improprieties in any matter relating to the Company.

- The Company has maintained an open channel to handle and discuss internal reports concerning finance, internal control and fraud to ensure that all reports will receive sufficient attention and any significant internal control weakness or reports will directly reach to the Chairman of the Audit Committee.

- The Company has established a mechanism for remediating internal control deficiency under which the management of each level are assigned with clear responsibilities relating to remediating internal control deficiency in accordance with their respective levels. Those responsibilities are also included in the internal performance indicators of the Company.

- The Company has formulated the Compliance Manual for Entities and Employees, the Policy for Compliance Management and other policies, which stipulates basic compliance requirements in anti-corruption, anti-fraud, anti-money laundering, anti-monopoly and other aspects. The Company has established a unified domestic and overseas compliance complaint channel (https://www.cnoocltd.com/complaint), which provides the complaint channels for employees and those who deal with the Company (e.g. customers and suppliers) to raise concerns, in confidence, with the Company about possible improprieties.

- During the reporting period, the Company's internal audit function provided independent assurance as to the adequacy and effectiveness of the Company's risk management and internal control systems. The financial condition and operational control of the Company were examined by the internal audit function according to the audit plan approved by the Audit Committee. Different audit areas were assigned according to risk priority. The internal audit function assisted the Board to monitor the effectiveness of the risk management and internal control systems. After completion of an internal audit, analysis, appraisals, recommendations related to the activities inspected were formulated. The internal audit function reported to the Audit Committee and the Board about internal audit findings, internal audit recommendation and the management responses. In addition, the internal audit function maintained a regular dialogue with the Company's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

- Reports from external auditors on internal control and relevant financial reporting matters were presented to and reviewed by the Audit Committee.

- The management reported the above works to the Audit Committee for the purpose of assisting the Audit Committee to review the effectiveness of the risk management and internal control systems.

- The management evaluated the design and operating effectiveness of the Company's risk management (including the ESG risks) system and the Company's internal control over financial reporting for 2022 and did not discover any material weakness from the evaluation. As a result, the Board considered that as of 31 December 2022, the Company's risk management system and the Company's internal control over financial reporting were effective.

D.3 Audit Committee

Principle: "The board should establish formal and transparent arrangements to consider how it will apply financial reporting, risk management and internal control principles and maintain an appropriate relationship with the issuer's auditors. The audit committee established under the Listing Rules of Stock Exchange should have clear terms of reference."

- The Audit Committee consists of three Independent Non-executive Directors (Mr. Tse Hau Yin, Aloysius, Mr. Chiu Sung Hong and Mr. Lawrence J. Lau) and a Non-executive Director (Ms. Wen Dongfen), with Mr. Tse Hau Yin, Aloysius as the Audit Committee financial expert pursuant to relevant laws, regulations and regualtory documents and the Chairman of the Audit Committee. A list of members of the Audit Committee is set out under the section headed "Company Information" on page 172 of this annual report.

- The Audit Committee meets at least twice a year and is responsible for reviewing the completeness, accuracy and fairness of the Company's accounts, evaluating the Company's auditing scope (both internal and external) and procedures as well as the effectiveness of the Company's risk management and internal control systems. The Audit Committee, together with senior management and the external auditors, review the accounting principles and practices adopted by the Company and its subsidiaries and discuss the risk management and internal control and financial reporting matters. The Board also assesses the effectiveness of risk management and internal control systems based on the reviews by the RMICC Committee, senior management, internal audit function and external auditors.

- The Audit Committee is also responsible for overseeing the operation of the internal control system so as to ensure that the Board is able to monitor the Company's overall financial position, to protect the Company's assets, and to prevent major errors or omissions in financial reporting. The Audit Committee also meets at least twice a year with our external auditors.

- The Audit Committee is responsible for overseeing and monitoring the risk management, internal control and compliance management systems of the Company on an ongoing basis and reviewing with our external auditors and management periodically, not less than annually, the scope, adequacy and effectiveness of the Company's corporate accounting and financial controls, risk management, internal control and compliance management systems, and any related significant findings regarding risks or exposures and consider recommendations for improvement of such controls. The review should cover all material aspects, including strategic, financial, operational and compliance controls. In conducting annual review, the Audit Committee in particular, considers the factors including (a) the changes, since the last annual review, in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment; (b) the scope and quality of management's ongoing monitoring of risk management, internal control and compliance management systems, and where applicable, the work of its internal audit function and other assurance providers; (c) the extent and frequency of communication of monitoring results to the Board and the Audit Committee which enables them to assess the effectiveness of the risk management, internal control and compliance management systems of the Company; (d) significant control failings or weaknesses that have been identified during the period. Also, the extent to which they have resulted in unforeseen outcomes or contingencies that have had, could have had, or may in the future have, a material impact on the Company's financial performance or condition; and (e) the effectiveness of the Company's financial reporting practice and the compliance with the procedures as prescribed under the Listing Rule of Stock Exchange and Listing Rules of SSE.

- The Audit Committee is also responsible for reviewing the Company's internal audit function, ensuring co-ordination within the Company and its subsidiaries and between the Company's internal and external auditors, and ensuring that the internal audit function is adequately resourced and has appropriate standing within the Company and to review and monitor its effectiveness.

Audit Committee's performance of duties during the year

- In 2022, the Audit Committee convened nine meetings, and three of which were conducted by way of written resolutions and six of which were in form of a combination of physical meeting and video teleconferencing. The following is a summary of the work performed by the Audit Committee under its charter in 2022:

  – Reviewed the Company's audited accounts, annual results announcements, unaudited interim accounts and interim results announcements, and quarterly reports, before they were tabled to the Board for approval, and discussed with senior management and the external auditors over such accounts;

  – The Audit Committee held formal meetings with the external auditors and senior management of the Company at least twice a year to discuss the matters including:

    (i) the external auditors' engagement letter and general scope of their audit work, including planning and staffing of the audit;

    (ii) the Company's management discussion and analysis disclosures in the annual report of the Company; and

    (iii) the applicable accounting standards relating to the audit of the Company's financial statements, including any recent changes;

  – In addition to formal meetings arranged by the Company, members of the Audit Committee were also given direct access to the external auditors, have frequent contacts with the external auditors to discuss issues from time to time;

  – On behalf of the Board, conducted a review of the effectiveness of the Company's risk management, internal control and compliance management systems for the year ended 31 December 2022. The annual review included works such as:

    (i) review of reports submitted by and discussions with the RMICC Committee and other senior management concerned regarding major risks identified, changes in the nature and extent of major risks since the last annual review, measures and response plans to manage risks identified, and the ability of the Company to respond to such changes in its business operation, etc;

    (ii) review on whether the management has established effective risk management, internal control and compliance management systems pursuant to the Listing Rules of Stock Exchange as well as under relevant requirements and to evaluate the scope and quality of the management's works on the risk management system, internal control system and internal audit;

    (iii) review the adequacy of resources, staff qualifications and experience of the Company's accounting, financial reporting functions and internal audit functions as well as whether the trainings received by the employees and the relevant budget are sufficient to ensure that the management had performed its duty;

(iv) review of the effectiveness of the internal audit function of the Company to ensure coordination within the Company and its subsidiaries and between the Company's internal and external auditors and to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

(v) consider the major investigation findings on risk management, internal control and compliance management systems and management's response to these findings; and

(vi) make recommendations to the Board and the senior management on the scope and quality of management's ongoing monitoring of risks and issues relevant to internal control.

On the basis of the aforesaid review, the Audit Committee was not aware of any significant issues that would have an adverse impact on the effectiveness and adequacy of the risk management, internal control and compliance management systems of the Company;

– Reviewed the work performed by the Company's external auditors and their relationship with the Company's senior management, and made recommendations to the Board in relation to the re-appointment of the external auditors, as well as the proposed auditors' fees;

– Reviewed and approved the Company's audit and non-audit pre-approval policy to ensure auditors' independence;

– Members of the Audit Committee received materials from the Company's external auditors from time to time in order to keep abreast of changes in financial reporting principles and practices, as well as issues relating to financial reporting, risk management and internal controls relevant to the Company;

– Considered and approved the non-audit services provided by the external auditors during 2022;

– Reviewed the arrangements by which employees of the Company can use, in confidence and anonymously, to raise concerns about possible improprieties in financial reporting, risk management and internal control or other matters and ensure that proper arrangements are in place for fair and independent investigation and for appropriate follow-up actions;

– Reported on its findings and suggestions to the Board following its review of different aspects of the Company's financial reporting and risk management and internal control systems and made appropriate recommendations where necessary;

– Reviewed the Company's business ethics and compliance policies and related reports as appropriate and performed certain corporate governance duties delegated by the Board set out in "A.2 Corporate Governance Functions" on page 38 of this annual report; and

– Evaluated and assessed the effectiveness of the Audit Committee and the adequacy of the charter of the Audit Committee, and considered and proposed the amendments to the charter and presented to the Board for approval.

- Full minutes of the Audit Committee meetings are kept by the Joint Company Secretaries. Draft and final versions of minutes of the Audit Committee meetings are sent to all members of the Audit Committee for their comments and records respectively, in both cases within a reasonable time after the meetings.

- The Audit Committee is provided with sufficient resources, including independent access to and advice from external auditors.

- During the period, the Audit Committee standardised its operation, performed its duties according to law and exercised due diligence in accordance with the relevant regulatory rules, the Articles of Association and the Audit Committee Charter.

Attendance of individual members at Audit Committee meetings in 2022

Independent Non-executive Directors	No. of meetings attended (Nine meetings in total) by committee member	by proxy
Tse Hau Yin, Aloysius *(Chairman and Financial Expert)*	9	0
Chiu Sung Hong	9	0
Lawrence J. Lau	9	0
Wen Dongfen *(Note 1)*	4	0

Note 1: With effect from 28 April 2022, Ms. Wen Dongfen was appointed as a member of the Audit Committee of the Company.

E. REMUNERATION

E.1 The level and make-up of remuneration and disclosure

Principle: "An issuer should have a formal and transparent policy on directors' remuneration and other remuneration related matters. The procedure for setting policy on executive directors' remuneration and all directors' remuneration packages should be formal and transparent. Remuneration levels should be sufficient to attract and retain directors to run the company successfully without paying more than necessary. No director should be involved in deciding his own remuneration."

- The Remuneration Committee comprises two Independent Non-executive Directors (Mr. Chiu Sung Hong and Mr. Tse Hau Yin, Aloysius), and one Non-executive Director (Mr. Li Yong), with Mr. Chiu Sung Hong serving as the Chairman of the Remuneration Committee. The Remuneration Committee is delegated with the authority of determining and approving salaries, bonuses, share option packages, performance appraisal systems and retirement plans for all Executive Directors and senior management. A list of members of the Remuneration Committee is set out in "Company Information" on page 172 of this annual report.

- The major responsibilities and authorities of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure of the remuneration of Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy, determining and reviewing the service contracts and specific remuneration packages for all Executive Directors and senior management under the Board's authorization, such as benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, reviewing and approving the compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure consistency with contractual terms, and making recommendations to the Board on the remuneration of Non-executive Directors and Independent Non-executive Directors. The Remuneration Committee also makes recommendations to the Board regarding whether proposed share option schemes and any other equity-based compensation plans should be approved by the Board and submitted to the Company's shareholders for their approval and regarding the grant of any options or other equity-based compensation under such schemes or plans. The Remuneration Committee shall also administer the Company's share option scheme and all other employee equity-based compensation plans, with full authority to make all other determinations in the administration thereof, but subject to the limitations prescribed by laws and the rules in such plans and programmes.

- The Company's emolument policy is to maintain fair and competitive packages with reference to industry standards and prevailing market conditions. The Remuneration Committee is mindful that levels of remuneration must be sufficient to attract and retain the Directors and senior management in order to run the Company successfully, but at the same time, the Company should avoid setting remunerations which are in excess of those necessary for this purpose. The Directors' emolument package may comprise the Director's fees, basic salaries and allowances, bonuses, share options and others. The remuneration of Independent Non-executive Directors only includes cash, and the Company does not grant equity-based remuneration with performance-related elements to Independent Non-executive Directors to avoid bias in their decision-making and compromise their objectivity and independence. The following factors are considered in determining the Directors' remuneration package:

  – Business needs, company goals and objectives;

  – Responsibilities of the Directors and their individual contribution; and

  – Changes in relevant markets, for example, supply/demand fluctuations and changes in competitive conditions.

  Details of the remuneration of Directors for the year ended 31 December 2022, are set out on pages 132 to 134 of this annual report.

  No individual Director or senior management of the Company is permitted to determine his/her own remuneration.

The Company seeks to apply similar principles when determining the remuneration packages for senior management with reference to the Board's corporate goals and objectives. Other general staff and employees are rewarded on a performance-rated basis with other fringe benefits such as employment injury insurance, pension funds, medical insurance and other social insurance.

Please refer to notes 8 to 9 to the consolidated financial statements on pages 132 to 135 of this annual report for details of Directors' remuneration and senior management's remuneration by band and the five highest paid individuals in the Company.

- The remuneration of Non-executive Directors and Independent Non-executive Directors recommended by the Remuneration Committee is determined by the Board.
- The Remuneration Committee consults the Chairman and CEO about its proposal relating to the remuneration of other Executive Directors and have access to independent professional advice if necessary.
- In 2022, the Remuneration Committee convened four meetings, and one of which was conducted by way of written resolutions and three of which were in form of a combination of physical meeting and video teleconferencing. The following is a summary of the work performed by the Remuneration Committee under its charter during the year:
  - Reviewed and approved the remuneration packages of the Company's individual Executive Directors and senior management of the Company;
  - Reviewed and approved or recommended the remuneration packages of the newly appointed Directors and senior management;
  - Made recommendations to the Board on the Company's policy and structure for Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
  - Assessed performance of Executive Directors and reviewed the service agreement templates for Executive Directors, Non-executive Directors and Independent Non-executive Directors;
  - Made recommendations to the Board on the remuneration of the Company's Non-executive Directors; and
  - Evaluated and assessed the effectiveness of the Remuneration Committee and the adequacy of the charter of the Remuneration Committee, and considered and proposed the amendments to the charter and presented to the Board for approval.

Attendance of individual members at Remuneration Committee meetings in 2022

Directors	No. of meetings attended (Four meetings in total) by committee member	by proxy
Chiu Sung Hong *(Chairman)*	4	0
Tse Hau Yin, Aloysius	4	0
Li Yong	4	0

F. SHAREHOLDERS ENGAGEMENT

F.1 Effective communication

Principle: "The board should be responsible for maintaining an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with them and encourage their participation."

- The Board recognises the importance of good and effective communication with all shareholders. With a policy of being transparent, strengthening investor relations and providing consistent and stable returns to shareholders, the Company has formulated a shareholders' communication policy and also seeks to ensure transparency through establishing and maintaining different communication channels with shareholders.

- The Company has a professionally-run investor relations department to serve as an important communication channel between the Company and its shareholders and other investors. The Company has set up dedicated telephone number and E-mail address, the details of which are contained in the section titled "corporate information" in this annual report, to enable active responses to the shareholders and investors' inquiries through a variety of ways, and to timely feedback to the management of reasonable suggestions. The shareholders can also directly put forward their opinions and suggestions to the directors and the management of the Company at the general meetings, results briefings and the performance release conferences.

- A key element of effective communication with shareholders and investors is prompt and timely dissemination of information in relation to the Company. In addition to announcing its interim, annual and other periodic results to shareholders and investors, the Company also publicises its major business developments and activities through press releases, announcements and the Company's website on the basis of compliance with relevant laws, regulations and regulatory documents. Press conferences and analyst briefings are held from time to time on financial performance and major transactions.

- The general meetings also provide a useful forum for shareholders to exchange views with the Board. The Chairman of the Board, as well as Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, members of the respective Committees, are available to answer questions from shareholders at annual general meetings and extraordinary general meetings of the Company.

- The Chairman of each of the Board and all Committees, or in his absence, an alternate appointed by him will, whenever possible, propose separate resolutions for each substantially separate issue at general meetings of the Company.

- The Company's management ensures the external auditors attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditors' report, the accounting policies and auditors' independence.

- The Company reviews its shareholders' communication policy on an annual basis to ensure its effectiveness. After the review of the implementation and effectiveness of the shareholders' communication policy, the Company is of the view that the policy is effective in providing channels for shareholders to communicate their views on various matters affecting the Company and for the Company to solicit and understand the views of the shareholders.

F.2 Shareholders meetings

Principle: "The issuer should ensure that shareholders are given sufficient notice of shareholders meetings and are familiar with the detailed procedures for conducting a poll, and should arrange to address questions from shareholders in the shareholders meetings."

- In 2022, the Company held its general meetings via video and on-site conference, and gave sufficient notices to shareholders in advance of the meetings. All votes of shareholders at the general meetings of the Company were taken by poll or otherwise in accordance with the Listing Rules of Stock Exchange and the Listing Rules of SSE. The Chairmen of the meetings ensured that shareholders were familiar with the procedures of voting by poll at the general meetings of the Company.

- The results of the poll are published on the HKSE's website, the SSE's website and the Company's website.

SHAREHOLDERS' COMMUNICATION AND RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

The procedures for shareholders to convene an extraordinary general meeting of the Company ("EGM") are governed by Article 63 of the Articles and sections 566 to 568 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong). On the request of shareholders of the Company, representing at least 5% of the total voting rights of all shareholders having a right to vote at general meetings, the Directors are required to call a general meeting.

The request must state the general nature of the business to be dealt with at the EGM and may include the text of a resolution that may properly be moved and is intended to be moved at the EGM, be authenticated by the shareholder(s) making the request, and sent to the Company in hard copy form or in electronic form. The Directors must call an EGM within 21 days after the date on which they become subject to the requirement and such EGM must be held on a date not more than 28 days after the date of the notice convening the meeting is given.

Whilst giving the above request, shareholders are recommended to provide written explanation of the reasons and material implications relating to the proposed resolutions to enable all of the shareholders to properly consider and determine the proposed resolutions.

The Company will, upon receipt of a request referred to above, issue a notice of extraordinary general meeting of the proposed resolutions and (if applicable) circulars/documents for the general meeting containing further information relating to the proposed resolutions in accordance with the Listing Rules of Stock Exchange and the Listing Rules of SSE.

Further enquiries relating to the above or enquiries that shareholders wish to be put to the Board may be addressed to the Joint Company Secretaries of the Company at 65/F, Bank of China Tower, 1 Garden Road, Hong Kong.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Shareholders are requested to follow sections 615 and 616 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) if they wish to request the Company to give to other shareholders, who are entitled to receive notice of the annual general meeting, notice of a resolution that may properly be moved and is intended to be moved at the annual general meeting.

Shareholders are requested to follow sections 580 to 583 of the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) if they wish to request the Company to circulate to other shareholders, who are entitled to receive notice of a general meeting, a statement with respect to a matter mentioned in a proposed resolution or other business to be dealt with at the general meeting.

SUMMARY OF GENERAL MEETINGS

Sessions and No. of Meeting	Date	Designated websites on which poll results were published	Disclosure date of poll results	Resolutions
Annual General Meeting	26 May 2022	The HKSE's website (http://www.hkexnews.hk) The SSE's website (http://www.sse.com.cn) The Company's website (https://www.cnoocltd.com/)	26 May 2022	A total of 11 resolutions were proposed and duly passed at the meeting, and no resolutions were voted against. For details, please refer to the Company's announcement published on the HKSE's website, the SSE's website and the Company's website.
Extraordinary General Meeting (the first Extraordinary General Meeting in 2022)	29 November 2022	The HKSE's website (http://www.hkexnews.hk) The SSE's website (http://www.sse.com.cn) The Company's website (https://www.cnoocltd.com/)	29 November 2022	A total of 2 resolutions were proposed and duly passed at the meeting and no resolutions were voted against. For details, please refer to the Company's announcement published on the HKSE's website, the SSE's website and the Company's website.

Annual Performance of Duties by Independent Non-executive Directors

In 2022, the Independent Non-executive Directors, on the basis of objectivity, fairness and independence, paid attention to the production and operation, business development and corporate governance of the Company, attended the general meetings, Board meetings and the committees meetings of the Company, actively performed their duties and make significant contributions to protect the interests of shareholders, regulate the operation of and enhance the value of the Company.

As of the date of this annual report, the independence of the Independent Non-executive Directors complies with the requirements of applicable regulatory rules and there are no circumstances which affect such independence. In 2022, the Company convened a total of two general meetings, reviewing a total of 13 proposals; the Board convened a total of 11 meetings, reviewing a total of 57 proposals; and the committees of the Board convened a total of 20 meetings, reviewing a total of 41 proposals. Please refer to "C.1 Responsibilities of Directors", "C.4 Board committees and performance of duties during the year" and "C.5 Conduct of board proceedings and supply of and access to information" for information regarding the participation of the Independent Non-executive Directors in the general meetings, Board meetings and committees meetings as well as the summaries of the works performed by the Board committees.

In the course of daily work, all Independent Non-executive Directors actively familiarized themselves with the conditions and latest regulations and policies of the Company by means of video/telephone conference, communication with the senior management, correspondence and on-site research, and provided professional advice or suggestions to the Board in terms of decision-making, corporate governance and business development of the Company.

In 2022, the Independent Non-executive Directors of the Company devoted full time and energy in performing their duties in strict accordance with laws, regulations, regulatory rules and the provisions of the Articles of Association, participated in the decision-making of the Board and the special committees in good faith; diligently, independently and objectively and earnestly safeguarded the legal rights and interests of the Company and its shareholders, especially small and medium shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

For the year ended 31 December 2022, the Company has complied with all provisions as set out in Part II of Appendix 14 to the Listing Rules of Stock Exchange.

CHANGES IN DIRECTORS

During the year ended 31 December 2022, there was the following change in Directors.

With effect from 28 April 2022, Mr. Xu Keqiang resigned as the CEO and re-designated from Executive Director to Non-executive Director of the Company; Mr. Zhou Xinhuai was appointed as the Executive Director and CEO of the Company on the same day. With effect from 30 September 2022, Mr. Lin Boqiang was appointed as the Independent Non-executive Director of the Company.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51 (B) of the Listing Rules of Stock Exchange, there is no other change in the information of Directors of the Company except as disclosed in this annual report.

CODE OF ETHICS

The Board adopted a Code of Ethics in 2003 to provide guidelines to the senior management and Directors in legal and ethical matters as well as the sensitivity involved in reporting illegal and unethical matters. The Code of Ethics covers areas such as supervisory rules, insider dealing, market malpractices, conflict of interests, company opportunities, protection and proper use of the Company's assets as well as reporting requirements. As part of its continued efforts to improve its corporate governance standards, the Board conducted an annual review to the Code of Ethics since 2009, and the current version of the Code of Ethics was reviewed and adopted in August 2022.

The Company has provided all its Directors and senior officers with a copy of the Code of Ethics and requires them to comply with the Code of Ethics, so as to ensure the Company's operation is proper and lawful. The Company will take disciplinary actions towards any act which is in breach of the Code of Ethics. All the senior management members and Directors are required to familiarise themselves with and follow the Code of Ethics to ensure that the Company's operations are honest and legal. Violations of the rules will be penalised and serious breaches will result in dismissal.

PROVISIONS FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the abovementioned Code of Ethics which has incorporated the provisions for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules of Stock Exchange, the Securities Law of the People's Republic of China and the Listing Rules of SSE. All Directors have confirmed that they complied, during the year ended 31 December 2022, with the required standards set out in the Company's Code of Ethics.

SERVICES AND REMUNERATION OF AUDITORS

Services provided by the auditors, i.e. Ernst & Young and Ernst & Young Hua Ming LLP, and fees charged by the Auditors for the services for the year ended 31 December 2022 are as follows:

Audit Fees

The aggregate fees billed for professional services rendered by the Auditors for the audit of the Company's annual financial statements or services that are normally provided by the Auditors in connection with statutory and regulatory filings or engagements were RMB55.12 million for the financial year ended 31 December 2021 and RMB61.51 million for the financial year ended 31 December 2022.

Audit-related Fees

The aggregate fees billed for assurance and related services by the Auditors that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under "Audit Fees" were nil for the financial years ended 31 December 2021 and 31 December 2022.

Tax Fees

The aggregate fees billed for professional service rendered by the Auditors for tax compliance, tax advice and tax planning were RMB11.42 million for the financial year ended 31 December 2021 and RMB9.31 million for the financial year ended 31 December 2022.

All Other Fees

The aggregate fees billed for professional service rendered by the Auditors for risk management advisory services and information systems reviews were RMB3.03 million for the financial year ended 31 December 2021 and RMB2.98 million for the financial year ended 31 December 2022.

There are no other fees payable to the Auditors for products and/or services provided by the Auditors, other than the services reported above, for the financial year ended 31 December 2021 and for the financial year ended 31 December 2022.

DISTRIBUTION POLICY

The Company has always attached importance to shareholder returns and paid dividends twice a year. The payment of any future dividends will be subject to requirements of applicable laws and the Articles and shareholders' approval or decided by the Board as authorized by the shareholders. In the long run, decisions on payment of dividends are based upon, among other things, our future earnings, capital requirements, financial conditions, future prospects and other factors which our Board may consider relevant. Our ability to pay dividends will also depend on the cash flows determined by the dividends, if any, received by us from our subsidiaries, associates and joint ventures. Holders of our shares will be entitled to receive such dividends declared by the Company through appropriate procedures pro rata according to the amounts paid up or credited as paid up on the shares.

In accordance with relevant regulatory requirements and the Articles of Association, the Company has improved its dividend distribution policy based on its actual conditions. On 26 October 2021, the Company held an extraordinary general meeting to review and adopt the *Profits Distribution Policy and Company's Shareholders' Dividend Return Plan for the Three Years after the Initial Public Offering and Listing of Renminbi Ordinary Shares (RMB Shares) on the Main Board of Shanghai Stock Exchange*. To ensure shareholders' return, subject to the approval by the general meeting on the proposed dividends for each year, from 2022 to 2024, the expected annual payout ratio of the Company will be no less than 40%. From 2022 to 2024, the annual absolute dividend is expected to be no less than HK$0.70/share (tax inclusive) regardless of the operational results of the Company. During the reporting period, the Company strictly complies with the profit distribution policy. The Independent Non-executive Directors of the Company have performed their duties conscientiously and diligently, reviewed the dividend distribution matters and played their due roles.

DIRECTORS AND SENIOR MANAGEMENT

1. Wang Dongjin
2. Li Yong
3. Xu Keqiang
4. Wen Dongfen
5. Zhou Xinhuai
6. Xia Qinglong
7. Chiu Sung Hong
8. Lawrence J. Lau
9. Tse Hau Yin, Aloysius
10. Qiu Zhi Zhong
11. Lin Boqiang

NON-EXECUTIVE DIRECTORS

Wang Dongjin

Born in 1962, Mr. Wang is a professor-level senior engineer and received a Bachelor of Science degree in Petroleum Drilling from Development Department of China University of Petroleum in 1982 and a Doctor of Science degree in Petroleum Engineering Management from China University of Petroleum-Beijing in 2012. From July 1995 to December 1997, he was appointed as Deputy Director-General of Jiangsu Petroleum Exploration Bureau. From December 1997 to October 2002, he was appointed as Vice President of China National Oil & Gas Exploration and Development Corporation ("CNODC"). From December 2000 to October 2002, he also served as President of CNPC International (Kazakhstan) Ltd. and President of AktobeMunai Gas Corp. From October 2002 to September 2008, he served as President of CNODC. From January 2004 to September 2008, he was appointed as Assistant President of China National Petroleum Corporation ("CNPC") and Vice Chairman of CNODC. From September 2008 to March 2018, he served as Vice President of CNPC. From May 2011 to May 2014, he was concurrently appointed as Director of PetroChina Company Limited ("PetroChina"). From July 2013 to March 2018, he was concurrently appointed as President of PetroChina. From May 2014 to March 2018, he served as Vice Chairman of PetroChina. In March 2018, Mr. Wang was appointed as a Director of CNOOC Group. From October 2018 to October 2019, Mr. Wang was appointed as President of CNOOC Group. Since March 2019, Mr. Wang has served as a Director of Overseas Oil & Gas Corporation, Ltd. (OOGC) and CNOOC (BVI) Limited (CNOOC (BVI)). In October 2019, Mr. Wang was appointed as Chairman of CNOOC Group. From November 2019, Mr. Wang was appointed as the Chairman and the President of OOGC, and as the Chairman of CNOOC (BVI). On 27 April 2018, Mr. Wang was appointed as a Non-executive Director of the Company. From 27 April 2018 to 29 September 2020, Mr. Wang Dongjin served as a member of the Remuneration Committee of the Company. From 5 December 2018 to 18 November 2019, Mr. Wang was appointed as the Vice Chairman of the Company. Mr. Wang was appointed as Chairman of the Board and Chairman of the Nomination Committee of the Company on 18 November 2019, and was appointed as Chairman of the Strategy and Sustainability Committee of the Company on 25 August 2022.

Li Yong

Born in 1963, Mr. Li is a senior engineer. He received a Bachelor of Science degree in Petroleum Engineering from Southwest Petroleum Institute and an MBA degree from Peking University. From April 2003 to October 2005, he served as Vice General Manager of Tianjin Branch of CNOOC China Limited. From October 2005 to April 2009, he served as Executive Vice President of China Oilfield Services Limited ("COSL"). From April 2009 to September 2010, he served as President of COSL. From September 2010 to June 2016, he served as Chief Executive Officer and President of COSL. From June 2016 to March 2017, he served as Assistant President of CNOOC Group, Executive Vice President of the Company, Director of Bohai Petroleum Administration Bureau and General Manager of Tianjin Branch of CNOOC China Limited. He also served as a Director of CNOOC International Limited from June 2016 to May 2017. From March 2017 to September 2020, he served as Vice President of China Petrochemical Corporation. From May 2018 to September 2020, he also served as Director of China Petroleum & Chemical Corporation. In September 2020, Mr. Li served as Director and President of CNOOC Group. From September 2020, Mr. Li has been appointed as a Director of OOGC and CNOOC (BVI). Mr. Li was appointed as the Vice Chairman of the Board, a Non-executive Director and a member of the Remuneration Committee of the Company on 29 September 2020, and was appointed as a member of the Strategy and Sustainability Committee of the Company on 25 August 2022.

Xu Keqiang

Born in 1971, Mr. Xu is a professor-level senior engineer. He graduated from Northwest University with a Bachelor of Science degree in Oil and Gas Geology. He received a master's degree in Coalfield Oil and Gas Geology from Northwest University in 1996. Mr. Xu joined China National Petroleum Corporation in 1996 and served different positions. From April 2003 to April 2005, he served as Deputy General Manager of Sinopetro Investment Company Ltd. From April 2005 to September 2008, he served as Deputy General Manager of CNPC International (Kazakhstan) Ltd. and concurrently General Manager of CNPC Ai-Dan Munai Joint Stock Company. From September 2008 to March 2014, he served as Deputy General Manager of CNPC International (Kazakhstan) Ltd. and concurrently General Manager of Joint Stock Company CNPC International Aktobe Petroleum. From March 2014 to March 2017, he served as General Manager of PetroChina Tuha Oilfield Company, and Director of Tuha Petroleum Exploration & Development Headquarters. From March 2017 to February 2020, Mr. Xu served as a Vice President of CNOOC Group. From 25 February 2020, Mr. Xu has been appointed as a Director of CNOOC Group. From April 2017 to June 2018, Mr. Xu served as the Chairman of Nexen Energy ULC, a subsidiary of the Company. In between May 2017 and June 2018, he served as the Chairman and a Director of a subsidiary of the Company-CNOOC International Limited. From May 2017 to October 2022, Mr. Xu served as a Director of CNOOC China Limited, a subsidiary of the Company. From May 2018 to April 2020, Mr. Xu served as the General Manager of CNOOC China Limited. From November 2019 to April 2022, Mr. Xu has been appointed as a Director of OOGC, and as a Director of CNOOC (BVI). Mr. Xu was appointed as an Executive Director of the Company with effect from 18 April 2017, and was appointed as the President of the Company from April 2017 to March 2020. He was appointed as the Chief Executive Officer of the Company with effect from 19 November 2019. Mr. Xu has resigned as the CEO of the Company, and he has been re-designated from Executive Director to Non-executive Director of the Company from 28 April 2022. Mr. Xu was appointed as a member of the Strategy and Sustainability Committee of the Company on 25 August 2022.

Wen Dongfen

Born in 1964, Ms. Wen is a professor-level senior accountant. She received a Bachelor of Economics Degree in Business Management from Shanxi Finance and Economics College. She served as Deputy Director of Financial Planning Department of China Petrochemical Corporation ("Sinopec Group"), Deputy Director of Financial Department of Sinopec Group and Director of Financial Department of Sinopec Group. From May 2012 to December 2015, she also served as Chairwoman of Shengjun International Investment Limited. From December 2015 to July 2016, she served as Financial Director and Director of Financial Department of China Petroleum & Chemical Corporation. Since July 2016, she has been serving as Chief Accountant of CNOOC Group. From August 2016 to August 2017, she also served as Chairwoman of CNOOC International Financial Leasing Co., LTD. From August 2016 to February 2018, she also served as Chairwoman of CNOOC Finance Corporation Limited and CNOOC Insurance Limited. From August 2016 to May 2018, she also served as Chairwoman of Zhonghai Trust Co., Ltd. Since March 2020, Ms. Wen was appointed as a Director of OOGC and CNOOC (BVI). Ms. Wen was appointed as a Non-executive Director of the Company with effect from 27 April 2020. Ms. Wen was appointed as a member of the Audit Committee of the Company with effect from 28 April 2022.

EXECUTIVE DIRECTORS

Zhou Xinhuai

Born in 1970, Mr. Zhou is a professor-level senior engineer. He graduated from Chengdu University of Technology with a Master's degree in Coalfield Oil and Gas Geology and Exploration. In 2008, he received a Ph.D. degree in Energy Geological Engineering from China University of Geosciences. Mr. Zhou has worked with the CNOOC Group since 1996 holding several positions. From August 2003 to April 2014, he was the project manager and geological chief engineer of the Technology Department of the CNOOC (China) Limited Tianjin Branch, a subsidiary of the Company. He served as the Chief Geological Engineer of Bohai Oil Research Institute of CNOOC Bohai Petroleum Administrative Bureau, and as the manager of Exploration Department of CNOOC Bohai Petroleum Administrative Bureau and the manager of Exploration Department of CNOOC (China) Limited Tianjin Branch from April 2014 to March 2017. Mr. Zhou served as the Chief Geologist at CNOOC East China Sea Petroleum Administrative Bureau and the Chief Geologist at CNOOC (China) Limited Shanghai Branch, a subsidiary of the Company from March 2017 to October 2019. He also worked as the General Manager of the Exploration Division of the Company from October 2019 to March 2021. He was appointed as the General Manager of CNOOC (China) Limited Hainan Branch, a subsidiary of the Company, and Chairman and General Manager of Hainan Energy Co., Ltd., from March 2021 to March 2022. He was appointed as the Deputy General Manager of the CNOOC Group from March 2022. He was appointed as a Director of OGGC and CNOOC (BVI) since April 2022. He was appointed as the Chairman of the Board of CNOOC (China) Limited from October 2022. Mr. Zhou has been appointed as an Executive Director and the Chief Executive Officer of the Company with effect from 28 April 2022, and was appointed as a member of the Strategy and Sustainability Committee of the Company on 25 August 2022.

Xia Qinglong

Born in 1964, Mr. Xia is a professor-level senior engineer. He graduated from Geophysical Exploration Department of Chengdu Institute of Geology with a bachelor's degree in engineering. He graduated from Institute of Geology and Geophysics, Chinese Academy of Sciences with a PhD degree of science in solid earth geophysics. From August 1986 to November 2005, Mr. Xia successively served different positions at Bohai Oil Research Institute and CNOOC (China) Limited Tianjin Branch. He served as Chief Geologist, Deputy General Manager and Executive Deputy General Manager of CNOOC (China) Limited Tianjin Branch from November 2005 to May 2016, Deputy Director and Executive Deputy Director of CNOOC Bohai Petroleum Administrative Bureau from April 2013 to May 2016, and successively served as Chief Executive Officer and President of China BlueChemical Ltd. ("China BlueChem"), a company listed on the Stock Exchange of Hong Kong Limited, from June 2016 to March 2018. He was also the Executive Director of China BlueChem from July 2016 to December 2019. From March 2018 to December 2019, he served as the Chairman of the Board of China BlueChem. He served as Chairman of the Board of CNOOC International Limited from December 2019 to March 2022. Mr. Xia Qinglong also serves as the Director of CNOOC (China) Limited starting from March 2020, and he has been appointed as the General Manager of CNOOC (China) Limited from June 2021. Since August 2021, Mr. Xia was appointed as a Director of OOGC. He served as an Executive Vice President of the Company from March 2020 to May 2021, and he was appointed as the President of the Company with effect from 21 May 2021. Mr. Xia Qinglong was appointed as the Executive Director of the Company on 3 August 2021.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Chiu Sung Hong

Born in 1947, Mr. Chiu received an LL.B. degree from the University of Sydney. He was admitted as a solicitor of the Supreme Court of New South Wales and the High Court of Australia. He has over 30 years' experience in legal practice and had been a director of a listed company in Australia. Mr. Chiu was the founding member of the Board of Trustees of the Australian Nursing Home Foundation and a senior research fellow of Centre for Law & Globalization of Renmin University of China since 2016. He also served as the General Secretary of the Australian Chinese Community Association of New South Wales. Mr. Chiu is also an Independent Non-executive Director of Tianda Pharmaceuticals Limited (formerly Yunnan Enterprises Holdings Limited, Tianda Holdings Limited) since April 2008, a company listed on The Stock Exchange of Hong Kong Limited. Mr. Chiu is also an Independent Non-executive Director of Bank of China (Australia) Limited (a wholly subsidiary of Bank of China Limited). Mr. Chiu was appointed as an Independent Non-executive Director of the Company with effect from 7 September 1999.

Lawrence J. Lau

Born in 1944, Professor Lau graduated with a B.S. (with Great Distinction) in Physics from Stanford University in 1964, and received his M.A. and Ph.D. degrees in Economics from the University of California at Berkeley in 1966 and 1969 respectively. He joined the faculty of the Department of Economics at Stanford University in 1966, becoming Professor of Economics in 1976, the first Kwoh-Ting Li Professor in Economic Development in 1992, and Kwoh-Ting Li Professor in Economic Development, Emeritus in 2006. From 2004 to 2010, Professor Lau served as the Vice-chancellor (President) of The Chinese University of Hong Kong. From September 2010 to September 2014, Professor Lau served as Chairman of CIC International (Hong Kong) Co., Limited. Professor Lau was a member of the 11th and 12th National Committees of the Chinese People's Political Consultative Conference from 2008 to 2012 and from 2013 to 2018 respectively, a Vice-Chairman of the Sub-committee of Population, Resources and Environment from 2010 to 2013, and a Vice-Chairman of the Sub-committee of Economics from 2013 to 2018. Professor Lau specializes in economic development, economic growth, and the economies of East Asia, including that of China. He has authored, co-authored, or edited seventeen books, including The China-U.S. Trade War and Future Economic Relations, and published more than 210 articles and notes in professional journals. Professor Lau serves as a member of the Hong Kong Special Administrative Region Exchange Fund Advisory Committee Currency Board Subcommittee, a Non-official Member of the Candidate Eligibility Review Committee of the Hong Kong SAR and a Non-official Member of the Board of Directors of the Hong Kong Investment Corporation Limited of the HKSAR, the Chairman of the Board of Directors of the Chinese University of Hong Kong (Shenzhen) Advanced Finance Institute, aka Shenzhen Finance Institute, and he used to be the Vice-Chairman of Our Hong Kong Foundation, and now serves as a member of this foundation. He was appointed a Justice of the Peace in Hong Kong in July 2007 and awarded the Gold Bauhinia Star in 2011 by the Government of the Hong Kong Special Administrative Region. He currently serves as the Ralph and Claire Landau Professor of Economics at the Lau ChorTak Institute of Global Economics and Finance, the Chinese University of Hong Kong, an independent non-executive director of AIA Group Limited and Semiconductor Manufacturing International Corporation, and served as an independent non-executive director from December 2014 to May 2020 of Hysan Development Company Limited, all listed on the Hong Kong Stock Exchange. He also serves as an independent non-executive director of Far EasTone Telecommunications Company Limited, Taipei, which is listed on the Taiwan Stock Exchange. Professor Lau was appointed as an Independent Non-executive Director of the Company with effect from 31 August 2005. He also serves as a member of the Audit Committee and the Nomination Committee of the Company. Professor Lau was appointed as a member of the Strategy and Sustainability Committee of the Company on 25 August 2022.

Tse Hau Yin, Aloysius

Born in 1948, Mr. Tse is a fellow of The Institute of Chartered Accountants in England and Wales, and the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Mr. Tse is a past president and a former member of the Audit Committee of the HKICPA. He joined KPMG in 1976, became a partner in 1984 and retired in March 2003. Mr. Tse was a non-executive Chairman of KPMG's operations in the PRC and a member of the KPMG China advisory board from 1997 to 2000. Mr. Tse is currently an independent non-executive director of SJM Holdings Limited, Sinofert Holdings Limited and China Huarong Asset Management Company, Limited (Mr. Tse resigned as an independent non-executive director from China Huarong Asset Management company in March 2021, and the resignation shall take effect after the commencement of terms of office of the new independent Non-executive Director.), companies listed on The Stock Exchange of Hong Kong Limited (HKSE). From 2004 to 2010, he was an independent non-executive director of China Construction Bank Corporation, which is listed on the HKSE Main Board, and he also was an independent non-executive director of CCB International (Holdings) Limited, a wholly owned subsidiary of China Construction Bank Corporation. From 2005 to 2016, Mr. Tse was also an independent non-executive director of Daohe Global Group Limited (formerly known as Linmark Group Limited), which is listed on the HKSE Main Board. From November 2004 to June 2021, Mr. Tse was an independent non-executive director of OCBC Wing Hang Bank Limited (formerly named as Wing Hang Bank Limited whose shares were delisted from The Stock Exchange of Hong Kong Limited with effect from 16 October 2014). Mr. Tse was an independent non-executive director from September 2005 to January 2023 of China Telecom Corporation Limited, which is listed on the HKSE Main Board. Mr. Tse is a member of the International Advisory Council of the People's Municipal Government of Wuhan. Mr. Tse was appointed as an Independent Non-executive Director of the Company with effect from 8 June 2005.

Qiu Zhi Zhong

Born in 1955, Mr. Qiu obtained his Bachelor of Science degree in Computer Science from New York University and his Bachelor of Engineering degree in Electrical Engineering from The Cooper Union for the Advancement of Science and Art in 1983; his Master of Science degree in Electrical Power Engineering from Ohio State University in 1985; and his Master of Business Administration from Harvard Business School in 1990. Mr. Qiu has served as an independent non-executive director and chairman of the nomination committee of Sinochem Energy Co., Ltd since November 2020. From 2013 to 2016, Mr. Qiu served as the Chairman of Meridian Capital (Asia) Limited. From 2009 to March 2013, he served as a Managing Director, the Vice Chairman of Asia Pacific and Chairman of Greater China of Barclays Capital. From 2006 to 2009, he served as the Executive Chairman of China and Vice Chairman of Asia of ABN AMRO Bank N.V., and during the period he also served as the Chairman of ABN AMRO (China) Co. Ltd. and the Chairman of ABN AMRO Leasing (China) Co. Ltd. In 2002, Mr. Qiu founded and served as the Chairman of Quartz Capital Limited. During the period, he also served as the Chairman of the DragonTech Ventures Fund and DragonTech Ventures Management Limited, a subsidiary, from 2004 to 2014. From 1991 to 2002, Mr. Qiu served as the Chairman of Greater China Region and a Managing Director of Credit Suisse First Boston. Since 2010, Mr. Qiu has also served as the Honorary Consul of Republic of Rwanda to Hong Kong. In 1994 and 1995, Mr. Qiu was named as one of the world's "50 Most Wanted in Finance" and "World's 50 Derivatives Superstars" respectively by the Global Finance magazine in the United States. Mr. Qiu was appointed as an independent non-executive director and a member of the Nomination Committee of the Company with effect from 7 May 2019, and was appointed as a member of the Strategy and Sustainability Committee of the Company on 25 August 2022.

DIRECTORS AND SENIOR MANAGEMENT

Lin Boqiang

Born in 1957, Mr. Lin has a Ph.D in economics from the University of California, United States of America. Mr. Lin was the economist (energy) of Asian Development Bank. He is currently a "Changjiang Scholar" distinguished professor of School of Management of Xiamen University, dean of China Institute for Studies in Energy Policy and a doctoral tutor of Xiamen University. Mr. Lin is the chief editor of Energy Economics, an international energy economics journal. Meanwhile, Mr. Lin is a member of the National Energy Consultation Committee under the National Energy Commission, a member of the Energy Price Consultation Committee under the National Development and Reform Commission, a special economic analyst for China Xinhua News Agency, a special observer of China National Radio, and an executive member of the Energy Leader Committee of the World Economic Forum based in Davos. Mr. Lin served as an independent non-executive director of China Oilfield Services Limited and PetroChina Company Limited, both of which are listed on the SSE and The Stock Exchange of Hong Kong Limited, in the past three years. Mr. Lin was appointed as an Independent Non-executive Director of the Company on 30 September 2022.

OTHER MEMBERS OF SENIOR MANAGEMENT

Cao Xinjian

Born in 1966, Mr. Cao is an Executive Vice President of the Company and a professor-level senior economist. Mr. Cao obtained a master degree of Business Administration from the University of Wales in 2003. From 1989 to 1999, Mr. Cao served as a geological delegate of the Contract Area of CNOOC Donghai Company & Caltex and the deputy manager of Exploration Department of CNOOC Donghai Company. From 1999 to 2004, he served as Exploration Manager of Exploration Department, Assistant Manager, Acting Manager and Manager of Human Resources Department of CNOOC China Limited Shanghai Branch. From 2004 to 2006, he served as Deputy Director of the CNOOC Group Talent Work Leading Group's Office. From 2006 to 2013 he served as Deputy General Manager of CNOOC China Limited Shanghai Branch. From 2009 to 2013, he also served as Deputy Director of Donghai Petroleum Administration Bureau of CNOOC. From 2013 to 2017, he served as Deputy General Manager and General Manager of Human Resources Department of CNOOC Group and the Company. From March 2017 to February 2020, he served as the Director of Bohai Petroleum Administration Bureau of CNOOC. From March 2017 to December 2021, he has served as General Manager of CNOOC China Limited Tianjin Branch. From August 2017, he was appointed as an Executive Vice President of the Company. In September 2017, he was appointed as Assistant President of CNOOC Group.

Yang Yun

Born in 1964, Mr. Yang is a professor-level senior engineer. He graduated from Southwest Petroleum Institute with a bachelor of engineering degree in oil exploration engineering department and graduated from School of Economics and Management of Tsinghua University with an MBA degree in business administration. From September 1985 to December 1999, Mr. Yang successively serviced as assistant engineer, engineer and deputy officer of the craft room of oil production plant of Qinghai Petroleum Management Bureau, engineer and deputy head of the operation department of Nanhai West Oil Corporation, a section level officer and chief engineer of the production office of Nanhai West Oil Corporation and the manager of development and production department of CNOOC. From December 1999 to June 2007, he served as production manager of the production department of the Company. From June 2007 to May 2011, he served as the deputy general manager of CNOOC (China) Limited Shenzhen Branch and the deputy director of CNOOC Nanhai East Petroleum Administration Bureau. From May 2011 to July 2015, he served as the executive vice president of Offshore Oil Engineering Co., Ltd.. From July 2015 to December 2019, he served as the director of CNOOC Donghai Petroleum Administration Bureau, general manager of CNOOC (China) Limited Shanghai Branch and chairman of CNOOC Rongfeng Energy Co., Ltd.. He was appointed as the general manager of CNOOC (China) Limited Zhanjiang Branch in December 2019 and was appointed as a Vice President of the Company on 20 March 2020. From October 2020 to March 2021, he concurrently served as the general manager of CNOOC China Limited Hainan Branch. In May 2021, he was appointed as the Chief Safety Officer & General Manager of New Energy Department of the Company. Mr. Yang was appointed as an Executive Vice President of the Company with effect from June 2021.

Xie Weizhi

Born in 1964, Mr. Xie is the Chief Financial Officer of the Company. Mr. Xie is a Senior Accountant. He graduated from Guanghua School of Management of Peking University with a master's degree in Business Administration. Mr. Xie joined CNOOC Group in 1986. Mr. Xie served as Deputy Manager of Finance Department of CNOOC Nanhai West Corporation, Deputy Manager and Manager of Controllers' Department and General Manager of Treasury Department of CNOOC. From January 2002 to February 2011, Mr. Xie served as General Manager of CNOOC Finance Corporation Ltd. From February 2011 to May 2016, Mr. Xie served as Assistant President of CHINALCO, Executive Director of CHINALCO Finance Company Limited, President of CHINALCO Offshore Holding Company, Vice President & CFO of CHALCO, President of CHALCO (Hong Kong), Chairman of CHINALCO Finance Company Limited, General Auditor & Director of Audit Department CHINALCO. From 2016 to 2017, Mr. Xie was appointed as General Manager of Finance Department of CNOOC Group. On August 2017, Mr. Xie was appointed as the Chief Financial Officer of the Company.

Deng Yunhua

Born in 1963, Mr. Deng is an academician of the Chinese Academy of Engineering and the Deputy Chief Exploration Engineer of the Company. Mr. Deng graduated from the Scientific Research Institute of Petroleum Exploration and Development with a major in Petroleum Geology and Exploration and received a master's degree in Engineering in 1988. He was assistant geologist and then geologist in the Exploration Department of CNOOC Bohai Corporation Institute from 1988 to 1989; and served as the Team Leader of the Comprehensive Petroleum Geological Research Team, Project Manager, Deputy Principal of Geologist, Deputy Principal Geologist and Director of the Exploration Department and Deputy Chief Geologist in the CNOOC Bohai Corporation Institute from 1989 to 1999. Mr. Deng became Deputy Chief Geology Engineer and Deputy General Manager of CNOOC China Limited Tianjian Branch from 1999 to 2005. He was Deputy Director of CNOOC Research Center from 2005 to 2006. He served as the Deputy Chief Exploration Engineer of the Company and Deputy Director of Beijing Research Center of CNOOC China Limited since 2006. He served as the Deputy Director of CNOOC Research Center from 2006 to 2009. Mr. Deng served as Deputy Chief Geology Engineer of CNOOC since 2007; and Deputy General Director of CNOOC Research Institute and Deputy Chief Manager of CNOOC Research Institute Co., Ltd. from 2009. Mr. Deng ceased to serve as the Deputy Chief Exploration Engineer of the Company from October 2022.

Wu Xiaonan

Born in 1967, Ms. Wu Xiaonan is an Enterprise Legal Adviser (註冊企業法律顧問) and Certified Senior Enterprise Risk Manager (註冊高級企業風險管理師). Ms. Wu received a bachelor of laws degree from China University of Political Science and Law in 1990. Ms. Wu has been working in the oil and gas industry for over 20 years. From September 1999 to June 2002, Ms. Wu successively worked in the Regulatory and Legislative Division of the Legal Department of CNOOC Group and the Company. From June 2002 to February 2012, Ms. Wu served as the Manager of the Regulatory and Legislative Division of the Legal Department of the Company. From February 2012 to May 2016, she served as the Deputy General Manager of the Legal Department of the Company. From May 2016 to December 2020, Ms. Wu served as the General Manager of the Legal Department. From September 2018 to December 2020, she served as the Director of the Legal Support Center of CNOOC Group. From August 2018 to February 2021, Ms. Wu served as the Vice General Counsel of CNOOC Group and the General Counsel and the Compliance Officer of the Company. From 19 November 2018 to 22 December 2022, Ms. Wu served as a Joint Company Secretary of the Company.

Sun Fujie

Born in 1965. Mr. Sun is a professor-level senior engineer. He graduated from China University of Petroleum (Beijing) with a Doctor Degree of Engineering in Oil and Gas Field Development. From July 1988 to April 1998, he serviced as Engineer of Development Office, Deputy Director of 1st Development Office, Deputy Director of Development Office and Deputy Chief Engineer and Deputy Director of Research Institute of CNOOC Bohai Company. From April 1998 to July 1999, he served as Chief Engineer of Development Department of CNOOC Bohai Company. From July 1999 to January 2002, he served as Deputy Chief Geologist of Tianjin Branch of CNOOC China Limited. From January 2002 to December 2011, he served as Chief Development Engineer, Chief Development and Design Engineer and Manager of Development and Design Department, Chief Development and Design Engineer of CNOOC Research Center, and Chief Development and Design Engineer of CNOOC Research Institute. From December 2011 to December 2013, he served as Chief Engineer of Development, Deputy General Manager and Chief Engineer of Development of Development and Production Department of the Company. From December 2013 to February 2017, he served as General Manager of Science and Technology Development Department of CNOOC Group and the Company. From February 2017 to December 2020, he served as Executive Deputy Director of CNOOC Group Consulting Center. Mr. Sun was appointed as a Vice President of the Company with effect from 31 December, 2020.

Xu Yugao

Born in 1969, doctor of Tsinghua University, a professorial senior economist. Mr. Xu was an assistant researcher of the 21st Century Development Research Institute of Tsinghua University, Mr. Xu was an assistant professor at the Institute of 21st Century Development, Tsinghua University, served as staff and strategic project manager of Strategic Planning Department of China Oilfield Services Limited (COSL), the Policy Research Manager of the Development Research Office of CNOOC Group, CFO of CNOOC Oil Base Group Co., Ltd., Vice President and CFO of CNOOC Energy Technology & Services Limited. From August 2013 to May 2016, he served as General Manager of the Legal Department of CNOOC Group and the Company. From May 2016 to July 2018, he served as Director of the Policy Research Office of CNOOC Group. From July 2018 to June 2020, he served as President of CNOOC Group Institute for Executive Development. Since June 2020, he has been serving as the General Manager of International Cooperation Department and Director of Foreign Affairs Department of CNOOC Group and the Company. Since April 2021, he has been serving as the Deputy General Legal Officer of CNOOC. Since May 2021, he has been serving as the Deputy General Counsel of CNOOC Group, the General Counsel and the Chief Compliance Officer of the Company. Mr. Xu has been appointed as a Joint Company Secretary, Secretary to the Board (acting deputy) and Domestic Representative for Information Disclosure of the Company with effect from December 2022.

Ke lvxiong

Born in 1964, Mr. Ke is a professor-level senior engineer. He graduated from Zhongnan University of Economics and Law, with a Master's degree. Mr. Ke successively served as Chief Engineer, Deputy General Manager of Oilfield Production Department of CNOOC Nanhai West Company Oil Production branch, Operation Manager of Production Department of CNOOC Nanhai West Company, Operation Manager of Production Department, Manager of Production Department, Deputy General Manager, Executive Deputy General Manager of CNOOC (China) Limited Zhanjiang Branch, Deputy Director, Executive Deputy Director of Nanhai West Petroleum Administration Bureau of CNOOC, Executive Vice General Manager of CNOOC Gas & Power Group Ltd. From March 2018 to December 2019, he served as Deputy Safety Officer & General Manager of Development and Production Department in CNOOC Ltd. From December 2019 to March 2021, he served as General Manager of CNOOC (China) Limited Shanghai Branch. Since March 2021, he has been the General Manager of CNOOC (China) Limited Zhanjiang Branch. Mr. Ke was appointed as a Vice President of the Company with effect from June 2021.

Yan Hongtao

Born in 1970, Mr. Yan Hongtao is a senior engineer and graduated from China University of Petroleum (Beijing) with a master's degree in petroleum storage and transportation. Mr. Yan has served as Deputy General Manager of the Company's Development and Production Department, Deputy Director of the CNOOC Eastern South China Sea Petroleum Administrative Bureau, Deputy General Manager of the CNOOC (China) Limited Shenzhen Branch, a subsidiary of the Company, and Deputy General Manager, General Manager, Deputy Safety Director and General Manager of Development and Production Department of the Company. Mr. Yan served as General Manager of CNOOC (China) Limited Tianjin Branch from January 2022. Mr. Yan was appointed as a Vice President of the Company on April 2022.

Xu Changgui

Born in 1970, Mr. Xu Changgui is a professor-level senior engineer. He graduated from China University of Geosciences (Beijing) and obtained a Ph.D. degree. From June 1998 to May 2014, Mr. Xu successively served various positions at Bohai Oil Research Institute and CNOOC (China) Limited Tianjin Branch. From June 2014 to April 2020, he served as the Chief Geologist of Bohai Oil Research Institute and as the manager of Exploration Department of CNOOC Bohai Petroleum Administration Bureau (CNOOC (China) Limited Tianjin Branch). From April 2020 to May 2021, he served as the Deputy General Manager and the Chief Geologist of CNOOC (China) Limited Zhanjiang Branch and the Deputy General Manager and the Chief Geologist of Hainan Energy Co., Ltd. Meanwhile, from October 2020 to May 2021, he also served as the Deputy General Manager and the Chief Geologist of CNOOC (China) Limited Hainan Branch. From May 2021 to September 2022, he served as the General Manager of the Exploration Department of the Company. Mr. Xu was appointed as the Deputy Chief Exploration Engineer of the Company on October 27, 2022.

JOINT COMPANY SECRETARIES

Xu Yugao

Please refer to the biography of Mr. Xu as aboved.

Tsue Sik Yu, May

Born in 1973, Ms. Tsue Sik Yu, May is the Joint Company Secretary of the Company. She graduated from Curtin University of Technology in Australia with a bachelor of commerce in accounting. Ms. Tsue furthered her education at The Hong Kong Polytechnic University in Master of Corporate Governance from 2004 to 2006, and MBA from The University of Hong Kong from 2014 to 2016. She is a fellow member of both The Chartered Governance Institute and The Hong Kong Chartered Governance Institute since 2012 and became a member of Company Secretaries Panel and Advisor for Academy of Professional Certification in the same year, and became a member of FCCA since 2020. She is also a fellow member and certified risk trainer of the Institute of Crisis and Risk Management and an associate member of CPA Australia. Furthermore, she was granted a Practitioner’s Endorsement (PE) since 2017/2018 under The Hong Kong Chartered Governance Institute and accredited a General Mediator under Hong Kong Mediation Accreditation Association Limited (HKMAAL) since August 2017. From August 1998 to March 1999, Ms. Tsue worked in LG International (HK) Ltd. as a senior accounts clerk. Ms. Tsue joined China Ocean Oilfield Services (HK) Limited in 1999 as an accountant. She helped to manage the finance of the CNOOC Insurance Limited since 2000 and became its employee in 2004 as a manager of finance department. She serves as company secretary of CNOOC Insurance Limited since March 2007. Ms. Tsue gained The Chartered Governance Professional (CGP) qualification of The Institute of Chartered Secretaries and Administrators and The Hong Kong Chartered Governance Institute on 30 September 2018. She volunteered on Hong Kong Management Association (HKMA) of Panel of Adjudicators HKMA Best Annual Reports Awards since 2018. She volunteered on The Hong Kong Chartered Governance Institute of Committee member of Professional Development Council (PDC) since 2021 and Committee member of Company Secretaries Panel (CSP) since 2017. Ms. Tsue was appointed as a Joint Company Secretary of the Company with effect from 25 November 2008.

REPORT OF THE DIRECTORS

The board of directors (the "Board") of the Company are pleased to present their report together with the audited financial statements of the Company for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding of its subsidiaries. These subsidiaries are principally engaged in the exploration, development, production and sales of crude oil and natural gas.

SUMMARY OF FINANCIAL INFORMATION AND OPERATING RESULTS

Please refer to the financial summary on page 5 of this annual report for a summary of the assets and liabilities of the Company and its subsidiaries as of 31 December 2022 and the operating results of the Company and its subsidiaries for the year then ended.

BUSINESS REVIEW

OVERVIEW AND PERFORMANCE OF THE YEAR

A review of the business of the Company and its subsidiaries and analysis of the Company and its subsidiaries' performance using financial key performance indicators is provided in the Business Overview and Management's Discussion and Analysis section on pages 11 to 28 and pages 93 to 98 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

During the process of oilfield exploitation, the Company highly values the protection of natural and ecological environment, helps the nation to resolutely win the fight against pollution, and its comprehensive environmental protection measures ensure the Company to comply with the applicable laws and regulations on environmental protection.

The Company's environmental protection management system emphasises the management principles of environmental protection throughout the whole process, and we place Environment Impact Assessment (EIA), compliance with set standards or targets on pollutant emissions, control on total discharge amount and reduction on emissions as our priorities. During the pre-feasibility study phase, the environmental risk pre-assessment report will be prepared to identify environmental risks and avoid environmentally sensitive sea areas for protecting marine ecosystem. During the feasibility study/basic design phase, an environmental impact assessment will be conducted to comprehensively evaluate the environmental impact in the construction phase of the project, the Company take necessary environmental protection measures, and enhance fishery resource protection and marine ecosystem restoration in order to obtain the local government's environmental approval before the construction phase of the project. During the construction phase, environmental protection supervision and management are strictly performed and tightened in order to reduce the impact on natural and social environment. During the production phase, pollutant discharge is controlled and emission concentration is reduced, and environmental protection measures are adopted to achieve "increased production without increasing pollution" or "increased production with reduced pollution" for production projects, and build green oil fields. At the stage of abandonment projects, the environmental protection program for abandonment (or dismantling) as well as the disposal program are prepared as required, and the special fund for environmental protection is withdrawn from the abandonment expenses to restore the marine ecological environment.

For the year ended 31 December 2022, aligning the national targets of peak carbon dioxide emissions and carbon neutrality, the Company started formulating an action plan that enables CNOOC Limited to achieve its carbon peaking and carbon neutrality goals. The Company views energy saving and reduction in emission as important work. We kept on strictly carrying out energy-saving assessment and examination on oil & gas field investment projects and carbon emission, and ensuring this work can be integrated from the initial stage of projects. We also strengthened the efforts in technical reformation, which is the key to improve energy efficiency and reduce carbon emissions.

During the reporting period, the main environmental information of major subsidiaries falling into the scope of key pollutant discharging entities announced by competent environmental protection authorities is set out under Health, Safety and Environmental Protection ("HSE") section from pages 25 to 26 of this annual report; Regarding the environmental issues that have material impacts on the Company's business performance and future development, please refer to the environmental, social and governance report of 2022 prepared by the Company (the "2022 ESG report") issued concurrently with this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

For the year ended 31 December 2022, compliance procedures were in place to ensure adherence to applicable laws, rules and regulations which have significant impact on the Company and its subsidiaries. The Board and senior management within their respective duties in conjunction with internal and external professional advisors monitored the Company and its subsidiaries' policies and practices on compliance with legal and regulatory requirements. Changes in the applicable laws, regulations and rules which have significant impact on the Company and its subsidiaries (if any) were brought to the attention of relevant employees and relevant operation units from time to time. During the reporting period, various works of the Board and senior management were in compliance with the relevant applicable laws, regulations and rules, the Articles, charters of the board committees, internal policies and the relevant provisions of various internal control systems. Decision-making process was legitimate and effective. Directors and senior management performed in a diligent and responsible manner and the resolutions of the general meetings and board meetings were implemented faithfully. Meanwhile, the Company has timely performed its disclosure obligations which were in strict compliance with the requirements of the Listing Rules of Stock Exchange and the Listing Rules of SSE and relevant applicable securities laws and regulations.

In accordance with the requirements of the laws, regulations and related policies in Hong Kong, PRC and relevant other jurisdictions in which the Company and its subsidiaries operates, the Company and its subsidiaries provides and maintains statutory benefits for its staff, including but not limited to pension schemes, mandatory provident fund, basic medical insurance, work injury insurance, etc. Further, the Company and its subsidiaries have been committed in complying with relevant laws and regulations on work and occupational safety of employees of the Company and its subsidiaries.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The support and trust of our stakeholders is integral to the Company's growth and success. Our stakeholders include shareholders and creditors, employees and employee organisations, governments and regulatory authorities, business partners and service providers, the public and communities, charities and non-government organisations (NGOs), and clients. We place emphasis on communications with our stakeholders and have established an open and transparent communication channel for each category of stakeholders to understand their expectations and requests.

Through specified communication methods, we looked into and sorted out the focuses and concerns of the stakeholders, and responded with corresponding actions and measures. We continued to strengthen the quality and effectiveness of information disclosure, comply with applicable laws and regulations and actively participate in public welfare activities, with the purpose of achieving mutual development and value sharing with our stakeholders. We have also formulated key indicators based on the focuses and concerns of different stakeholders to reflect our management performance on various subject matters. Some of our key indicators include return on equity and payout ratio for shareholders and creditors; employee training frequency, turnover rate and OSHA statistics for employees and employee organisations; data for emissions, use of resources, environment and natural resources and safety environment performance; public opinion and corporate image concerned by the public; community evaluations for communities; participation in charities' and NGOs' relevant activities; etc. Going forward, we will endeavor to improve our current policies, strive to maximise our stakeholders' value and achieve a mutually beneficial outcome.

For more details on Company's key relationships with stakeholders, please refer to the 2022 ESG report.

KEY RISKS AND UNCERTAINTIES

A description of principal risks and uncertainties that the Company and its subsidiaries may be facing is provided in the Risk Management and Internal Control on pages 29 to 35 of this annual report.

PROSPECTS

A description of the likely future development in the Company's future business is provided in the Chairman's statement on pages 9 to 10 and Management's Discussion and Analysis on pages 93 to 98 of this annual report.

SUBSEQUENT EVENT

Please refer to note 40 to the consolidated financial statements for details of the significant events after the reporting period of the Company and its subsidiaries.

LOANS

Please refer to note 27 to the consolidated financial statements on pages 149 to 151 of this annual report for details of the loans and borrowings of the Company and its subsidiaries as of 31 December 2022.

PROPERTY, PLANT AND EQUIPMENT

Please refer to note 13 to the consolidated financial statements on page 140 of this annual report for the movements in property, plant and equipment of the Company and its subsidiaries for the year ended 31 December 2022.

RESERVES

The distributable reserves of the Company as of 31 December 2022 amounted to RMB191,874 million.

Please refer to the consolidated statement of changes in equity on page 107 and note 41 to the consolidated financial statements on pages 166 to 167 of this annual report for movements in the reserves of the Company and its subsidiaries and the Company, respectively, for the year ended 31 December 2022.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Particulars of the Company's subsidiaries, associates and joint ventures as of 31 December 2022 are set out in notes 16, 17 and 18 to the consolidated financial statements on pages 143 to 146 of this annual report.

DIVIDENDS

A special dividend of HK$1.18 (tax inclusive) per share was declared on 28 April 2022, and paid to the shareholders of the Company on 15 July 2022. An interim dividend of HK$0.70 (tax inclusive) per share was declared on 25 August 2022, and paid to the shareholders of the Company on 13 October 2022.

The net profit attributable to ordinary shareholders of the Company under the 2022 consolidated financial statements is RMB141,700 million. In overall consideration of the factors such as the future earnings, capital requirements, financial position, future prospect and cash flow of the Company, the Board proposes to distribute the final dividend for the year ended 31 December 2022 in the amount of HK$0.75 per share (tax inclusive) to all the shareholders. Based on the Company's total share capital of 47,566,763,984 shares as of 31 December 2022, the total final dividend for 2022 is HK$35,675 million (tax inclusive), together with the interim dividend of HK$0.70 per share (tax inclusive) already paid, the total of final dividend and interim dividend for 2022 are HK$1.45 per share (tax inclusive), and the total dividend payment amount is HK$69,021 million (tax inclusive), accounting for approximately 43% of net profit attributable to ordinary shareholders of the Company under the 2022 consolidated financial statements. During this profit distribution, the Company will not distribute bonus shares or convert capital reserve into share capital. The dividends will be denominated and declared in HKD. The dividends on A shares will be paid in RMB calculated using the average central parity rate between HKD and RMB announced by the People's Bank of China for the week immediately preceding the date of the declaration of dividend by the Annual General Meeting; dividend for Hong Kong shares will be paid in HKD.

In the event of any change in the total issued shares of the Company from the date of announcement to the registration date for the final dividend of 2022, the Company intends to maintain the same amount of dividend payable per share and adjust the total distribution amount accordingly, and disclose the same in the relevant announcement. The Company's final share distribution plan for 2022 has been approved by the 2nd meeting of the Board of the Company in 2023, and is subject to the approval by the shareholders in the 2022 annual general meeting of the Company.

RETIREMENT BENEFITS

Please refer to note 33 to the consolidated financial statements on page 158 of this annual report for details of the retirement benefits of the Company and its subsidiaries for the year ended 31 December 2022.

MAJOR SUPPLIERS AND CUSTOMERS

Purchases from the largest supplier of the Company and its subsidiaries for the year ended 31 December 2022 represented approximately 14% of the Company and its subsidiaries' total purchases. The total purchases attributable to the five largest suppliers of the Company and its subsidiaries amounted to RMB104,106 million, accounting for approximately 50% of the total purchases of the Company and its subsidiaries for the year ended 31 December 2022; and amongst the total purchases attributable to the five largest suppliers, purchases attributable to related parties were RMB72,951 million, accounting for approximately 35% of the total purchases of the Company and its subsidiaries for the year ended 31 December 2022.

The total sales to the five largest customers of the Company and its subsidiaries were RMB258,427 million, representing approximately 61% of the total sales of the Company and its subsidiaries for the year ended 31 December 2022; and amongst the total sales to the five largest customers, sales to related parties amounted to RMB225,227 million, accounting for approximately 53% of the total sales of the Company and its subsidiaries for the year ended 31 December 2022. Sales to the largest third party customer for the year ended 31 December 2022 amounted to RMB20,663 million, representing approximately 5% of the Group's total revenue. The total sales attributable to the five largest third party customers of the Company and its subsidiaries were RMB63,328 million, accounting for approximately 15% of the Company and its subsidiaries' total revenue for the year ended 31 December 2022.

For the year ended 31 December 2022, except for the continuing connected transactions with its indirect controlling shareholder CNOOC Group and its associates, as disclosed in the section entitled "Related/Connected Transactions" below, none of the Directors or their respective close associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interests in the five largest suppliers or customers of the Company and its subsidiaries.

CHARITABLE DONATIONS

The donations by the Company and its subsidiaries for the year ended 31 December 2022 amounted to RMB96.02 million.

RELATED/CONNECTED TRANSACTIONS

One-off connected transactions

Time Charter Parties

On 25 August 2022, China Offshore Oil (Singapore) International Pte. Ltd (the "Charterer", a wholly-owned subsidiary of the Company), entered into a Time Charter Party with each of NS Pioneer Transport Limited and NS Explorer Transport Limited (the "Owners"), pursuant to which the Owners agreed to let, and the Charterer agreed to hire relevant vessels for a period of fifteen (15) years, commencing from the time and date immediately after the delivery of the vessels by the ship builder pursuant to the respective shipbuilding contract. The Charterer may at its option, redeliver the vessels up to sixty (60) days after or up to thirty (30) days before the expiration of the Charter period pursuant to the terms of the Time Charter Parties. The Charterer may extend the Time Charter Parties due to any off-hire period. The hire under the time charter party is US$59,290 per vessel per day (tax exclusive). The first month hire is payable within 5 banking days on delivery along with bunker value. Subsequent hire is to be paid monthly in advance by the latest of 7 days prior to the following commencement calendar month to the Owner. The rate of hire under the Time Charter Parties was determined taking into account (i) the duration of the charter period; (ii) technical capabilities of the vessels; and (iii) the prevailing market rate of hire chargeable by independent third parties for chartering of vessels which are similar to the vessels after arm's length negotiation between the Parties. The maximum hire payable under the Time Charter Parties, in aggregate, is US$649,640,530 (tax exclusive). The hire will be funded by internal resources of the Charterer.

Since the two Owners are indirect subsidiaries of CNOOC Group which is the actual controller of the Company, accordingly, both of the Owners are associates of CNOOC Group as well as connected persons of the Company, and therefore the transactions contemplated under the Time Charter Parties constitute connected transactions of the Company. Under IFRSs/HKFRSs 16 "Leases", the Company will recognize the value of the relevant right-of-use assets under the Time Charter Parties and the transactions contemplated thereunder will be treated as the acquisition of assets by the Company under the Listing Rules of Stock Exchange and constitute connected transactions of the Company under Chapter 14A of the Listing Rules of Stock Exchange and the Listing Rules of SSE.

Equity acquisition

On 22 December 2022, CNOOC (Hainan) New Energy Co., Ltd. (the "Purchaser", an indirect wholly-owned subsidiary of the Company) and CNOOC Donghai Co., Ltd. (the "Vendor") entered into the equity transfer agreement, pursuant to which the Purchaser agreed to acquire and the Vendor agreed to sell 40% equity interest in China Nuclear Huihai Wind Power Investment Co., Ltd. ("Equity Acquisition") at a consideration of RMB1,517,633,865, which shall be payable by the Purchaser to the Vendor within 5 business days after the equity transfer agreement becomes effective and the Vendor completes relevant matters required under the equity transfer agreement. The consideration was determined by the parties to the equity transfer agreement following arm's length negotiations with reference to, among other things, the appraised value as at the appraisal benchmark date. The consideration for the acquisition will be financed by the internal resources of the Group. The consideration was paid off in January 2023.

Since the Vendor is a direct wholly-owned subsidiary of CNOOC Group which is the actual controller of the Company, accordingly, the Vendor is a connected person of the Company and the Equity Acquisition constitutes a connected transaction of the Company.

Continuing connected transactions

The Independent Non-executive Directors have confirmed that the following continuing connected transactions for the year ended 31 December 2022 to which any member of the Company and its subsidiaries was a party were entered into by the Company and its subsidiaries:

1. in the ordinary and usual course of its business;
2. on normal commercial terms or better; and
3. in accordance with the relevant agreements (including pricing principles and guidelines set out therein) governing the transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

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

The Company entered into a comprehensive framework agreement on 1 November 2019 with CNOOC Group for the provision (1) by the Company and its subsidiaries to CNOOC Group and/or its associates and (2) by CNOOC Group and/or its associates to the Company and its subsidiaries, 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 comprehensive framework agreement is substantially on the same terms as the terms contained in the comprehensive framework agreements entered into by the Company on 15 November 2016, with more details about the pricing principles. The term of the comprehensive framework agreement is for a period of three years from 1 January 2020. The continuing connected transactions under the comprehensive framework agreement and the relevant annual caps for the three years from 1 January 2020 were approved by the independent shareholders of the Company on 21 November 2019. The continuing connected transactions under the comprehensive framework agreement and the relevant annual caps are set out below:

Categories of continuing connected transactions	Annual caps for 2020 to 2022
Provision of exploration, oil and gas development, oil and gas production as well as sales, management and ancillary services by CNOOC Group and/or its associates to the Company and its subsidiaries	
(a) Provision of exploration and support services	For the three years ended 31 December 2022, RMB13,892 million, RMB14,811 million and RMB15,444 million, respectively
(b) Provision of oil and gas development and support services	For the three years ended 31 December 2022, RMB49,083 million, RMB48,857 million and RMB58,536 million, respectively
(c) Provision of oil and gas production and support services	For the three years ended 31 December 2022, RMB18,815 million, RMB20,651 million and RMB22,778 million, respectively
(d) Provision of sales, management and ancillary services	For the three years ended 31 December 2022, RMB2,773 million, RMB3,004 million and RMB3,231 million, respectively
(e) FPSO vessel leases	For the three years ended 31 December 2022, RMB1,663 million, RMB1,394 million and RMB1,316 million, respectively
Provision of management, technical, facilities and ancillary services, including the supply of materials by the Company and its subsidiaries to CNOOC Group and/or its associates	
Provision of management, technical, facilities and ancillary services, including the supply of materials to CNOOC Group and/or its associates	For the three years ended 31 December 2022, RMB100 million, RMB100 million and RMB100 million, respectively
Sales of petroleum and natural gas products by the Company and its subsidiaries to CNOOC Group and/or its associates	
(a) Sales of petroleum and natural gas products (other than long-term sales of natural gas and liquefied natural gas)	For the three years ended 31 December 2022, RMB229,990 million, RMB250,736 million and RMB278,819 million, respectively
(b) Long-term sales of natural gas and liquefied natural gas	For the three years ended 31 December 2022, RMB28,270 million, RMB38,509 million and RMB51,642 million, respectively

The Company expected to continue to be involved in the continuing connected transactions contemplated under such comprehensive framework agreement after 31 December 2022. Accordingly, on 2 November 2022, the Company entered into a new comprehensive framework agreement with CNOOC Group, the term of which shall be three years commencing from 1 January 2023. Except for adjustment of certain pricing policies and adjustment of classification of certain continuing connected transactions due to the new energy business, the terms of the new comprehensive framework agreement are substantially the same as those of the comprehensive framework agreement entered into by the Company on 1 November 2019. The continuing connected transactions under the new comprehensive framework agreement and the relevant annual caps for the three years from 1 January 2023 were approved by the independent shareholders of the Company on 29 November 2022. For details of the relevant annual caps, please refer to the announcement of the Company dated 2 November 2022, the circular of the Company dated 10 November 2022, documents for the first extraordinary general meeting dated 11 November 2022 and the poll results announcement of the extraordinary general meeting held on 29 November 2022.

Financial services provided by CNOOC Finance Corporation Limited to the Company and its subsidiaries

On 21 November 2019, the Company entered into a financial services framework agreement ("Financial Services Framework Agreement") with CNOOC Finance Corporation Limited ("CNOOC Finance"), an associate of CNOOC Group, pursuant to which CNOOC Finance provided a range of financial services as may be required and requested by the Company and its subsidiaries, for a term of three years from 1 January 2020 to 31 December 2022. The Financial Services Framework Agreement is substantially on the same terms as the terms contained in the financial services framework agreement entered into by the Company on 1 December 2016. The continuing connected transactions in respect of the depositary services under the Financial Services Framework Agreement are exempted from independent shareholders' approval requirement, but subject to the annual reporting, annual review and announcement requirements.

The maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) placed by the Company and its subsidiaries with CNOOC Finance shall not exceed RMB23.5 billion for the period from 1 January 2020 to 31 December 2022.

The Company expected to continue the continuing connected transactions contemplated under the Financial Services Framework Agreement after 31 December 2022. Accordingly, on 22 December 2022, the Company entered into a new financial services framework agreement with CNOOC Finance pursuant to which CNOOC Finance, for a period of three years from 1 January 2023 to 31 December 2025, will continue to provide to the Group a range of financial services as may be required and requested by the Group. Except for certain adjustments to pricing policies, the terms and conditions of the new financial service framework agreement are substantially the same as those of the Financial Service Framework Agreement. The continuing connected transactions under such new financial services framework agreement relating to the depository services and the loan services secured by the assets of the Group are exempted from the independent shareholders' approval requirement but are subject to annual reporting, annual review and announcement requirements. For details of the relevant annual caps, please refer to the announcement of the Company dated 22 December 2022.

The Independent Non-executive Directors have further confirmed that for the year ended 31 December 2022:

(i) Provision of exploration, oil and gas development, oil and gas production as well as sales, management and ancillary services by CNOOC Group and/or its associates to the Company and its subsidiaries:

   (a) The aggregate annual volume of transactions for the provision of exploration and support services did not exceed RMB15.444 billion.

   (b) The aggregate annual volume of transactions for the provision of oil and gas development and support services did not exceed RMB58.536 billion.

   (c) The aggregate annual volume of transactions for the provision of oil and gas field production and support services did not exceed RMB22.778 billion.

(d) The aggregate annual volume of transactions for the provision of sales, management and ancillary services did not exceed RMB3.231 billion.

(e) The aggregate annual volume of transactions for FPSO vessel leases did not exceed RMB1.316 billion.

(ii) The aggregate annual volume of transactions for the provision of management, technical, facilities and ancillary services, including the supply of materials by the Company and its subsidiaries to CNOOC Group and/or its associates did not exceed RMB100 million;

(iii) Sales of petroleum and natural gas products by the Company and its subsidiaries to CNOOC Group and/or its associates:

(a) The aggregate annual volume of transactions for the sales of petroleum and natural gas products (other than long-term sales of natural gas and liquefied natural gas) did not exceed RMB278.819 billion.

(b) The aggregate annual volume of the transactions for the long-term sales of natural gas and liquefied natural gas did not exceed RMB51.642 billion.

(iv) The maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) placed by the Company and its subsidiaries with CNOOC Finance did not exceed RMB23.5 billion.

The independent auditors of the Company and its subsidiaries have reviewed the continuing connected transactions referred to above and confirmed to the Board that the continuing connected transactions:

1. have received the approval of the Board;

2. were in accordance with the pricing policies for the transactions involving the provision of goods or services by the Company and its subsidiaries as stated in the Company's financial statements;

3. were entered into in accordance with the relevant agreements governing the transactions; and

4. have not exceeded the applicable caps.

Please also refer to note 32 to the consolidated financial statements on pages 154 to 158 of this annual report for a summary of the related party transactions which include the Company and its subsidiaries' continuing connected transactions. Such related party transactions constitute connected transactions (including continuing connected transactions) as defined under Chapter 14A of the Listing Rules of Stock Exchange and the Rules Governing the Listing of Stocks on the SSE, and the Company has complied with the applicable requirements of Chapter 14A of the Listing Rules of Stock Exchange, the Listing Rules of SSE and relevant guidelines in relation to the connected transactions (including continuing connected transactions) for the year ended 31 December 2022.

SHARE CAPITAL

Please refer to note 30 to the consolidated financial statements on page 153 of this annual report for details of movements in the Company's total issued shares for the year ended 31 December 2022.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 December 2022.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

For the year ended 31 December 2022, details of the ordinary Hong Kong shares repurchased by the Company through HKSE are as follows:

Month of repurchase	Number of ordinary Hong Kong shares repurchased	Price per share Highest price (HK$)	Lowest price (HK$)	Total consideration paid (HK$)
September	44,829,000	10.00	9.56	444,122,289.97
October	25,863,000	9.84	9.29	249,034,019.03
	70,692,000			**693,156,309.00**

All of the above repurchased shares have been cancelled.

Between September and December 2022, CNOOC Petroleum North America ULC ("CPNA", an indirect wholly-owned subsidiary of the Company) repurchased and cancelled the following bonds issued by it as issuer in the over-the-counter market:

Issuer	Maturity Date	Coupon Rate	Face Amount (USD)	Face Amount Repurchased (USD)	Percentage of Repurchase	Outstanding Amount as at 31 December 2022 (USD)
CPNA	1 May 2028	7.400%	200,000,000.00	40,000,000.00	20.0%	160,000,000.00
CPNA	15 March 2032	7.875%	500,000,000.00	68,544,000.00	13.7%	431,456,000.00
CPNA	10 March 2035	5.875%	790,000,000.00	57,754,000.00	7.3%	732,246,000.00
CPNA	15 May 2037	6.400%	1,250,000,000.00	55,408,000.00	4.4%	1,194,592,000.00
CPNA	30 July 2039	7.500%	700,000,000.00	4,000,000.00	0.6%	696,000,000.00

None of the above bonds was listed on HKSE.

Save as disclosed in this annual report, 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 2022.

ISSUANCE OF RMB SHARES

In order to improve the Company's capital structure and access the PRC capital market by way of capital financing while maintaining the Company's international development strategy, the Company obtained the approval from the China Securities Regulatory Commission regarding the Initial Public Offering of Shares by CNOOC Limited (Zheng Jian Xu Ke No. [2022] 632) on 30 March 2022 and completed the initial public offering of RMB shares on the SSE (stock code: 600938) on 21 April 2022. The number of shares issued was 2,990,000,000 RMB shares (upon exercise of the over-allotment option) by means of a combination of targeted placement to strategic investors, offline enquiry and placement to qualified investors and an online fixed-price issuance to public investors holding the market value of non-restricted A-shares and non-restricted depository receipts in the market of Shanghai. The issue price of the RMB shares was RMB10.80 per share (without nominal value), with a net price of RMB10.74 per share. The total number of issued shares of the Company prior to the issuance of RMB shares was 44,647,455,984 shares, and the total number of issued shares of the Company upon completion of the issuance of RMB shares increased to 47,637,455,984 shares, including 44,647,455,984 Hong Kong shares and 2,990,000,000 RMB shares.

In respect of the proceeds, Ernst & Young Hua Ming LLP verified the payment and issued the capital verification reports (Ernst & Young Hua Ming (2022) Yan Zi No. 60157570_A02 and No.60157570_A03). The final total gross proceeds from this issuance were RMB32,292 million, and the net proceeds were RMB32,099 million after deducting the offering expenses of RMB193 million. The net proceeds will be utilised based on the proposed projects described in the announcement dated 22 June 2022 of the Company, mainly for oil & gas development projects and replenishment of the working capital.

Proceeds are applied to the following projects:

	Committed investment amount (RMB million)	**Utilized proceeds as of 31 December 2022 (RMB million)**	**Unutilized proceeds as of 31 December 2022 (RMB million)**	**Expected timetable for use of the unutilized proceeds**
Payara oil field development in Guyana	5,200.00	2,304.98	2,895.02	Expected to be used up by 31 December 2026
Liuhua11-1/4-1 oil field secondary development	6,500.00	1,718.04	4,781.96	
Liza oil filed phase II in Guyana	2,200.00	1,984.58	215.42	
Lufeng oil fields development	3,500.00	2,390.55	1,109.45	
Lingshui 17-2 gas field development	3,000.00	2,567.95	432.05	
Lufeng 12-3 oil field development	1,000.00	731.84	268.16	
Qinhuangdao 32-6/Caofeidian 11-1 oil fields onshore power application construction project	1,000.00	700.32	299.68	
Luda 6-2 oil field development	500.00	500.00	0.00	
Replenishment of working capital	9,199.09	9,110.16	88.93	
Total	**32,099.09**	**22,008.43**	**10,090.66**	

NAME OF DIRECTOR

The Directors of the Company during 2022 and up to the date of announcement of this annual report are:

Executive Directors

Zhou Xinhuai *(CEO) (Note 1)*
Xia Qinglong

Non-executive Directors

Wang Dongjin *(Chairman)*
Li Yong *(Vice chairman)*
Xu Keqiang *(Note 2)*
Wen Dongfen

Independent Non-executive Directors

Chiu Sung Hong
Lawrence J. Lau
Tse Hau Yin, Aloysius
Qiu Zhi Zhong
Lin Boqiang *(Note 3)*

Note 1: With effect from 28 April 2022, Mr. Zhou Xinhuai was appointed as an Executive Director and CEO of the Company.

Note 2: With effect from 28 April 2022, Mr. Xu Keqiang resigned as CEO of the Company, and was reappointed from executive director to Non-executive Director of the Company.

Note 3: With effect from 30 September 2022, Mr. Lin Boqiang was appointed as an Independent Non-executive Director of the Company.

In accordance with the Articles and pursuant to Appendix 14 to Listing Rules, the Company will give sufficient notice on the Board candidates who will retire from the office by rotation at the forthcoming Annual General Meeting and who, being eligible, will offer themselves for re-election.

In 2022, the list of directors who have served on the boards of the subsidiaries of the Company included in the annual consolidated financial statements for the financial year ended 31 December 2022 during 2022 is as follows:

Cai Wenjie, Cao Xinjian, Chen Geng, Chen Guiyun, Chen Liguo, Chen Yan, Chen Zhuobiao, Dai Tong, Dai Weihua, Dai Yi, Dai Zhaohui, Duan Chenggang, Duan Yu, Fang Dianyong, Gao Hui, Gao Song, Gu Li, Gu Yan, Guo Yihong, He Qunhui, Hou Yanbo, Hu Senlin, Hu Weijie, Huang Xiaosheng, Huang Yehua, Jiang Qing, Kang Siwei, Kang Zhuowei, Ke Lvxiong, Kuang Likun, Li Chunsheng, Li Daquan, Li Feng, Li Haibo, Li Zhijun, Lin Rongqing, Liu Bo, Liu Daping, Liu Jianzhong, Liu Mingquan, Liu Shujie, Liu Xiangdong, Liu Xiaofei, Liu Xiaoxiang, Liu Yongjie, Liu Yongjie, Lu Guojun, Lu Baoshan, Luo Xinzeng, Lv Ruhong, Ma Hongwei, Ma Jin, Ma Liwu, Ma Peixin, Ma Qiang, Mao Xingquan, Mei Yaolun, Pan Xiaodong, Pan Yiyong, Pang Jian, Peng Wenxu, Qi Meisheng, Qiu Zongjie, Ruan Haojin, Sang Yi, Shao Dan, Sun Hongjun, Sun Qiang, Tang Guangrong, Tian Lixin, Tian Xueda, Wan Xiaoxu, Wang Benwu, Wang Baogui, Wang Guang, Wang Guodong, Wang Jiangtao, Wang Kui, Wang Li, Wang Shoushan, Wang Tongliang, Wang Wei, Wang Wendong, Wang Xin, Wang Yu, Wang Yufan, Wang Zhizhong, Wu Zixian, Xia Qinglong, Xiao Maolin, Xie Min, Xie Weizhi, Xie Wensheng, Xu Yugao, Yan Hongtao, Yang Hongli, Yang Jinghong, Yang Li, Yang Yun, Yu Feng, Zhang Chunsheng, Zhang Fuya, Zhang Hongjie, Zhang Linqiang, Zhang Shude, Zhang Wenzhong, Zhao Jianchen, Zheng Li, Zheng Yonggang, Zhou Guangzhi, Zhou Linfeng, Zhou Xinhuai, CNOOC Limited.

Alan O’Brien, Ariel D. Schneider, Christine M. O’Connor, Colleen V. Johnson, Fernando Aguilar, Hanbin Zhang, Heather M. Osecki, Howie A. Thomas, Jerome van Zuijlen, Kimberly D. Woima, Michael J. Dlugan, Paul Gunn, Rick L. Sumrall, Robert Shepherd, Tilak R.K. Nithiyeswaran, Tina R. Mares.

DIRECTORS’ INTERESTS

As of 31 December 2022, the interests of each Director, senior management and chief executive of the Company who are currently in office or resigned from office during the reporting period in the equity or debt securities of the Company or any associated corporations (within the meaning of the Securities and Futures Ordinance (“SFO”)) which were required (i) to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”), to be notified to the Company and the HKSE; or (iv) to be disclosed pursuant to applicable provisions of the CSRC and SSE are as follows:

Name of Director	Nature of interest	Ordinary Hong Kong shares held	Approximate percentage of total issued Hong Kong shares	Ordinary A shares held	Approximate percentage of total issued A shares	Approximate percentage of total issued shares
Chiu Sung Hong	Beneficial interest	1,650,000	0.004%	–	–	0.003%
Lawrence J. Lau	Beneficial interest	400,000	0.000%	–	–	0.000%

Save as disclosed above, as of 31 December 2022, none of the Directors, senior management and chief executive of the Company who are currently in office or resigned from office during the reporting period was interested in the equity or debt securities of the Company or any associated corporations (within the meaning of the SFO) which were required (i) to be notified to the Company and the HKSE pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (ii) pursuant to section 352 of the SFO, to be entered in the register referred to therein; (iii) pursuant to the Model Code, to be notified to the Company and the HKSE; or (iv) to be disclosed pursuant to applicable provisions of the CSRC and SSE. All the interests held by the Directors and chief executive represent long positions. During the reporting period, no changes were made to the number of ordinary Hong Kong shares held by the Directors, and no ordinary A shares were held by the Directors.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As of 31 December 2022, so far as was known to the Directors and chief executive of the Company, the persons, other than a Director or chief executive of the Company, who had an interest or a short position in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:

	Ordinary Hong Kong shares held	Approximate percentage of total issued Hong Kong shares	Ordinary A shares held	Approximate percentage of total issued A shares	Approximate percentage of total issued shares
(i) CNOOC (BVI) Limited	28,772,727,268	64.55%	–	–	60.49%
(ii) Overseas Oil & Gas Corporation, Ltd. ("OOGC")	28,772,727,273	64.55%	–	–	60.49%
(iii) CNOOC Group	29,476,949,273	66.13%	–	–	61.97%

Note: CNOOC (BVI) Limited is a direct wholly-owned subsidiary of OOGC, which is a direct wholly-owned subsidiary of CNOOC Group. Accordingly, CNOOC (BVI) Limited's interests are recorded as the interests of OOGC and CNOOC Group.

All the interests stated above represent long positions. As of 31 December 2022, save as disclosed above, the Directors and chief executive of the Company are not aware of any other person having interests or short positions (other than the Directors and chief executives of the Company) in the shares and underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company and its subsidiaries.

DIRECTORS AND SENIOR MANAGEMENT OF THE COMPANY

Please refer to pages 68 to 78 of this annual report for information concerning the Directors and senior management of the Company.

DIRECTORS' SERVICE CONTRACTS AND INTERESTS IN TRANSACTION, ARRANGEMENT AND CONTRACT OF SIGNIFICANCE

No Director (including those to be re-elected) has an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than normal statutory obligations).

Save as disclosed in this annual report, as of 31 December 2022 or during 2022, none of the Directors or entities connected with the Directors was materially interested, either directly or indirectly, in any transaction, arrangement or contract which is significant in relation to the business of the Company and its subsidiaries to which the Company or any of its subsidiaries was a party.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The Company has arranged appropriate Directors and officers Liability Insurance coverage for the Directors and officers of the Company and its subsidiaries during the year ended 31 December 2022.

MANAGEMENT CONTRACTS

Other than the service contracts of the Directors, the Company has not entered into any contract with any individual, firm or body corporate to manage or administer the whole or any substantial part of any business of the Company during the year.

EMOLUMENTS OF THE DIRECTORS, SENIOR MANAGEMENT AND THE FIVE HIGHEST PAID INDIVIDUALS

Please refer to notes 8 and 9 to the consolidated financial statements on pages 132 to 135 of this annual report for details of the emoluments of the Directors, senior management and the five highest paid individuals of the Company.

MATERIAL LEGAL PROCEEDINGS

As of 31 December 2022, the Company was not involved in any material litigation or arbitration and no material litigation or arbitration were pending or threatened or made against the Company so far as the Company is aware.

DAILY WORK OF THE BOARD

During the report period, the Board of the Company conscientiously and diligently performed its duties as the directors, implement the resolutions adopted at the shareholders' general meeting and implement all matters as authorized by the shareholders' general meeting in accordance with the applicable laws, regulations, regulatory rules and the Articles of Association. Please refer to the Corporate Governance Report on pages 36 to 67 of this annual report for the convening of meetings of the Board and each special committee of the Company, attendance by Directors, major tasks and performance of duties during the year 2022.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has complied with all code provisions as set out in Part 2 of Appendix 14 to the Listing Rules of Stock Exchange throughout the year ended 31 December 2022.

Please refer to the Corporate Governance Report on pages 36 to 67 of this annual report for details.

AUDITORS

On 21 May 2021, as was approved in the 2021 Annual General Meeting, following the retirement of Deloitte Touche Tohmatsu upon expiration of its term of office (with effect from the conclusion of the Annual General Meeting dated 21 May 2021), the Company has appointed Ernst & Young (registered PIE auditor under the Financial Reporting Council Ordinance) as the new independent auditor of the Company and its subsidiaries for Hong Kong reporting and Ernst & Young Hua Ming LLP as the independent auditor for the U.S. annual reporting on Form 20-F for the year 2021. Due to the termination of the Company's reporting obligations under the U.S. Securities Exchange Act of 1934, Ernst & Young Hua Ming LLP did not and does not need to issue any audit opinion upon the U.S. annual reporting on Form 20-F for the year 2021. On 26 May 2022, upon approval by the shareholders at the annual general meeting, the Company re-appointed Ernst & Young and Ernst & Young Hua Ming LLP (Special General Partnership) as the independent auditors of the Company and its subsidiaries for the year of 2022, responsible for the reporting in Hong Kong and mainland China respectively. The auditors have conducted audit work for the Company for two consecutive years. The certified public accountants who will sign the audit report of the Company are Cheong Ming Yik, Zhong Li and Zhao Yizhi. Each of the aforesaid certified public accountants has provided audit services to the Company for two years, two years and two years, respectively. Ernst & Young and Ernst & Young Hua Ming LLP (Special General Partnership) have audited the financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

A resolution to appoint the auditors of the Company and its subsidiaries for the year 2023, and to authorise the Board to fix their remuneration will be proposed at the forthcoming Annual General Meeting in 2023.

SUFFICIENCY OF PUBLIC FLOAT

As of the date of publication of this report, the Directors confirmed that based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained sufficient amount of public float as required under the Listing Rules of Stock Exchange and the Listing Rules of SSE.

VOTING BY POLL

In 2022, all votes of shareholders were taken by poll in the annual general meeting and extraordinary general meeting of the Company. Pursuant to the Rule 13.39 (4) of the Listing Rules of Stock Exchange, all votes of shareholders will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

By Order of the Board
WANG Dongjin
Chairman

Hong Kong, 29 March 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis should be read along with the Chairman's Statement and the Business Overview sections, as well as the Company and its subsidiaries' audited financial statements and the related notes.

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 is regarded as the cornerstone of development. The Company keeps its focus on profitability, and expands reserves and production through exploration, development, production and value-driven acquisitions. In terms of exploration, the Company will adhere to the strategy of targeting both oil and gas and weighting more on gas exploration. We will intensify exploration in Bohai, accelerate exploration in the South China Sea and continue to strengthen risk exploration. Meanwhile, the Company will promote unconventional exploration and actively practice value-driven exploration in overseas. In terms of development and production, to achieve profitable production, the Company actively promotes the construction of key projects and maintains a stable and increasing production in producing oil and gas fields.

Develop natural gas business

The Company implements the low-carbon development concept and expands the natural gas business actively. While solidly promoting offshore gas exploration and development, the Company has increased its efforts in onshore unconventional gas business. The Company will build South China Sea trillion-cubic-meters-level gas fields with the support of "Shenhai-1", the first proprietary deep-water large-scale integrated natural gas field in the South China Sea; develop the large gas area in Bohai Sea centered on the Bozhong 19-6 large condensate gas field; and vigorously develop its onshore unconventional natural gas business by CUCBM as a platform. By 2025, the proportion of natural gas gross production will continue to increase in the Company's gross oil and gas output.

Maintain prudent financial policies

The Company upholds our prudent financial policies. Thanks to years of sustained efforts to increase reserves and production and improve quality and efficiency, the Company's profitability has increased significantly. In 2022, the Company continued to maintain a cost competitive advantage, with the all-in cost at US$30.39 per BOE. The Company also put more emphasis on to cash flow management and maintains a healthy financial position. In 2022, the Company's free cash flow was RMB110.8 billion and the gearing ratio was 18.3% as at the end of the year. Cost control has been considered as a key indicator in the Company's performance appraisal and evaluation system. Going forward, the Company will further control the cost and maintain a competitive cost structure.

CORE COMPETITIVENESS

Abundant oil and gas resources with leading production growth capacity in the industry

The Company has abundant resources. As of the end of 2022, the Company had net proved reserves of approximately 6.24 billion BOE. In 2022, the reserve replacement ratio reached 182% and the reserve life remained above 10 years for six consecutive years, further consolidating the reserve base. During the year, the Company's net production reached 624 million BOE, an increase of 8.9% year-on-year, leading the peers in the industry in terms of production growth.

Leading exploration and development activities in offshore China with obvious advantages in regional development

The oil and gas exploration in offshore China is overally in a relatively early stage, indicating a huge growth potential of reserve and production. The Company is the dominant producer of oil and natural gas in offshore China with extensive experiences in exploration and development and has become an expert on China's sea basins. At present, the Company has a high exploration success rate in offshore China, with over 120 oil and gas fields in production. The Company has established offshore production facilities and subsea piping systems in offshore China which could provide strong support to regional exploration and development in the future.

MANAGEMENT'S DISCUSSION AND ANALYSIS

In possession of a complete set of technical system for offshore oil and gas exploration and development

The Company has established a complete technology system for offshore oil and gas exploration, development and production. Breakthroughs have been made for ultra-deepwater oil and gas field development engineering in water depth of over 1,500 meters. The Company has made positive progress in key technical fields such as exploration in medium to deep strata, enhanced water flooding and other production stimulation measures, effective development of large-scale thermal mining of heavy oil, enhanced recovery rate in producing oil and gas fields, and subsea production system, which all provide strong support to the sustainable development of offshore oil and gas business.

Effective cost control and healthy financial performance

The Company has a complete cost control system and industry-leading profitability per BOE. Over the years, the Company has maintained a sound ability to generate cash flow, and its financial condition remained at high level in the industry. The Company is in a sound financial position, with a low gearing ratio and a strong financing capability.

In possession of a diverse asset structure

The Company possesses oil and gas assets worldwide. It has a diverse asset structure and strong capacity of globalized operation and management. It holds interests in many world-class oil and gas projects such as Stabroek in Guyana and Buzios in Brazil, and owns assets in more than 20 countries and regions around the world.

Steady progress towards green and low-carbon development

Upholding the green and low-carbon development concept, the Company actively expanded business in new energy sector by capitalizing on its advantages in marine resource development. Focusing on onshore power project and intelligent oilfield construction, it promoted the construction of a green and low-carbon management and control system. It also vigorously accelerated the development of offshore wind power, pushed forward CCS/CCUS research, and developed onshore photovltaic power generation.

2022 OVERVIEW

In 2022, the world suffered from intensified geopolitical conflicts, and sluggish economic recovery. Developed economies raised the interest rates sharply to reduce inflation and the tight monetary policy dampened economic growth. The emerging economies were put under higher pressure from external debt and thus confronted with slower economic growth. According to IMF statistics, the global growth was 3.4% in 2022, and China's economy grew 3.0% year-on-year. International oil prices were affected by geopolitics, crude oil inventories and recessionary expectations and showed an inverted "V" shape throughout the year. The average price of Brent crude oil in 2022 was US$99.0/barrel, up 40.0% year-on-year.

During 2022, the development of China's oil industry remained stable and orderly. China's oil and gas production companies continued to increase reserves and production and improve oil and gas self-sufficiency, with both crude oil and natural gas production achieving growth.

In 2022, the Company seized the favorable opportunity to achieve the best-ever operating and financial results. Net proven reserves and net production both reached a new level. Net profit doubled year-on-year, and cost competitiveness was consolidated. Moreover, the Company significantly enhanced its value creation capacity.

On 21 April 2022, the Company was successfully listed on the main board of the SSE, making it the largest IPO in China's energy industry in the past decade, bringing the Company into the more vibrant Chinese mainland capital market and also providing quality investment targets for the capital market in mainland China.

The basic earnings per share and diluted earnings per share during the years ended 31 December 2022 was RMB3.03 and RMB3.03 respectively. The Board of Directors has recommended the payment of a final dividend of HK$0.75 per share (tax inclusive).

BUSINESS REVIEW

For details, please refer to the "Business Overview" section on page 11 to 28 of this annual report.

FINANCIAL RESULTS

Consolidated net profit

Our consolidated net profit increased by 101.5% to RMB141,677 million in 2022 from RMB70,307 million in 2021, primarily as a result of the increase reserves and production, enhancing quality and efficiency to reduce costs, the net profit hit a new high record in the higher international oil price environment.

Revenues

Our oil and gas sales, realised prices and sales volume in 2022 are as follows:

	2022	2021	Change Amount	%
Oil and gas sales (RMB million)	352,956	222,125	130,831	58.9
Crude and liquids	311,035	193,027	118,008	61.1
Natural gas	41,921	29,098	12,823	44.1
Sales volume (million BOE)*	603.6	552.1	51.5	9.3
Crude and liquids (million barrels)	478.7	440.5	38.2	8.7
Natural gas (bcf)	726.2	648.7	77.5	11.9
Realised prices				
Crude and liquids (US$/barrel)	96.59	67.89	28.70	42.3
Natural gas (US$/mcf)	8.58	6.95	1.63	23.5

* *Excluding our interest in equity-accounted investees.*

The increase in crude and liquids sales in 2022 was primarily due to the higher sales volume and international oil price. The increase in natural gas sales in 2022 was primarily reflected the higher sales volume and market price.

Operating expenses

Our total amounts of operating expenses increased by 12.8% to RMB31,566 million in 2022 from RMB27,985 million in 2021, mainly due to increase of production driven by oil and gas fields commencement. Our operating expenses per BOE increased by 3.0% to RMB52.1(US$7.74) per BOE in 2022 from RMB50.6 (US$7.83) per BOE in 2021, primarily due to higher commodity prices and rising prices from overseas inflation. China operating expenses per BOE decreased by 1.5% to RMB45.4 (US$6.75) per BOE in 2022 from RMB46.1 (US$7.15) per BOE in 2021. Overseas operating expenses per BOE increased by 12.2% to RMB68.9 (US$10.24) per BOE in 2022 from RMB61.4 (US$9.51) per BOE in 2021.

Taxes other than income tax

Our taxes other than income tax increased by 68.1% to RMB18,778 million in 2022 from RMB11,172 million in 2021, mainly due to the increase in oil and gas sales as a result of the higher international oil price.

Exploration expenses

Our exploration expenses increased by 20.1% to RMB14,058 million in 2022 from RMB11,702 million in 2021, mainly due to the increase in exploration investment and exploration expenses, driven by the increased efforts in risk exploration based on the value-driven exploration philosophy.

Depreciation, depletion and amortisation

Our total amount of depreciation, depletion and amortisation increased by 9.8% to RMB62,852 million in 2022 from RMB57,236 million in 2021.

The total amount of dismantlement provision-related depreciation, depletion and amortisation increased by 38.5% to RMB3,432 million in 2022 from RMB2,478 million in 2021. Our dismantling cost per BOE increased by 27.9% to RMB5.73 (US$0.85) per BOE in 2022 from RMB4.48 (US$0.69) per BOE in 2021, primarily due to the increase of the present value of asset retirement obligations brought by the decrease of RMB bond interest rates in the market.

MANAGEMENT'S DISCUSSION AND ANALYSIS

The amount of depreciation, depletion and amortisation (excluding the dismantling costs) increased by 8.5% to RMB59,420 million in 2022 from RMB54,758 million in 2021 mainly due to increase of production as a result of oil and gas field commencement. Our average amount of depreciation, depletion and amortisation per BOE (excluding the dismantling costs) decreased by 0.2% to RMB98.7 (US$14.67) per BOE in 2022 from RMB98.9 (US$15.33) per BOE in 2021, primarily as a result of the change in proportional distribution of production and the depreciation of the Renminbi against the U.S. dollar.

Impairment and provision

Our impairment and provision decreased by 91.6% to RMB666 million in 2022 from RMB7,957 million in 2021, primarily due to the higher net present value of the majority of oil and gas assets, no significant impairment recognition.

Selling and administrative expenses

Our selling and administrative expenses increased by 16.8% to RMB10,468 million in 2022 from RMB8,961 million in 2021,due to the increased related costs as a result of our higher of oil and gas sales volume and marketing sales volume.

Interest income

Our interest income increased by 122.2% to RMB2,980 million in 2022 from RMB1,341 million in 2021, primarily due to the rise in the amount of our average deposited monetary funds driven by higher cash inflow.

Exchange gains, net

Our net exchange gains decreased by 97.6% to RMB18 million in 2022 from RMB742 million in 2021, primarily arising from Renminbi exchange rate fluctuation against the Hong Kong dollars and U.S. dollar.

Share of profits of associates and a joint venture

Our share of profits of associates and a joint venture increased by 452.3% to RMB1,911 million in 2022 from RMB346 million in 2021, mainly driven by the significant increased profitability of the joint venture resulting from the increase of international oil price.

Income tax expense

Our income tax expense increased by 108.1% to RMB53,093 million in 2022 from RMB25,514 million in 2021, mainly due to the significant increase in our overall pre-tax profitability as a result of the rise of production and international oil price in 2022.

CAPITAL RESOURCES AND LIQUIDITY

Overview

Our primary source of cash during 2022 was cash flows from operating activities. We used cash primarily to fund capital expenditure and dividends. The changes are as follows:

	2022	2021	Change	
	RMB million	RMB million	RMB million	%
Generated from operating activities	**205,574**	147,893	57,681	39.0
Used in investing activities	**(98,473)**	(96,235)	(2,238)	2.3
Used in financing activities	**(64,962)**	(33,332)	(31,630)	94.9

Net cash inflows from operating activities

The net cash flows from operating activities increased by 39.0% to RMB205,574 million in 2022 from RMB147,893 million in 2021, primarily attributable to the increase in cash inflows from oil and gas sales caused by the higher sales volume and international oil price.

Net cash outflows from investing activities

In 2022, our capital expenditure payment increased by 11.3% to RMB81,373 million from RMB73,088 million in 2021. Our development expenditures in 2022 were primarily related to the capital expenditure of Bozhong 19-6 gas field in offshore China and overseas projects in Guyana, Iraq and Brazil, as well as the expenditure incurred for improving recovery factors of the oil and gas fields in producing. Our cash outflow from acquisition of oil and gas properties in 2022 was RMB13,381 million.

In addition, our cash used in investing activities was also attributable to the purchase of corporate wealth management products and structured deposits of RMB111,936 million this year. Our cash generated from investing activities was mainly from the returns on due corporate wealth management products and structured deposits in the amount of RMB101,261 million, and the decrease in our time deposits with maturity over three months in the amount of RMB1,473 million.

Net cash outflows from financing activities

In 2022, the net cash outflows in financing activities was mainly due to the repayment of bonds of RMB11,244 million and dividend payment of RMB77,378 million, partially offset by the increased proceeds from offering of A-shares of RMB32,099 million.

At the end of 2022, our total interest-bearing outstanding debt was RMB134,396 million, compared to RMB135,142 million at the end of 2021. The decrease in debt in 2022 was primarily attributable to the repayment of bonds and impact of changes in the exchange rate between the Renminbi and U.S. dollar in this year. Our gearing ratio, which is defined as interest-bearing debts divided by the sum of interest-bearing debts plus equity, was 18.3%, a significant decrease from 21.9% in 2021, mainly due to the repayment of bonds and the increase in the owner's equity.

Capital Expenditure

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

	Year ended 31 December		
	2020	**2021**	**2022**
	(RMB million)		
China			
Development	45,527	48,450	57,612
Exploration	11,689	14,898	17,807
Subtotal	**57,216**	**63,348**	**75,419**
Overseas			
Development	17,503	21,088	22,289
Exploration	2,687	3,156	2,649
Subtotal	**20,190**	**24,244**	**24,938**
Total	**77,406**	**87,592**	**100,357**

Note: Capitalised interests for 2020, 2021 and 2022 were RMB2,483 million, RMB2,086 million and RMB1,991 million, respectively.

OTHERS

Employees

As of 31 December 2022, the Company had 18,893 employees in China, 2,352 employees overseas and 207 contracted employees.

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

For more information on employees and human resources, please refer to "Human Resources" in the "Business Overview" section of this annual report.

CHARGES ON ASSETS

Please refer to note 39 to the Consolidated Financial Statements of this annual report.

CONTINGENCIES

Please refer to note 35 to the Consolidated Financial Statements of this annual report.

OUTLOOK FOR 2023

Looking to 2023, global economic growth momentum presents a further downward trend due to multiple factors. High inflation attacks many countries, fueled by a surge in the risk of financial crisis. China's positive economic development in the long run will provide a strong impetus to the world economy and great support to the rising energy demand.

Oil and gas will continue to play a significant part in the structure of the world's energy demand for a long time. The global need for oil and gas is anticipated to increase further, with China's demand for these commodities particularly promising for the Company's future growth. Also, China has a vast potential for the development of marine energy due to its abundance in offshore oil and gas, wind, and other resources.

In 2023, we will follow the development trend by giving full play to our strengths, increasing oil and gas reserves and production and promoting independent innovation in science and technology. Moreover, we will push forward the green transformation of energy, implement quality and efficiency improvement actions and further enhance our value creation capacity to bring greater returns to our shareholders. For the full year, capital expenditure is expected to be RMB100-110 billion and production is targeted at 650-660 million BOE. Nine new projects are planned to be commissioned during the year and the reserve replacement ratio will be no less than 130%. At the same time, the Company will maintain a sound health, safety and environmental performance.

Independent Auditor's Report

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To the shareholders of CNOOC Limited
(Incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of CNOOC Limited (the "Company") and its subsidiaries (the "Group") set out on pages 103 to 167, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

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KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
The estimation of oil and gas reserves	
At 31 December 2022, the carrying amount of the Group's oil and gas properties was RMB524,631 million, and depreciation, depletion and amortisation expense was RMB59,965 million for the year ended 31 December 2022. Oil and gas properties are depreciated on a unit-of-production basis at a rate calculated by reference to the proved reserves. Commercial reserves are determined using estimates of oil in place, future oil price and recovery factors. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Group's oil and gas properties has been impaired. Relevant disclosures are included in Note 3 and Note 13 to the consolidated financial statements. Management made significant judgements when assessing quantities of reserves. Hence, we consider the estimation of oil and gas reserves as a key audit matter.	We obtained an understanding, evaluated the design and tested the operating effectiveness of internal controls that address the risks of material misstatement relating to the reserve estimation process. We evaluated the competency and objectivity of the Group's internal and external reserve specialists. We evaluated whether the methodology adopted by the Group's internal and external reserve specialists to estimate oil and gas reserves and selection of related estimates were consistent with the recognised industry standards. We compared the Group's oil and gas reserves volumes at 31 December 2022 to that at 31 December 2021, and performed corroborative inquiries of the reserve specialists and the management on the reasons for any significant changes. We tested whether the updated estimation of oil and gas reserves was included appropriately in the Group's consideration in oil and gas properties' impairment testing and depreciation, depletion and amortisation charges in accordance with the Group's accounting policy. We also assessed the adequacy of the Group's disclosures included in Note 3 and Note 13 to the consolidated financial statements regarding the estimation of oil and gas reserves.

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OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB, HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants
Hong Kong
29 March 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022
(All amounts expressed in millions of Renminbi, except per share data)

	Notes	2022	2021
REVENUE			
Revenue recognised from contracts with customers			
Oil and gas sales	4	**352,956**	222,125
Marketing revenues	4	**60,433**	18,084
Other revenue		**8,841**	5,902
		422,230	246,111
EXPENSES			
Operating expenses		**(31,566)**	(27,985)
Taxes other than income tax	10(ii)	**(18,778)**	(11,172)
Exploration expenses		**(14,058)**	(11,702)
Depreciation, depletion and amortisation	6	**(62,852)**	(57,236)
Special oil gain levy	10(iii)	**(24,214)**	(2,611)
Impairment and provision recognised, net	6, 13	**(666)**	(7,957)
Crude oil and product purchases		**(57,383)**	(16,641)
Selling and administrative expenses		**(10,468)**	(8,961)
Others		**(8,920)**	(5,867)
		(228,905)	(150,132)
PROFIT FROM OPERATING ACTIVITIES		**193,325**	95,979
Interest income	6	**2,980**	1,341
Finance costs	7	**(6,027)**	(6,019)
Exchange gains, net		**18**	742
Investment income	6	**2,058**	2,850
Share of profits of associates	17	**663**	611
Profit/(loss) attributable to a joint venture	18	**1,248**	(265)
Other income, net		**505**	582
PROFIT BEFORE TAX	6	**194,770**	95,821
Income tax expense	10(i)	**(53,093)**	(25,514)
PROFIT FOR THE YEAR		**141,677**	70,307
Attributable to:			
Equity shareholders of the Company		**141,700**	70,320
Non-controlling interests		**(23)**	(13)
		141,677	70,307

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2022
(All amounts expressed in millions of Renminbi, except per share data)

	Notes	2022	2021
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translation of foreign operations		**17,945**	(4,577)
Share of other comprehensive expense of associates		**–**	(1)
Cash flow hedge reserves		**2**	–
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	19(i)	**1,331**	1,172
Others		**151**	759
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF TAX		**19,429**	(2,647)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**161,106**	67,660
Attributable to:			
Equity shareholders of the Company		**161,129**	67,673
Non-controlling interests		**(23)**	(13)
		161,106	67,660
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY			
Basic (RMB Yuan)	11	**3.03**	1.57
Diluted (RMB Yuan)	11	**3.03**	1.57

Details of the dividends proposed and paid for the year are disclosed in note 12 to the consolidated financial statements.

Consolidated Statement of Financial Position

31 December 2022
(All amounts expressed in millions of Renminbi)

	Notes	2022	2021
NON-CURRENT ASSETS			
Property, plant and equipment	13	**532,719**	465,451
Right-of-use assets	14	**10,465**	8,731
Intangible assets	15	**16,600**	14,864
Investments in associates	17	**27,942**	23,456
Investment in a joint venture	18	**20,985**	18,084
Debt investment		**5,975**	4,483
Equity investments	19(i), 36	**1,075**	2,675
Deferred tax assets	10(i)	**29,885**	28,592
Other non-current assets	20	**12,680**	12,251
Other non-current financial assets	19(ii), 36	**6,026**	–
Total non-current assets		**664,352**	578,587
CURRENT ASSETS			
Inventories and supplies	21	**6,239**	5,703
Trade receivables	22	**37,992**	27,048
Other financial assets	19(ii), 36	**88,209**	82,440
Derivative financial instruments		**30**	–
Other current assets		**10,822**	13,061
Time deposits with maturity over three months but within one year	23	**35,754**	38,298
Cash and cash equivalents	23	**85,633**	41,432
Total current assets		**264,679**	207,982
CURRENT LIABILITIES			
Loans and borrowings	27	**22,817**	15,329
Trade and accrued payables	24	**59,789**	48,990
Lease liabilities	28	**1,873**	1,208
Contract liabilities	25	**1,691**	1,983
Other payables and accrued liabilities	26	**10,676**	9,903
Derivative financial instruments		**32**	–
Taxes payable		**16,513**	16,538
Total current liabilities		**113,391**	93,951
NET CURRENT ASSETS		**151,288**	114,031
TOTAL ASSETS LESS CURRENT LIABILITIES		**815,640**	692,618

Consolidated Statement of Financial Position

31 December 2022
(All amounts expressed in millions of Renminbi)

	Notes	2022	2021
NON-CURRENT LIABILITIES			
Loans and borrowings	27	**103,145**	112,893
Lease liabilities	28	**6,561**	5,712
Provision for dismantlement	29	**87,042**	75,482
Deferred tax liabilities	10(i)	**10,271**	6,915
Other non-current liabilities		**10,238**	9,640
Total non-current liabilities		**217,257**	210,642
NET ASSETS		**598,383**	481,976
EQUITY			
Issued capital	30	**75,180**	43,081
Reserves	31	**522,002**	437,831
Equity attributable to equity shareholders of the Company		**597,182**	480,912
Non-controlling interests		**1,201**	1,064
TOTAL EQUITY		**598,383**	481,976

ZHOU Xinhuai
Director

XIA Qinglong
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022
(All amounts expressed in millions of Renminbi)

	Attributable to equity shareholders of the Company								
	Issued capital	Cumulative translation reserves	Statutory and non-distributable reserves	Other reserves	Retained earnings	Proposed final dividend	Total	Non-controlling interests	Total equity
Balance at 1 January 2021	43,081	(13,135)	70,000	(728)	325,176	9,314	433,708	222	433,930
Profit/(loss) for the year	–	–	–	–	70,320	–	70,320	(13)	70,307
Other comprehensive (expense)/income, net of tax	–	(4,577)	–	1,930	–	–	(2,647)	–	(2,647)
Total comprehensive (expense)/income	–	(4,577)	–	1,930	70,320	–	67,673	(13)	67,660
2020 final dividend	–	–	–	–	26	(9,314)	(9,288)	–	(9,288)
2021 interim dividend	–	–	–	–	(11,159)	–	(11,159)	–	(11,159)
Capital contributions from shareholders	–	–	–	–	–	–	–	855	855
Others	–	–	–	(22)	–	–	(22)	–	(22)
Balance at 31 December 2021	43,081	(17,712)*	70,000*	1,180*	384,363*	–*	480,912	1,064	481,976
Balance at 1 January 2022	**43,081**	**(17,712)**	**70,000**	**1,180**	**384,363**	**-**	**480,912**	**1,064**	**481,976**
Profit/(loss) for the year	**-**	**-**	**-**	**-**	**141,700**	**-**	**141,700**	**(23)**	**141,677**
Other comprehensive income, net of tax	**-**	**17,945**	**-**	**1,484**	**-**	**-**	**19,429**	**-**	**19,429**
Total comprehensive income/(expense)	**-**	**17,945**	**-**	**1,484**	**141,700**	**-**	**161,129**	**(23)**	**161,106**
Special dividend	**-**	**-**	**-**	**-**	**(47,372)**	**-**	**(47,372)**	**-**	**(47,372)**
2022 interim dividend	**-**	**-**	**-**	**-**	**(28,967)**	**-**	**(28,967)**	**-**	**(28,967)**
Proposed 2022 final dividend	**-**	**-**	**-**	**-**	**(31,610)**	**31,610**	**-**	**-**	**-**
Issue of shares, net of transaction costs	**32,099**	**-**	**-**	**-**	**-**	**-**	**32,099**	**-**	**32,099**
Capital contributions from non-controlling interests of subsidiaries	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**159**	**159**
Transfer of fair value reserve upon the disposal of equity investments	**-**	**-**	**-**	**115**	**(115)**	**-**	**-**	**-**	**-**
Share repurchase	**-**	**-**	**-**	**-**	**(623)**	**-**	**(623)**	**-**	**(623)**
Others	**-**	**-**	**-**	**4**	**-**	**-**	**4**	**1**	**5**
Balance at 31 December 2022	**75,180**	**232***	**70,000***	**2,785***	**417,375***	**31,610***	**597,182**	**1,201**	**598,383**

* These reserve accounts constitute the consolidated reserves of approximately RMB522,002 million (2021: RMB437,831 million) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022
(All amounts expressed in millions of Renminbi)

	Notes	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	34	**256,575**	164,363
Income taxes paid		**(51,001)**	(16,470)
Net cash flows from operating activities		**205,574**	147,893
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of oil and gas properties		**(13,381)**	(9,349)
Capital expenditure		**(81,373)**	(73,088)
Additions to investments in associates		**(462)**	–
Decrease in time deposits with maturity over three months		**1,473**	3,814
Dividends received from associates		**291**	284
Dividends received from a joint venture		**45**	–
Interest received		**2,753**	1,041
Investment income received		**2,763**	2,071
Purchase of other financial assets		**(111,936)**	(103,308)
Purchase of equity investments		**–**	(35)
Proceeds from sale of other financial assets		**101,261**	82,296
Proceeds from disposal of property, plant and equipment		**93**	39
Net cash flows used in investing activities		**(98,473)**	(96,235)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**32,099**	–
Share repurchase		**(623)**	–
Repayment of guaranteed notes		**(11,244)**	(9,857)
Repayments of lease liabilities		**(2,446)**	(1,903)
Proceeds from bank loans		**850**	8,108
Repayment of bank loans		**(1,336)**	(3,231)
Dividends paid		**(77,378)**	(20,473)
Interest paid		**(5,043)**	(6,832)
Others		**159**	856
Net cash flows used in financing activities		**(64,962)**	(33,332)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**42,139**	18,326
Cash and cash equivalents at beginning of year		**41,432**	24,019
Effect of foreign exchange rate changes, net		**2,062**	(913)
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	**85,633**	41,432

(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 ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC Group"), 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 of Stock Exchange") and the Hong Kong Companies Ordinance (Cap. 622 of the Laws of Hong Kong). A summary of the significant accounting policies adopted by the Company and its subsidiaries is set out below.

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 2022 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 2021, 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 2022 as follows:

Amendments to IFRS 3/HKFRS 3	*Reference to the Conceptual Framework*
Amendments to IFRS 16/HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
Amendments to IAS 16/HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37/HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRSs/HKFRSs 2018-2020	*Amendments to IFRS 1/HKFRS 1, IFRS 9/HKFRS 9, Illustrative Examples accompanying IFRS 16/HKFRS 16, and IAS 41/HKAS 41*

The application of the 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.

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

ISSUED BUT NOT YET EFFECTIVE IFRSs/HKFRSs

The Company and its subsidiaries have not applied the following new and amendments to IFRSs/HKFRSs, which may be relevant to the Company and its subsidiaries and have been issued but are not yet effective, in these consolidated financial statements. Management is assessing the impact of these new standards and amendments to standards and will adopt the relevant standards in the subsequent periods as required:

Amendments to IFRS 10/HKFRS 10 and IAS 28/HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16/HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17/HKFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17/HKFRS 17	*Insurance Contracts*[1,6]
Amendment to IFRS 17/HKFRS 17	*Initial Application of IFRS 17/HKFRS 17 and IFRS 9/HKFRS 9 – Comparative Information*[7]
Amendments to IAS 1/HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4,5]
Amendments to IAS 1/HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to IAS 1/HKAS 1 and IFRS/HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8/HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12/HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024.
5 As a consequence of the amendments to IAS 1/HKAS 1 issued in August 2020 and December 2022, Hong Kong Interpretation 5 Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to IFRS 17/HKFRS 17 issued in June 2020, IFRS 4/HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39/HKAS 39 rather than IFRS 9/HKFRS 9 for annual periods beginning before 1 January 2023
7 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17/HKFRS 17

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention, except for as disclosed in the accounting policies notes hereafter. These consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest million except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Company or its subsidiaries obtain control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

The results of subsidiaries are included in the Company's statement of profit or loss and other comprehensive income to the extent of dividends received and receivable. The Company's interests in subsidiaries are stated at cost less any impairment losses.

All intra-group balances, income and expenses, unrealised gains and losses and dividends resulting from intra-group transactions are eliminated in full.

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Company and its subsidiaries can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Company or its subsidiaries acquire a group of assets and liabilities that do not constitute a business, the Company or its subsidiaries identify and recognise the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Business combinations, other than business combinations under common control, are accounted for using the acquisition method. The consideration transferred is measured at fair value which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Company or its subsidiaries, liabilities assumed by the Company or its subsidiaries from the former owners of the acquiree and the equity interests issued by the Company or its subsidiaries in exchange for control of the acquiree. For each business combination, the Company or its subsidiaries elect whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred.

If the business combination is achieved in stages, the Company or its subsidiaries' previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss or other comprehensive income, as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the purchase consideration, the amount recognised for non-controlling interests and any fair value of the Company or its subsidiaries' previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the business acquired, the difference is recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period.

For the purposes of impairment testing, goodwill is allocated to each of the Company and its subsidiaries' cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

Impairment is determined by assessing the recoverable amount of the exploration and production ("E&P") segment, using value in use, to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount, an impairment loss on goodwill is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit (or group of cash-generating units) retained.

Subsidiaries

Subsidiaries are all those entities over which the Company and its subsidiaries have power over the investee such that the Company and its subsidiaries are able to direct the relevant activities, has exposure or rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of the investor's returns.

Associates

Based on the Company and its subsidiaries' ownership percentage (considering its direct ownership as well as potentially exercisable or convertible shares) and other contractual terms, the Company and its subsidiaries have significant influence over its associates, rather than the power to control.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Company and its subsidiaries' investments in associates are stated in the consolidated statement of financial position at the Company and its subsidiaries' share of net assets under the equity method of accounting, less any impairment losses. Necessary adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the associate. Unrealised gains and losses resulting from transactions between the Company and its subsidiaries and its associates are eliminated to the extent of the Company and its subsidiaries' investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Company and its subsidiaries' investments in associates and is not individually tested for impairment.

Joint arrangements

Certain of the Company and its subsidiaries' activities are conducted through joint arrangements. Joint arrangements are classified as either a joint operation or joint venture, based on the rights and obligations arising from the contractual obligations between the parties to the arrangement.

Joint control

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Joint operations

Some arrangements have been assessed by the Company and its subsidiaries as joint operations as both parties to the contract are responsible for the assets and obligations in proportion to their respective interest, whether or not the arrangement is structured through a separate vehicle. This evaluation applies to both the Company and its subsidiaries' interests in production sharing arrangements and certain joint operations.

The Company and its subsidiaries entered into numerous production sharing arrangements or similar agreements in China and overseas countries. The Company and its subsidiaries' participating interest may vary in each arrangement. The Company and its subsidiaries, as one of the title owners under certain exploration and/or production licenses or permits, are required to bear exploration (with some exceptions in China), development and operating costs together with other co-owners based on each owner's participating interest. Once production occurs, a certain percentage of the annual production or revenue is first distributed to the local government, which, in most cases, with the nature of royalty and other taxes or expenses, and the rest of the annual production or revenue is allocated among the co-owners.

The Company and its subsidiaries account for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the IFRSs/HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

The Company and its subsidiaries' investments in joint ventures are stated in the consolidated statement of financial position at the Company and its subsidiaries' share of net assets under the equity method of accounting, less any impairment losses. Necessary adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Company and its subsidiaries' share of the profit or loss and other comprehensive income of the joint venture. Where the profit sharing ratios are different to the Company and its subsidiaries' equity interest, the share of post-acquisition results of the joint ventures is determined based on the agreed profit sharing ratio. Unrealised gains and losses resulting from transactions between the Company and its subsidiaries and its joint ventures are eliminated to the extent of the Company and its subsidiaries' investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Company and its subsidiaries' investments in joint ventures and is not individually tested for impairment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Company and its subsidiaries if:

(a) the party is a person or a close member of that person's family and that person:

   (i) has control or joint control of the Company;

   (ii) has significant influence over the Company; or

   (iii) is a member of the key management personnel of the Company and its subsidiaries or of a parent of the Company.

(b) the party is an entity where any of the following conditions applies:

   (i) the entity and the Company and its subsidiaries are members of the same group;

   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

   (iii) the entity and the Company are joint ventures of the same third party;

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Company and its subsidiaries or an entity related to the Company and its subsidiaries;

   (vi) the entity is controlled or jointly controlled by a person identified in (a);

   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

   (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company and its subsidiaries or to the parent of the Company.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets other than goodwill (continued)

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Property, plant and equipment

Property, plant and equipment comprise oil and gas properties, and vehicles and office equipment and others.

(a) Oil and gas properties

For oil and gas properties, the successful efforts method of accounting is adopted. The Company and its subsidiaries capitalise the initial acquisition costs of oil and gas properties. Impairment of initial acquisition costs is recognised based on exploratory experience and management judgement and charged to profit and loss. Upon discovery of commercial reserves, acquisition costs are transferred to proved properties. The costs of drilling and equipping successful exploratory wells, all development expenditures on construction, installation or completion of infrastructure facilities such as platforms, pipelines, processing plants and the drilling of development wells and the building of enhanced recovery facilities, including those renewals and betterments that extend the economic lives of the assets, and the related borrowing costs are capitalised. The costs of unsuccessful exploratory wells and all other exploration costs are expensed as incurred.

The Company and its subsidiaries carry exploratory well costs as an asset when the well has found a sufficient quantity of reserves to justify its completion as a producing well and where the Company and its subsidiaries are making sufficient progress assessing the reserves and the economic and operating viability of the project. Exploratory well costs not meeting these criteria are charged to expenses. Exploratory wells that discover potentially economic reserves in areas where major capital expenditure will be required before production would begin and when the major capital expenditure depends upon the successful completion of further exploratory work remain capitalised and are reviewed periodically for impairment.

Producing oil and gas properties are depreciated on a unit-of-production basis over the proved developed reserves. Common facilities that are built specifically to service production directly attributed to designated oil and gas properties are depreciated based on the proved developed reserves of the respective oil and gas properties on a pro-rata basis. Common facilities that are not built specifically to service identified oil and gas properties are depreciated using the straight-line method over their estimated useful lives. Costs associated with significant development projects are not depreciated until commercial production commences and the reserves related to those costs are excluded from the calculation of depreciation.

Capitalised acquisition costs of proved properties are depreciated on a unit-of-production method over the total proved reserves of the relevant oil and gas properties.

(b) Vehicles, office equipment and others

Vehicles, office equipment and others are stated at cost less accumulated depreciation and impairment losses. The straight-line method is adopted to depreciate the cost less any estimated residual value of these assets over their expected useful lives. The useful lives of vehicles, office equipment and other assets are in line with their beneficial periods.

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a recoverable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed and, adjusted if appropriate, at each reporting date.

Any gains and losses on disposals of property, plant and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) are recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets other than goodwill

The intangible assets of the Company and its subsidiaries comprise software and others, the rights to use gas processing facilities under NWS project, marketing transportation and storage contracts, and exploration rights. Intangible assets with finite lives are carried at cost, less accumulated amortisation and accumulated impairment losses. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Intangible assets with finite lives except for gas processing rights, are amortised on the straight-line basis over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The intangible assets regarding software have been amortised on the straight-line basis over their respective useful lives. The intangible asset regarding the gas processing rights has been amortised upon the commercial production of the liquefied natural gas on a unit-of-production basis over the total proved reserves of the relevant asset. The intangible assets regarding the marketing transportation and storage contracts and drilling rig contracts are amortised over the life of the contracts on the straight-line basis. The intangible assets related to the exploration rights are amortised over the estimated useful life.

Major maintenance and repairs

Expenditure on major maintenance refits and repairs comprises the costs of replacement assets or parts of assets and overhaul costs. Where an asset or part of an asset that is separately depreciated and is replaced, and it is probable that future economic benefits associated with the item will flow to the Company and its subsidiaries, the replacement expenditure is capitalised. Where part of the asset is not separately considered as a component, the replacement value is used to estimate the carrying amount of the replaced assets which is immediately written off. All other maintenance costs are expensed as incurred.

Research and development costs

All research costs are expensed as incurred.

Expenditure (other than that relating to oil and gas properties discussed above) incurred on projects to develop new products is capitalised and deferred only when the Company and its subsidiaries can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Financial assets

Financial assets are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15/HKFRS 15. All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(a) Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost less impairment loss:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- the contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that accurately discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

(b) Financial assets at fair value through other comprehensive income (FVTOCI) (equity investments)

On initial recognition, the Company and its subsidiaries can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. The Company and its subsidiaries have investments in certain equity instruments (publicly traded or non-publicly traded), the purpose of which are not held for trading, but held for medium or long-term strategic purpose. Therefore, those investments in equity instruments are designated as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains or losses arising from changes in fair value recognised in other comprehensive income and accumulated in other reserves. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the investments.

Dividends from these investments in equity instruments are recognised in profit or loss when the Company and its subsidiaries' right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment.

(c) Financial assets at fair value through other comprehensive income (FVTOCI) (debt instruments)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt investments at fair value through other comprehensive income, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

(d) Financial assets at fair value through profit or loss (FVTPL)

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as at FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any gains or losses arising on remeasurement recognised in profit or loss.

Fair value

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations, without any deduction for transaction costs.

For financial instruments not traded in an active market, the fair value is determined using appropriate valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; a discounted cash flow analysis or other valuation models.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in note 36.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

The Company and its subsidiaries perform impairment assessment under expected credit loss ("ECL") model on financial assets (including cash and cash equivalents, time deposits with maturity over three months, trade receivables, other receivables and debt investment), which are subject to impairment assessment under IFRS 9/HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Company and its subsidiaries' historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Company and its subsidiaries always recognise lifetime ECL for trade receivables without significant financing component.

For all other instruments, the Company and its subsidiaries measure the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Company and its subsidiaries recognise lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Company and its subsidiaries compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Company and its subsidiaries consider both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Company and its subsidiaries presume that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Company and its subsidiaries have reasonable and supportable information that demonstrates otherwise.

The Company and its subsidiaries regularly monitor the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Company and its subsidiaries consider an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company and its subsidiaries, in full (without taking into account any collaterals held by the Company and its subsidiaries).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lenders of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lenders would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Company and its subsidiaries write off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Company and its subsidiaries' recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Company and its subsidiaries in accordance with the contract and all the cash flows that the Company and its subsidiaries expect to receive, discounted at the effective interest rate determined at initial recognition.

The Company and its subsidiaries recognise an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The contractual rights to receive cash flows from the asset have expired; or

(ii) the Company and its subsidiaries have transferred its rights to receive cash flows from the asset, or the Company and its subsidiaries retain the contractual rights to receive the cash flows from the asset, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has no control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial assets (continued)

When the Company and its subsidiaries have transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Company and its subsidiaries continue to recognise the transferred asset to the extent of the Company and its subsidiaries' continuing involvement. In that case, the Company and its subsidiaries also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company and its subsidiaries have retained.

Financial liabilities at amortised cost (including interest-bearing loans and borrowings)

Financial liabilities including trade and accrued payables, other payables, and interest-bearing loans and borrowings are initially stated at fair value including directly attributable transaction costs and are subsequently measured at amortised cost, using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

Derecognition of financial liabilities

The Company and its subsidiaries derecognise financial liabilities when, and only when the Company and its subsidiaries' obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit of loss.

When the contractual terms of financial liability are modified, the revised terms would result in a substantial modification from the original terms, after taking into account all relevant facts and circumstances including qualitative factors, such modification is accounted for as derecognition of the original financial liability and the recognition of new financial liability. The difference between the carrying amount of financial liability derecognised and the fair value of consideration paid or payable, including any liabilities assumed is recognised in profit or loss.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities is calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories and supplies

Inventories primarily consist of oil and supplies, including items for repairs and maintenance of oil and gas properties. Inventories are stated at the lower of cost and net realisable value. Costs of inventories and supplies represent purchase or production cost of goods and are determined on a weighted average basis.

Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and short term deposits with an original maturity of three months or less.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

(a) General

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. When the effect of discounting is material, the amount recognised for a provision is the present value at the reporting date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in profit or loss.

(b) Dismantlement liability

Dismantlement liability is recognised when the Company or its subsidiaries have a present legal or constructive obligation as a result of the past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. A corresponding amount equivalent to the provision is also recognised as part of the cost of the related property, plant and equipment. The amount recognised is the estimated cost of dismantlement, discounted to its present value using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Changes in the estimated timing of dismantlement or dismantlement cost estimates are dealt with prospectively by recording an adjustment to the provision, and a corresponding adjustment to property, plant and equipment. The unwinding of the discount on the dismantlement provision is included as a finance cost.

Income tax

Income tax comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income, either as an expense as it relates to operating activities or as a component of the applicable categories of other comprehensive income or expense.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, by the reporting date, in the countries where the Company and its subsidiaries operate and generate taxable income.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit and taxable temporary differences will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

- when the deferred tax assets relating to the deductible temporary differences arise from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it is probable that sufficient taxable profit and taxable temporary differences will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

In assessing any uncertainty over income tax treatments, the Company and its subsidiaries consider whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Revenue Recognition

The Company and its subsidiaries recognise revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if any one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Company and its subsidiaries’ performance as the Company and its subsidiaries perform;

- the Company and its subsidiaries’ performance creates or enhances an asset that the customer controls as the Company and its subsidiaries perform; or

- the Company and its subsidiaries’ performance does not create an asset with an alternative use to the Company and its subsidiaries and the Company and its subsidiaries have an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Company and its subsidiaries’ obligation to transfer goods or services to a customer for which the Company and its subsidiaries have received consideration (or an amount of consideration is due) from the customer.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement and termination benefits

The Company and its subsidiaries participate in defined contribution plans in accordance with local laws and regulations for full-time employees in the PRC and other countries in which it operates. The Company and its subsidiaries' contributions to these defined contribution plans are charged to profit or loss in the year to which they relate.

For defined benefit plans, the Company and its subsidiaries attribute the welfare obligations arising from the defined benefit plans to the period when employees provide services according to the formula determined by the expected cumulative welfare unit method, and recognise in profit and loss or relevant costs. Service costs and net interests on net defined benefit liabilities or assets are recognised in profit and loss. Remeasurements arising from net defined benefit liabilities or assets are recognised in other comprehensive income. Remeasurements are not reclassified to profit or loss in subsequent periods.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs directly relating to the acquisition, construction or production of a qualifying asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period in which they are incurred.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified or arising from business combinations, the Company and its subsidiaries assess whether a contract is or contains a lease based on the definition under IFRS 16/HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Company and its subsidiaries as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Company and its subsidiaries allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Company and its subsidiaries reasonably expect that the effects on the consolidated financial statements would not differ materially from individual leases within the portfolio.

Short-term leases and leases of low-value assets

The Company and its subsidiaries apply the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Company and its subsidiaries; and
- an estimate of costs to be incurred by the Company and its subsidiaries in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Company and its subsidiaries are reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Company and its subsidiaries present right-of-use assets as a separate line item on the consolidated statement of financial position.

Lease liabilities

At the commencement date of a lease, the Company and its subsidiaries recognise and measure the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Company and its subsidiaries use the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company and its subsidiaries under residual value guarantees;
- the exercise price of a purchase option if the Company and its subsidiaries are reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Company and its subsidiaries exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period in which the event or condition that triggers the payment occurs.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Company and its subsidiaries remeasure lease liabilities (and make a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review or expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Company and its subsidiaries present lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Company and its subsidiaries account for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Company and its subsidiaries remeasure the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Company and its subsidiaries account for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Company and its subsidiaries allocate the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Foreign currencies

These consolidated financial statements are presented in RMB. The Company and each of its subsidiaries maintain its books and records in its own functional currency. Foreign currency transactions are initially recorded using the Company and each of its subsidiaries' respective exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rates ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on retranslation of a non-monetary item is treated consistently with the recognition of the gain or loss on change in fair value of the item.

The functional currencies of the Company and certain subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company and its subsidiaries at the exchange rates ruling at the reporting date, and their statement of profit or loss and other comprehensive income are translated into RMB at the exchange rates at the dates of the transaction. The resulting exchange differences are included in the cumulative translation reserves. On disposal of a foreign operation, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contingencies

A contingent liability is disclosed when the existence of an obligation will only be confirmed by future events or when the amount of the obligation cannot be measured reliably.

A contingent asset is not recognised in the financial statements, but is disclosed when an inflow of economic benefits is probable.

Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements in accordance with IFRSs and HKFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. However, actual outcomes can differ from these estimates.

In the process of applying the Company and its subsidiaries' accounting policies, the Directors have made the following judgements, estimates and assumptions, which have the most significant effect on the amounts recognised in the consolidated financial statements.

(a) Reserve base

Oil and gas properties are depreciated on a unit-of-production basis at a rate calculated by reference to proved reserves. Commercial reserves are determined using estimates of oil in place, future oil price and recovery factors. Future oil price has impacts on the proportion of the gross reserves which are attributable to the host government under the terms of the production sharing contracts. The level of estimated commercial reserves is also a key determinant in assessing whether the carrying value of any of the Company and its subsidiaries' oil and gas properties has been impaired.

Pursuant to the oil and gas reserve estimation requirements under US Securities and Exchange Commission's rules, the Company and its subsidiaries use the average, first-day-of-the-month oil price during the 12-month period before the ending date of the period covered by the consolidated financial statements to estimate its proved crude and liquids reserves and natural gas reserves.

(b) Carrying value of oil and gas properties

The calculation of the unit-of-production rate for oil and gas properties depreciation could be impacted to the extent that actual production in the future is different from current forecast production based on proved reserves. This would generally result from significant changes in any of the factors or assumptions used in estimating reserves. These factors could include changes in proved reserves, the effect on proved reserves of differences between actual oil and gas prices and oil and gas price assumptions and unforeseen operational issues.

(c) Recoverable amount of oil and gas properties

The Company and its subsidiaries make an assessment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable, or when there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. In any event, the Company and its subsidiaries would make an estimate of the asset's recoverable amount, which is calculated at the higher of the asset's value in use and its fair value less costs of disposal. The Company and its subsidiaries recognise an impairment loss only if the carrying amount of an asset exceeds its recoverable amount. The Company and its subsidiaries charge an impairment loss to the profit or loss in the period in which it arises. A reversal of an impairment loss is credited to the profit or loss in the period in which it arises.

The calculations of the recoverable amount of assets require the use of estimates and assumptions. The key assumptions include, but are not limited to, future oil and gas prices, future production estimates, estimated future capital expenditures, estimated future operating expenses and the discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting judgements, estimates and assumptions (continued)

(c) Recoverable amount of oil and gas properties (continued)

Changes in the key assumptions used, which could be significant, include updates to future pricing estimates, updates to future production estimates to align with the Company and its subsidiaries' anticipated drilling plan, changes in the Company and its subsidiaries' capital costs and operating expense assumptions, and discount rate. There is a significant degree of uncertainty with the assumptions used to estimate future cash flows due to various risk factors. The complex economic outlook may also materially and adversely affect the Company and its subsidiaries' key assumptions. Changes in economic conditions can also affect the discount rates applied in assessments of impairment.

Actual cash flows are likely to be different from those estimated or forecast since anticipated events frequently do not occur as expected and unforeseen events may arise. The Company and its subsidiaries' results of operations could be materially and adversely affected for the period in which future impairment charges are incurred.

The sensitivity analysis for the impairment testing involves estimates and judgments to consider numerous assumptions comprehensively. Those assumptions interact on each other and interrelate with each other complexly and do not have fixed patterns along with the changes in price. Accordingly, the Company and its subsidiaries believe that the preparation of the sensitivity analysis for the impairment testing will be impracticable. Changes in assumptions could affect impairment charges and reversals in the consolidated statement of profit or loss and other comprehensive income, and the carrying amounts of assets in the consolidated statement of financial position.

In the calculations of the recoverable amount of the oil and gas properties in a joint venture, the Company and its subsidiaries use the same approach above.

(d) Dismantlement costs

Dismantlement costs will be incurred by the Company and its subsidiaries at the end of the operating life of certain of the Company and its subsidiaries' facilities and properties. The ultimate dismantlement costs are uncertain and cost estimates can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other production sites. The expected timing and amount of expenditure can also change, for example, in response to changes in reserves or changes in laws and regulations or their interpretation. As a result, there could be significant adjustments to the provisions established which would affect future financial results.

(e) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations (including those applicable to tax credits) and the amount and timing of future taxable income. Given the wide range of international business relationships and the long term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company and its subsidiaries establish provisions, based on best estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the Company and its subsidiaries' experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective entities' domicile.

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

4. OIL AND GAS SALES AND MARKETING REVENUES

	2022	2021
Gross sales	**364,574**	225,729
Less: Royalties	**(9,995)**	(2,591)
PRC government's share of oil	**(1,623)**	(1,013)
Oil and gas sales	**352,956**	222,125
Marketing revenues	**60,433**	18,084

Oil and gas sales represent the sales of oil and gas, net of royalties and obligations to government and other mineral interest owners. Revenue from the sales of oil and gas is recognised at a point in time when oil and gas has been delivered to the customer, which is when the customer obtains the control of oil and gas, and the Company and its subsidiaries have present right to payment and collection of the consideration is probable.

Marketing revenues principally represent the sales of oil and gas belonging to the foreign partners under the production sharing contracts and revenues from the trading of oil and gas through the Company's subsidiaries, which is recognised at a point in time when oil and gas has been delivered to the customer, which is when the customer obtains the control of oil and gas, and the Company and its subsidiaries have present right to payment and collection of the consideration is probable. The cost of the oil and gas sold is included in "Crude oil and product purchases" in the consolidated statement of profit or loss and other comprehensive income.

The payment is typically due within 30 days after the delivery of oil and gas. For contracts where the period between payment and transfer of the associated goods is less than one year, the Company and its subsidiaries apply the practical expedient of not adjusting the transaction price for any significant financing component.

5. 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 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).

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

5. SEGMENT INFORMATION (continued)

(a) Segment results (continued)

The following table presents the segment financial information of the Company and its subsidiaries for the years ended 31 December 2022 and 2021:

	E&P		Trading business		Corporate		Eliminations		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
External revenue	**101,670**	96,185	**320,130**	149,390	**430**	536	**–**	–	**422,230**	246,111
Intersegment revenue*	**259,655**	131,276	**(259,655)**	(131,276)	**857**	171	**(857)**	(171)	**–**	–
Total revenue	**361,325**	227,461	**60,475**	18,114	**1,287**	707	**(857)**	(171)	**422,230**	246,111
Segment profit for the year	**138,107**	68,687	**2,159**	2,102	**3,351**	10,638	**(1,940)**	(11,120)	**141,677**	70,307
Amounts included in the measure of segment profit or loss										
Operating expenses	**(31,657)**	(28,003)	**–**	–	**–**	–	**91**	18	**(31,566)**	(27,985)
Taxes other than income tax	**(18,617)**	(11,031)	**(160)**	(87)	**(69)**	(54)	**68**	–	**(18,778)**	(11,172)
Exploration expenses	**(14,058)**	(11,702)	**–**	–	**–**	–	**–**	–	**(14,058)**	(11,702)
Depreciation, depletion and amortisation	**(62,680)**	(56,874)	**(32)**	(59)	**(514)**	(354)	**374**	51	**(62,852)**	(57,236)
Impairment and provision	**(666)**	(7,955)	**–**	–	**–**	(2)	**–**	–	**(666)**	(7,957)
Selling and administrative expenses	**(8,294)**	(6,978)	**(426)**	(283)	**(2,159)**	(1,808)	**411**	108	**(10,468)**	(8,961)
Interest income	**468**	455	**165**	69	**2,347**	817	**–**	–	**2,980**	1,341
Finance costs	**(3,800)**	(3,636)	**(11)**	(3)	**(2,363)**	(2,525)	**147**	145	**(6,027)**	(6,019)
Share of profits of associates and a joint venture	**237**	241	**–**	–	**1,674**	105	**–**	–	**1,911**	346
Income tax expense	**(52,397)**	(25,368)	**(376)**	(393)	**(331)**	247	**11**	–	**(53,093)**	(25,514)
Other segment information										
Investments in associates and a joint venture	**23,397**	19,202	**–**	–	**25,530**	22,338	**–**	–	**48,927**	41,540
Others	**530,445**	442,250	**34,702**	20,642	**521,040**	420,115	**(206,083)**	(137,978)	**880,104**	745,029
Segment assets	**553,842**	461,452	**34,702**	20,642	**546,570**	442,453	**(206,083)**	(137,978)	**929,031**	786,569
Segment liabilities	**(339,134)**	(298,099)	**(27,625)**	(17,388)	**(188,591)**	(200,904)	**224,702**	211,798	**(330,648)**	(304,593)
Capital expenditure	**102,753**	90,427	**6**	3	**276**	533	**–**	–	**103,035**	90,963

* 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.

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

5. 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, Indonesia, Iraq, Russia, Canada, the United States of America, the United Kingdom, Nigeria, Uganda, Argentina, Brazil, Guyana 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. 64% (2021: 70%) 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 2022 and 2021.

	PRC		Canada		Others		Consolidated	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Property, plant and equipment	**286,551**	250,687	**84,997**	77,986	**161,171**	136,778	**532,719**	465,451
Right-of-use assets	**7,088**	4,440	**659**	670	**2,718**	3,621	**10,465**	8,731
Investments in associates and a joint venture	**7,055**	5,135	**–**	–	**41,872**	36,405	**48,927**	41,540
Other non-current assets	**11,753**	11,106	**734**	857	**193**	288	**12,680**	12,251

(c) Information about major customers

The current year's revenue of approximately RMB20,663 million (2021: RMB8,761 million) was derived from sales by the E&P segment and the trading business segment to China Petroleum & Chemical Corporation. Sales to CNOOC Group, its subsidiaries (excluding the Company and its subsidiaries) and associates are included in note 32(iii).

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

6. PROFIT BEFORE TAX

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

	2022	2021
Crediting:		
Interest income from bank deposits	(2,980)	(1,341)
Investment income:		
– Fair value changes on other financial assets	(2,058)	(2,850)
Insurance compensation on disposal of property, plant and equipment	(3)	(43)
Charging:		
Auditors' remuneration:		
– Audit fee	62	55
– Other fees	12	14
	74	69
Employee wages, salaries, allowances and social security costs	11,566	9,708
Impairment and provision:		
– Property, plant and equipment	568	7,923
– Reversal of expected credit losses, net	(11)	(6)
– Others	109	40
	666	7,957
Depreciation, depletion and amortisation:		
– Property, plant and equipment	60,368	55,271
– Right-of-use assets	1,391	1,324
– Intangible assets	1,311	490
– Net amount capitalised	(218)	151
	62,852	57,236
Lease payments not included in the measurement of lease liabilities:		
– Office properties	560	431
– Plant and equipment	357	379
	917	810
Repairs and maintenance	5,552	5,861
Research and development costs	3,472	2,926
Loss on disposal of property, plant and equipment	136	54

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

7. FINANCE COSTS

	2022	2021
Interest on bank loans	342	216
Interest on other loans	4,353	4,691
Interest on lease liabilities	376	364
Other borrowing costs	48	14
Total borrowing costs	5,119	5,285
Less: Amount capitalised (note 13)	(1,991)	(2,086)
	3,128	3,199
Other finance costs:		
Unwinding of discount on provision for dismantlement (note 29)	2,899	2,820
	6,027	6,019

During the year ended 31 December 2022, the effective interest rates used to determine the amount of related borrowing costs for capitalisation varied from 1.08% to 7.875% (2021: from 1.08% to 7.875%) per annum.

8. 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	Total paid/ payable during the year[2] RMB'000
2022				
Executive directors:				
Zhou Xinhuai[4][5]	–	138	206	344
Xia Qinglong[10]	–	554	988	1,542
Subtotal	–	692	1,194	1,886
Non-executive directors:				
Wang Dongjin[5]	–	–	–	–
Li Yong[5]	–	–	–	–
Xu Keqiang[5][6]	–	70	422	492
Wen Dongfen[7]	–	–	–	–
Subtotal	–	70	422	492
Independent non-executive directors:				
Chiu Sung Hong	962	–	–	962
Lawrence J. Lau[5]	816	–	–	816
Tse Hau Yin, Aloysius	1,005	–	–	1,005
Qiu Zhi Zhong[5]	816	–	–	816
Lin Boqiang[8]	204	–	–	204
Subtotal	3,803	–	–	3,803
Total	3,803	762	1,616	6,181

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

8. KEY MANAGEMENT PERSONNEL'S REMUNERATION (continued)

(i) Directors' remuneration (continued)

	Fees[1] RMB'000	Salaries, allowances and benefits in kind[1] RMB'000	Performance related bonuses[1] RMB'000	Total paid/ payable during the year[3] RMB'000
2021				
Executive directors:				
Xu Keqiang[5][6]	–	211	634	845
Hu Guangjie[9]	–	69	348	417
Xia Qinglong[10]	–	212	185	397
Subtotal	–	492	1,167	1,659
Non-executive directors:				
Wang Dongjin[5]	–	–	–	–
Li Yong[5]	–	–	–	–
Wen Dongfen[7]	–	–	–	–
Subtotal	–	–	–	–
Independent non-executive directors:				
Chiu Sung Hong	930	–	–	930
Lawrence J. Lau[5]	789	–	–	789
Tse Hau Yin, Aloysius	972	–	–	972
Qiu Zhi Zhong[5]	789	–	–	789
Subtotal	3,480	–	–	3,480
Total	3,480	492	1,167	5,139

Notes:

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

(2) Total paid/payable remuneration to Mr. Xu Keqiang, Mr. Zhou Xinhuai and Mr. Xia Qinglong during the year of 2022 did not include the incentive income for the 2019 to 2021 granted in 2022, and social insurance (including pension scheme contributions), enterprise annuity, and housing provident fund paid by the Company (RMB782,000 to Mr. Xu Keqiang, RMB147,000 to Mr. Zhou Xinhuai and RMB495,000 to Mr. Xia Qinglong). There were no pension scheme contributions paid/payable to other Directors in 2022.

(3) Total paid/payable remuneration to Mr. Xu Keqiang, Mr. Hu Guangjie and Mr. Xia Qinglong during the year of 2021 did not include social insurance (including pension scheme contributions), enterprise annuity, and housing provident fund paid by the Company (RMB208,000 to Mr. Xu Keqiang, RMB69,000 to Mr. Hu Guangjie and RMB95,000 to Mr. Xia Qinglong). There were no pension scheme contributions paid/payable to other Directors in 2021.

(4) On 28 April 2022, Mr. Zhou Xinhuai was appointed as an Executive Director and CEO of the Company.

(5) On 25 August 2022, Mr. Wang Dongjin was appointed as Chairman of the Strategy and Sustainability Committee of the Company. Mr. Li Yong, Mr. Xu Keqiang, Mr. Zhou Xinhuai, Mr. Lawrence J. Lau and Mr. Qiu Zhi Zhong were appointed as members of the Strategy and Sustainability Committee of the Company.

(6) On 28 April 2022, Mr. Xu Keqiang has resigned as CEO of the Company, and he was re-designated from Executive Director to Non-executive Director of the Company.

(7) On 28 April 2022, Ms. Wen Dongfen was appointed as a member of the Audit Committee of the Company.

(8) On 30 September 2022, Mr. Lin Boqiang was appointed as an Independent Non-executive Director and a member of the Strategy and Sustainability Committee of the Company.

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

8. KEY MANAGEMENT PERSONNEL'S REMUNERATION (continued)

(i) Directors' remuneration (continued)

Notes (continued):

(9) On 21 April 2021, Mr. Hu Guangjie has resigned as an Executive Director and the President of the Company.

(10) On 3 August 2021, Mr. Xia Qinglong, the President of the Company (with effective from 21 May 2021), was appointed as the Executive Director of the Company.

Save as disclosed above, there was no arrangement under which a director waived or agreed to waive any remuneration during the year. In 2022 and 2021, the executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company. The other directors' remuneration shown above were for their services as directors of the Company.

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

	2022	2021
Short term employee benefits	**14**	11
Pension scheme contributions	**2**	1
Amount paid/payable during the year	**16**	12

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	
	2022	2021
Nil to RMB2,000,000	**9**	10
RMB2,000,001 to RMB2,500,000	**1**	–
	10	10

9. FIVE HIGHEST PAID EMPLOYEES

During the year, none (2021: none) of the Directors, details of whose remuneration are disclosed in note 8(i) above, received an amount which falls within the category of the five highest paid employees. Details of the remuneration of the five (2021: five) highest paid employees, for the year are as follows:

	2022	2021
Salaries, allowances, and benefits in kind[(1)]	**9**	9
Performance-related bonuses	**14**	15
Pension scheme contributions	**1**	1
Amount paid/payable during the year	**24**	25

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

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

9. FIVE HIGHEST PAID EMPLOYEES (continued)

The remuneration of the five (2021: five) highest paid employees, falls within the following bands:

	Number of employees 2022	2021
RMB3,500,001 – RMB4,000,000	**2**	1
RMB4,000,001 – RMB4,500,000	**–**	2
RMB4,500,001 – RMB5,000,000	**1**	1
RMB5,000,001 – RMB5,500,000	**1**	–
RMB7,000,001 – RMB7,500,000	**1**	–
RMB8,000,001 – RMB8,500,000	**–**	1
	5	5

10. 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 Company and its subsidiaries are domiciled and operate. The Company is subject to profits tax at a rate of 16.5% (2021: 16.5%) on profits arising in or derived from Hong Kong.

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 corporate income tax which is subjected in Hong Kong is qualified as a foreign tax credit to offset the PRC corporate income tax starting from 1 January 2008.

The Company's subsidiary in Mainland China, CNOOC China Limited, is a wholly foreign owned enterprise. It is subject to corporate income tax at the rate of 25% under the prevailing tax rules and regulations. CNOOC Deepwater Development Limited, a wholly-owned subsidiary of CNOOC China Limited, is subject to corporate income tax at the rate of 15% from 2021 to 2023, after being reassessed as a high and new technology enterprise.

Principal subsidiaries of the Company domiciled outside the PRC are subject to income tax at rates ranging from 10% to 82% (2021: 10% to 82%).

In July 2022, the Energy (Oil & Gas) Profits Levy Act 2022 (EPL) was enacted in the United Kingdom which applies an additional tax on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf. The new levy has impacted the tax rate applicable to the profit of a subsidiary of the Company from oil and gas production in the United Kingdom.

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

10. TAX (continued)

(i) Income tax (continued)

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:

	2022	2021
Current tax		
Provision for PRC enterprise income tax on the estimated taxable profits for the year	**37,464**	20,443
Provision for overseas enterprise income tax on the estimated taxable profits for the year	**11,427**	5,171
Deferred tax		
Temporary differences in the current year	**2,842**	(100)
Effect of changes in tax rates	**1,360**	–
Income tax expense for the year	**53,093**	25,514

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:

	2022 **%**	2021 %
PRC statutory enterprise income tax rate	**25.0**	25.0
Effect of different tax rates for subsidiaries	**0.6**	3.3
Effect of changes in tax rates	**1.3**	–
Tax credit from the government	**–**	(4.0)
Tax reported in equity-accounted entities within China	**(0.1)**	(0.1)
Others	**0.5**	2.4
Group's effective income tax rate	**27.3**	26.6

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

	2022	2021
Opening Balance	**21,677**	22,632
Credit to the profit or loss	**(4,202)**	100
Charge to equity	**(45)**	(187)
Exchange differences	**2,184**	(868)
Closing Balance	**19,614**	21,677

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

10. TAX (continued)

(i) Income tax (continued)

Principal components of deferred tax balances are as follows:

	2022	2021
Deferred tax assets		
Property, plant and equipment	**14,514**	13,142
Provision for dismantlement	**15,456**	13,860
Losses available for offsetting against future taxable profit	**18,352**	19,734
Fair value of long term borrowings	**1,227**	1,225
Others	**1,137**	1,074
	50,686	49,035
Deferred tax liabilities		
Property, plant and equipment	**(29,127)**	(26,767)
Others	**(1,945)**	(591)
	(31,072)	(27,358)
Net deferred tax assets	**19,614**	21,677
Of which		
– deferred tax assets	**29,885**	28,592
– deferred tax liabilities	**(10,271)**	(6,915)

As at 31 December 2022, deferred tax liabilities related to undistributed earnings of the Company's overseas subsidiaries have not been provided 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.

As at 31 December 2022, the Company and its subsidiaries had approximately RMB90,918 million (2021: RMB95,595 million) of carryforward 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 relevant tax losses will expire in 2026 and beyond.

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

As at 31 December 2022, the Company and its subsidiaries' recognised deferred tax assets on tax losses amounted to RMB85,445 million (2021: RMB90,828million). Unrecognised tax losses, where recovery is not currently expected, amounted to RMB5,473 million (2021: RMB4,767million). These unrecognised tax losses are subject to time limits in accordance with tax regulations in different countries.

As at 31 December 2022, the Company and its subsidiaries' unrecognised deferred tax assets related to unused tax credits amounted to RMB2,149 million (2021: RMB4,141million), which are subject to time limits in accordance with tax regulations in different countries.

The realisability of the deferred tax assets recognised mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In case where the actual future taxable profits generated are less than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, the balance of deferred tax assets may be significantly revised.

10. TAX (continued)

(ii) Other taxes

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

i. Production tax at the rate of 5% on production under production sharing contracts;

ii. Value added tax ("VAT") at the rates of 9% or 13% on taxable sales under independent oil and gas fields.

The VAT payable is calculated using the taxable sales amount multiplied by the applicable tax rate less relevant deductible input VAT;

iii. Resource tax at the rate of 6% (reduced tax rates may apply to specific products and fields) 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, except for those under production sharing contracts signed before 1 November 2011 which will be subject to related resource tax requirement after the expiration of such production sharing contracts;

iv. City construction tax at the rates of 1% or 7% on the production tax and VAT paid;

v. Educational surcharge at the rate of 3% on the production tax and VAT paid; and

vi. Local educational surcharge at the rate of 2% on the production tax and VAT paid.

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, budgeted operating and capital expenditure.

(iii) Special Oil Gain Levy

A Special Oil Gain Levy ("SOG Levy") was imposed at a five-level 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$65 per barrel. 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.

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

11. EARNINGS PER SHARE

	2022	2021
Earnings:		
Profit for the purpose of basic and diluted earnings per share calculation	**141,700**	70,320
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share and diluted earnings per share	**46,697,155,252**	44,647,455,984
Earnings per share:		
Basic (RMB Yuan)	**3.03**	1.57
Diluted (RMB Yuan)	**3.03**	1.57

The Company had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

12. DIVIDENDS

	2022	2021
Dividend per ordinary share:		
2022 interim dividend – HK$0.70 (2021: interim dividend HK$0.30) per ordinary share	**29,376**	11,159
Special dividend – HK$1.18 (2020: final dividend HK$0.25) per ordinary share	**48,002**	9,314

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%.

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

13. PROPERTY, PLANT AND EQUIPMENT

	Oil and gas properties	Vehicles and office equipment and others	Total
Cost:			
At 1 January 2021	1,098,492	6,714	1,105,206
Additions	89,524	3,361	92,885
Disposals and write-offs	(13,944)	(893)	(14,837)
Exchange differences	(15,003)	(28)	(15,031)
At 31 December 2021	1,159,069	9,154	1,168,223
At 1 January 2022	**1,159,069**	**9,154**	**1,168,223**
Additions	**99,669**	**1,867**	**101,536**
Acquisition	**13,321**	**–**	**13,321**
Disposals and write-offs	**(7,423)**	**(152)**	**(7,575)**
Exchange differences	**46,639**	**113**	**46,752**
At 31 December 2022	**1,311,275**	**10,982**	**1,322,257**
Accumulated depreciation, depletion and amortisation and impairment:			
At 1 January 2021	(656,052)	(2,486)	(658,538)
Depreciation charge for the year	(54,994)	(277)	(55,271)
Impairment	(7,923)	–	(7,923)
Disposals and write-offs	8,926	175	9,101
Exchange differences	9,844	15	9,859
At 31 December 2021	(700,199)	(2,573)	(702,772)
At 1 January 2022	**(700,199)**	**(2,573)**	**(702,772)**
Depreciation charge for the year	**(59,965)**	**(403)**	**(60,368)**
Impairment	**(568)**	**–**	**(568)**
Disposals and write-offs	**1,824**	**134**	**1,958**
Exchange differences	**(27,736)**	**(52)**	**(27,788)**
At 31 December 2022	**(786,644)**	**(2,894)**	**(789,538)**
Net book value:			
At 31 December 2021	458,870	6,581	465,451
At 31 December 2022	**524,631**	**8,088**	**532,719**

Included in the current year's additions was an amount of approximately RMB1,991 million (2021: approximately RMB2,086 million) in respect of interest capitalised in property, plant and equipment. Included also in the depreciation charge for the year was an amount of approximately RMB3,444 million (2021: approximately RMB2,438 million) in respect of a depreciation charge on dismantlement cost capitalised in oil and gas properties.

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

14. RIGHT-OF-USE ASSETS

	FPSO	Building and structures	Equipment	Pipelines	Leasehold lands	Total
Cost:						
At 1 January 2021	7,156	897	297	861	2,101	11,312
Additions	68	202	636	155	16	1,077
Disposals and write-offs	(97)	(132)	(228)	–	2	(455)
Exchange differences	(39)	(17)	(4)	(20)	–	(80)
At 31 December 2021	7,088	950	701	996	2,119	11,854
At 1 January 2022	**7,088**	**950**	**701**	**996**	**2,119**	**11,854**
Additions	**1,335**	**1,194**	**345**	**–**	**130**	**3,004**
Disposals and write-offs	**(143)**	**(172)**	**–**	**–**	**–**	**(315)**
Exchange differences	**179**	**74**	**18**	**78**	**–**	**349**
At 31 December 2022	**8,459**	**2,046**	**1,064**	**1,074**	**2,249**	**14,892**
Accumulated depreciation, depletion and amortisation and impairment:						
At 1 January 2021	(1,396)	(353)	(46)	(214)	(142)	(2,151)
Depreciation charge for the year	(756)	(193)	(265)	(59)	(51)	(1,324)
Disposals and write-offs	–	127	204	–	–	331
Exchange differences	9	7	–	5	–	21
At 31 December 2021	(2,143)	(412)	(107)	(268)	(193)	(3,123)
At 1 January 2022	**(2,143)**	**(412)**	**(107)**	**(268)**	**(193)**	**(3,123)**
Depreciation charge for the year	**(694)**	**(436)**	**(123)**	**(88)**	**(50)**	**(1,391)**
Disposals and write-offs	**66**	**118**	**–**	**–**	**–**	**184**
Exchange differences	**(47)**	**(22)**	**(4)**	**(24)**	**–**	**(97)**
At 31 December 2022	**(2,818)**	**(752)**	**(234)**	**(380)**	**(243)**	**(4,427)**
Net book value:						
At 31 December 2021	4,945	538	594	728	1,926	8,731
At 31 December 2022	**5,641**	**1,294**	**830**	**694**	**2,006**	**10,465**
Expense relating to short-term leases	**56**	**456**	**36**	**12**	**–**	**560**
Variable lease payments not included in the measurement of lease liabilities	**357**	**–**	**–**	**–**	**–**	**357**

For both years, the Company and its subsidiaries lease various FPSO and offices for its operations. Lease contracts are entered into for fixed term of 1 year to 15 years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Company and its subsidiaries apply the definition of a contract and determines the period for which the contract is enforceable.

During the current period, the Company and its subsidiaries recognised right-of-use assets of approximately RMB2,522 million for leases with the CNOOC Group and/or its Associates.

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

14. RIGHT-OF-USE ASSETS (continued)

Variable lease payments

Leases of FPSO are either with only fixed lease payments or contain variable lease payment that are based on production volume and minimum annual lease payment that are fixed over the lease term. The fixed and variable lease payments paid to relevant FPSO lessors for the year ended 31 December 2022 amounted to RMB1,038 million and RMB357 million (2021: RMB1,058 million and RMB379 million).

The overall financial effect of using variable payment terms is that higher rental costs are incurred by FPSO with higher production volume. Variable rent expenses are expected to continue to represent a similar proportion of production volume in future years.

Total cash outflow for leases in 2022 was RMB3,363 million (2021: RMB2,713 million).

15. INTANGIBLE ASSETS

	Gas processing rights under NWS Project	Exploration rights	Marketing transportation and storage contracts	Software and others	Goodwill	Total
Cost:						
At 1 January 2021	1,197	531	1,432	3,528	13,871	20,559
Additions	–	–	–	574	–	574
Disposal	–	–	–	(651)	–	(651)
Exchange differences	(27)	–	(33)	166	(314)	(208)
At 31 December 2021	1,170	531	1,399	3,617	13,557	20,274
At 1 January 2022	**1,170**	**531**	**1,399**	**3,617**	**13,557**	**20,274**
Additions	**767**	**–**	**456**	**615**	**–**	**1,838**
Disposal	**–**	**–**	**(1,306)**	**(149)**	**–**	**(1,455)**
Exchange differences	**136**	**–**	**100**	**41**	**1,252**	**1,529**
At 31 December 2022	**2,073**	**531**	**649**	**4,124**	**14,809**	**22,186**
Accumulated amortisation:						
At 1 January 2021	(916)	(279)	(1,340)	(2,895)	–	(5,430)
Amortisation charge for the year	(74)	(30)	(56)	(330)	–	(490)
Disposal	–	–	–	651	–	651
Exchange differences	22	–	31	(194)	–	(141)
At 31 December 2021	(968)	(309)	(1,365)	(2,768)	–	(5,410)
At 1 January 2022	**(968)**	**(309)**	**(1,365)**	**(2,768)**	**–**	**(5,410)**
Amortisation charge for the year	**(823)**	**(29)**	**(25)**	**(434)**	**–**	**(1,311)**
Disposal	**–**	**–**	**1,306**	**53**	**–**	**1,359**
Exchange differences	**(119)**	**–**	**(81)**	**(24)**	**–**	**(224)**
At 31 December 2022	**(1,910)**	**(338)**	**(165)**	**(3,173)**	**–**	**(5,586)**
Net book value:						
At 31 December 2021	202	222	34	849	13,557	14,864
At 31 December 2022	**163**	**193**	**484**	**951**	**14,809**	**16,600**

15. INTANGIBLE ASSETS (continued)

Goodwill represents the excess of the purchase price over the estimated fair value of the assets acquired and liabilities assumed in a business combination. Goodwill acquired through business combinations is held at the E&P segment.

According to the accounting policies as set out in note 3, goodwill is acquired in the acquisition of Nexen Inc., and from the acquisition date, allocated to the entire E&P assets, which are the groups of cash-generating units that are expected to benefit from the synergies of the acquisition.

Impairment is determined by assessing the recoverable amount of the entire E&P assets to which the goodwill relates. Where the recoverable amount of the entire E&P assets is less than the carrying amount of the assets and the goodwill together, an impairment loss on goodwill is recognised.

In assessing value in use of E&P segment, the key assumptions include, but are not limited to, future commodity prices, future production estimates, estimated future capital expenditures, estimated future operating expenses and the discount rate. The discount rate used for value in use is derived from the Company's WACC and is adjusted, where applicable, to take into account any specific risks relating to the country where the asset is located as well as the asset specific characteristics, such as specific tax treatments, cash flow profiles and economic life. However, actual results could differ from those estimates.

The intangible asset regarding the gas processing rights has been amortised upon the commercial production of the liquefied natural gas on a unit-of-production basis over the total proved reserves of the relevant asset. The intangible assets regarding the marketing transportation and storage contracts are amortised on a straight-line basis over the life of the contracts which is less than 20 years. Other identifiable intangible assets are amortised on a straight-line basis over a period ranging from 3 to 5 years.

16. INVESTMENTS IN SUBSIDIARIES

Particulars of the principal subsidiaries at the end of the reporting period are as follows[1]:

Name of entity	Place of establishment	Nominal value of ordinary shares issued and paid-up/ registered capital	Percentage of equity attributable to the Company and its subsidiaries	Principal activities
Directly held subsidiaries:				
CNOOC China Limited[2] [3]	Tianjin, PRC	RMB48 billion	100%	Offshore petroleum and natural gas exploration, development, production and sales, and shale gas exploration in the PRC
CNOOC International Trading Co., Ltd[2]	Hainan, PRC	RMB400 million	100%	Sales and trading of petroleum and natural gas
CNOOC International Limited	British Virgin Islands	US$24,000,000,002	100%	Investment holding

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

16. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the end of the reporting period are as follows[1]: (continued)

Name of entity	Place of establishment	Nominal value of ordinary shares issued and paid-up/ registered capital	Percentage of equity attributable to the Company and its subsidiaries	Principal activities
Indirectly held subsidiaries[4]:				
CNOOC Exploration & Production Nigeria Limited	Nigeria	NGN10 million	100%	Petroleum and natural gas exploration, development and production in Africa
CNOOC Petroleum North America ULC	Canada	13,671,421,700 common shares without a par value	100%	Petroleum and natural gas exploration, development and production in Canada
CNOOC Canada Energy Ltd.	Canada	100 common shares without a par value 103,000 preferred shares without a par value	100%	Oil sands exploration, development and production in Canada
CNOOC Petroleum Europe Limited	England and Wales	GBP98,009,131	100%	Petroleum and natural gas exploration, development and production in the UK
CNOOC Energy U.S.A. LLC	USA	N/A	100%	Petroleum and natural gas exploration, development and production in the USA
CNOOC Petroleum Offshore U.S.A. Inc.	USA	US$15,830	100%	Petroleum and natural gas exploration, development and production in the USA
CNOOC PETROLEUM BRASIL LTDA[5]	Brazil	R$7,830,661,300	100%	Petroleum and natural gas exploration, development and production in Brazil
CNOOC Petroleum Guyana Limited	Barbados	US$200,100	100%	Petroleum and natural gas exploration, development and production in Guyana

(1) The above table lists the subsidiaries of the Company which principally affected the results for the year or formed a substantial portion of the total assets of the Company and its subsidiaries.
(2) Registered as a wholly foreign owned enterprise under the PRC law.
(3) The registered capital of CNOOC China Limited increased to RMB48 billion on 1 June 2022.
(4) All subsidiaries are indirectly held through CNOOC International Limited.
(5) The registered capital of CNOOC PETROLEUM BRASIL LTDA increased to R$7,830,661,300 on 18 May 2022.

17. INVESTMENTS IN ASSOCIATES

Particulars of the principal associates at the end of the reporting period are as follows:

Name of associates	Place of establishment	Nominal value of ordinary shares issued and paid-up/ registered capital	Percentage of equity attributable to the Company and its subsidiaries	Principal activities
CNOOC Finance Corporation Limited[1]	Beijing, PRC	RMB4 billion	31.8%	Provision of deposit, transfer, settlement, loan, discounting and other financing services to CNOOC Group and its member entities
Arctic LNG 2 LLC	Russian Federation	RUB15,976 million	10%	Exploration and development of natural gas and production and marketing of liquefied natural gas in Russia

(1) Registered as a limited liability company under the PRC Law.

To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

The Company and its subsidiaries' investments in associates represent:

	2022	2021
Share of net assets	**27,942**	23,456

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

17. INVESTMENTS IN ASSOCIATES (continued)

None of the Company and its subsidiaries' associates are considered to be individually material. The following table illustrates the Company and its subsidiaries' share of the profits and other comprehensive income of its associates in the consolidated financial statements:

	2022	2021
Profit for the year	**663**	611
Other comprehensive income	**–**	(1)
Total comprehensive income	**663**	610

Dividend of RMB291 million was received from the associates in 2022 (2021: RMB284 million).

18. INVESTMENT IN A JOINT VENTURE

Particulars of the joint venture at the end of the reporting period are as follows:

Name of entity	**Place of establishment**	**Nominal value of ordinary shares issued and paid-up/ registered capital**	**Percentage of equity attributable to the Company and its subsidiaries**	**Principal activities**
BC ENERGY INVESTMENTS CORP.	British Virgin Islands	US$102,325,582	50%	Investment holding

Summarised financial information of the joint venture is disclosed below:

	2022	2021
Current assets	**10,447**	8,711
Non-current assets	**53,381**	46,967
Current liabilities	**(6,992)**	(7,322)
Non-current liabilities	**(14,866)**	(12,188)
Revenue	**22,507**	14,120
Depreciation, depletion and amortisation	**(3,539)**	(2,969)
Interest income	**239**	151
Finance costs	**(784)**	(925)
Profit before tax	**3,640**	1,416
Income tax expense	**(1,144)**	(1,946)
Profit/(loss) after tax	**2,496**	(530)
Total comprehensive income/(expense)	**2,496**	(530)

Dividend of US$7 million (equivalent to RMB45 million) was received from the joint venture in 2022.

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

19. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

(i) Equity investments

	2022	2021
Non-current:		
Publicly traded investments		
Equity investment in MEG Energy Corporation ("MEG") classified at FVTOCI[(1)]	–	1,681
	–	1,681
Non-publicly traded investments		
Private equity fund in Kerogen Energy Fund classified at FVTOCI[(2)]	1,052	974
Other equity investments designated at FVTOCI	23	20
	1,075	994
	1,075	2,675

(1) MEG is principally engaged in the exploitation and production of oil sands. The investment in MEG is designated by the Company and its subsidiaries as at FVTOCI. As at 31 December 2022, the investment in MEG was stated at the quoted market price. Based on market changes and strategic considerations, the Company sold all MEG shares in 2022.

(2) Kerogen Energy Fund is principally engaged in the investment in the oil and gas industry. The equity investment in Kerogen Energy Fund is designated by the Company and its subsidiaries as at FVTOCI.

During the year, the fair value changes on the Company and its subsidiaries' equity investments recognised directly in other comprehensive income amounted to RMB1,331 million (2021: other comprehensive expense RMB1,172 million).

(ii) Other financial assets

	2022	2021
Non-current:		
Non-publicly traded investments classified at FVTPL		
Corporate wealth management products[(1)]	6,026	–
	6,026	–
Current:		
Publicly traded investments classified at FVTPL		
Money market funds	4,000	–
Non-publicly traded investments classified at FVTPL		
Corporate wealth management products and structured deposits[(2)]	84,209	82,440
	88,209	82,440
	94,235	82,440

(1) The corporate wealth management products will mature from 5 November 2024 to 2 June 2025 (2021: none).

(2) The corporate wealth management products and structured deposits will mature from 4 January 2023 to 6 December 2023 (2021: 12 January 2022 to 13 December 2022).

The gains of the Company and its subsidiaries' other financial assets recognised in the profit or loss for the year was RMB2,058 million (2021: RMB2,850 million).

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

20. OTHER NON-CURRENT ASSETS

Included in the other non-current assets were mainly restricted 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 Company and its subsidiaries accrue dismantlement costs for all the oil and gas fields under production sharing contracts in the PRC, and makes monthly cash contributions to the specified 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 at 31 December 2022, the balance of the specified dismantlement fund accounts was RMB8,360 million (31 December 2021: RMB10,402 million).

21. INVENTORIES AND SUPPLIES

	2022	2021
Materials and supplies	**4,611**	4,561
Oil in tanks	**2,207**	1,808
Less: Provision for inventory obsolescence	**(579)**	(666)
	6,239	5,703

22. 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.

Substantial customers have good credit quality with good repayment history and no significant receivables are past due. As at 31 December 2022 and 31 December 2021, the age of substantially all the trade receivables was within one year.

23. CASH AND CASH EQUIVALENTS AND TIME DEPOSITS WITH MATURITY OVER THREE MONTHS

The Company and its subsidiaries' 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.

The weighted average effective interest rate of the Company and its subsidiaries' bank deposits was 2.40% per annum, for the year ended 31 December 2022 (2021: 1.86% per annum).

24. TRADE AND ACCRUED PAYABLES

As at 31 December 2022 and 2021, substantially all the trade and accrued payables were aged within six months. The trade and accrued payables are non-interest-bearing.

25. CONTRACT LIABILITIES

	2022	2021
Contract liabilities	**1,691**	1,983
– Current	**1,691**	1,983

Under the natural gas sale contracts, which contain take-or-pay clauses, the Company and its subsidiaries recorded the payments received from customers for natural gas not yet taken as contract liabilities.

The amount of RMB1,615 million contract liability at the beginning of the year has been recognised as revenue for the year ended 31 December 2022 (2021: RMB954 million).

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

26. OTHER PAYABLES AND ACCRUED LIABILITIES

	2022	2021
Accrued payroll and welfare payable	**2,246**	2,040
Accrued expenses	**225**	224
Provision for dismantlement (note 29)	**1,062**	707
Other payables	**7,143**	6,932
	10,676	9,903

27. LOANS AND BORROWINGS

Current[(1)]

	Effective interest rate and final maturity	**2022** Loans	**2022** Notes	**2022** Total	2021 Loans	2021 Notes	2021 Total
Short-term loans and borrowings							
General loans	1.08% per annum	**4,303**	**–**	**4,303**	4,303	–	4,303
		4,303	**–**	**4,303**	4,303	–	4,303
Loans and borrowings due within one year							
For Tangguh LNG III Project[(3)]	LIBOR+1.37% to 3.45% per annum with maturity within one year	**419**	**–**	**419**	444	–	444
For Arctic LNG 2 Project[(4)]	EURIBOR+1.2% per annum with maturity within one year	**48**	**–**	**48**	21	–	21
General loans	LPR-0.8% to LPR-0.6% per annum with maturity within one year	**3**	**–**	**3**	2	–	2
Notes[(2)]		**–**	**18,044**	**18,044**	–	10,559	10,559
		470	**18,044**	**18,514**	467	10,559	11,026
		4,773	**18,044**	**22,817**	4,770	10,559	15,329

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

27. LOANS AND BORROWINGS (continued)

Non-current[1]

	Effective interest rate and final maturity	2022 Loans	2022 Notes	2022 Total	2021 Loans	2021 Notes	2021 Total
For Tangguh LNG III Project[3]	LIBOR+1.37% to 3.45% per annum from 2024 to 2029	**2,801**	**–**	**2,801**	2,883	–	2,883
For Arctic LNG 2 Project[4]	EURIBOR+1.2% per annum with maturity in 2026	**5,864**	**–**	**5,864**	6,345	–	6,345
General loans	LPR-0.8% to LPR-0.6% per annum with maturity from 2024 to 2033	**2,622**	**–**	**2,622**	2,062	–	2,062
Notes[2]		**–**	**91,858**	**91,858**	–	101,603	101,603
		11,287	**91,858**	**103,145**	11,290	101,603	112,893

(1) The amount of loans and borrowings included interest payable.

(2) The details of notes are as follows:

Issued by	Maturity	Coupon Rate	Outstanding Principal Amount 31 December 2022 USD million	Outstanding Principal Amount 31 December 2021 USD million
CNOOC Finance (2003) Limited	Due in 2033	5.500%	**300**	300
CNOOC Finance (2011) Limited	Due in 2041	5.75%	**500**	500
CNOOC Finance (2012) Limited	Matured in 2022	3.875%	**–**	1,500
CNOOC Finance (2012) Limited	Due in 2042	5.000%	**500**	500
CNOOC Finance (2013) Limited	Due in 2023	3.000%	**2,000**	2,000
CNOOC Finance (2013) Limited	Due in 2043	4.250%	**500**	500
CNOOC Finance (2013) Limited	Due in 2029	2.875%	**1,000**	1,000
CNOOC Finance (2013) Limited	Due in 2049	3.300%	**500**	500
CNOOC Finance (2014) ULC	Due in 2024	4.250%	**2,250**	2,250
CNOOC Finance (2014) ULC	Due in 2044	4.875%	**500**	500
CNOOC Petroleum North America ULC	Due in 2028	7.4%	**160**	200
CNOOC Petroleum North America ULC	Due in 2032	7.875%	**431**	500
CNOOC Petroleum North America ULC	Due in 2035	5.875%	**732**	790
CNOOC Petroleum North America ULC	Due in 2037	6.4%	**1,195**	1,250
CNOOC Petroleum North America ULC	Due in 2039	7.5%	**696**	700
CNOOC Finance (2015) Australia Pty Ltd	Due in 2045	4.200%	**300**	300
CNOOC Finance (2015) U.S.A. LLC	Due in 2023	3.75%	**450**	450
CNOOC Finance (2015) U.S.A. LLC	Due in 2025	3.500%	**2,000**	2,000
CNOOC Finance (2015) U.S.A. LLC	Due in 2028	4.375%	**1,000**	1,000

All the notes issued mentioned above were fully and unconditionally guaranteed by the Company.

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

27. LOANS AND BORROWINGS (continued)

Non-current[1] (continued)

(3) In connection with the financing for the third LNG process train of Tangguh LNG Project in Indonesia, the Company delivered two guarantees dated 3 August 2016, in favor of Mizuho Bank, Ltd., which acts as the facility agent for and on behalf of various international commercial banks and Indonesian local commercial banks under two commercial loan agreements with aggregate loan amount of US$2,145 million. The Company guarantees the payment obligations of the trustee borrower under the subject loan agreements and is subject to an aggregate maximum cap of approximately US$573 million.

(4) As at 31 December 2022, EUR790 million of the bank loans for Arctic LNG 2 Project (2021: EUR879 million) were guaranteed by the Company.

The maturities of the long term loans are as follows:

	2022	2021
Repayable:		
Within one year	**470**	467
After one year but within two years	**503**	319
After two years but within three years	**641**	469
After three years but within four years	**6,535**	604
After four years but within five years	**699**	6,968
After five years	**2,909**	2,930
	11,757	11,757
Amount due within one year shown under current liabilities	**(470)**	(467)
	11,287	11,290

Supplemental information with respect to the long term loans:

For the year ended 31 December	**Balance at year end**	**Weighted average interest rate at year end**	**Weighted average interest rate during the year[1]**
2022	11,757	2.60%	2.10%
2021	11,757	1.59%	1.27%

(1) The weighted average interest rate is computed by averaging the interest rates as of 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.

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

28. LEASE LIABILITIES

	2022	2021
Lease liabilities payable:		
Within one year	**1,986**	1,280
Within a period of more than one year but not more than two years	**1,612**	1,087
Within a period of more than two years but not more than five years	**3,117**	2,770
Within a period of more than five years	**2,713**	2,761
	9,428	7,898
Less: Discount to present value	**(994)**	(978)
Total lease liabilities	**8,434**	6,920

The incremental borrowing rates applied to lease liabilities range from 3.3% to 5.16% (2021: from 3.3% to 5.16%).

29. PROVISION FOR DISMANTLEMENT

	2022	2021
At 1 January	**76,189**	70,360
New projects(1)	**3,471**	4,328
Acquisitions(1)	**513**	–
Revision(1)	**4,743**	(522)
Utilisation	**(710)**	(247)
Deletion	**(31)**	(62)
Unwinding of discount(2) (note 7)	**2,899**	2,820
Exchange differences	**1,030**	(488)
At 31 December	**88,104**	76,189
Current portion of provision for dismantlement included in other payables and accrued liabilities (note 26)	**(1,062)**	(707)
At 31 December	**87,042**	75,482

(1) The amounts are included in the additions of oil and gas properties in note 13.

(2) The discount rates used for calculating the provision for dismantlement is 3.0%-4.0% (2021: 3.75%).

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

30. SHARE CAPITAL

	Number of shares	Issued share capital equivalent of RMB million
Issued and fully paid:		
Ordinary shares with no par value as at 1 January 2021 and as at 31 December 2021	44,647,455,984	43,081
Shares newly issued in 2022(1)	2,990,000,000	32,099
Repurchase of own shares and cancelled(2)	(70,692,000)	–
As at 31 December 2022	47,566,763,984	75,180
Of which: Shares listed on HKSE	44,576,763,984	
Shares listed on SSE	2,990,000,000	

(1) According to the "Approval of the Initial Public Offering of Shares of CNOOC Limited" Zheng Jian Xu Ke No. [2022] 632, the China Securities Regulatory Commission (the "CSRC") approved initial public offering of RMB ordinary shares ("A-share offering") of the Company. The price of the Company's A-share offering was RMB10.80 per ordinary share, and after exercising the over allotment option, the final number of shares issued was 2,990 million. The raised funds have been verified by Ernst & Young Hua Ming LLP and capital verification reports (Ernst & Young Hua Ming (2022) Yan Zi No. 60157570_A02 & 60157570_A03) were issued. The total amount of the final funds raised in this offering was RMB32,292 million. After deducting the issuance expenses of RMB193 million, the net amount of funds raised was RMB32,099 million.

(2) During the year ended 31 December 2022, the Company repurchased and cancelled 70,692,000 of its own shares with an aggregate cash payment of HK$693 million listed on HKSE, equivalent to approximately RMB623 million. Such buy-backs were financed out of the Company's distributable profits, as a result, the payment was reduced from the Company's "Retained earnings".

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 up for losses from previous years), but before dividend distribution.

The general reserve fund, which is determined at the discretion of the board of directors of CNOOC China Limited, 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 2022, the general reserve fund amounted to RMB58,069 million (2021: RMB57,504 million).

In accordance with the "Administrative Measures for the Accrual and Use of Expenses for Work Safety" issued by the Ministry of Finance and the Ministry of Emergency Management of the PRC, the Company and its subsidiaries are 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 2022, the Company and its subsidiaries' safety fund reserve under the PRC regulations amounted to nil (2021: nil).

32. RELATED PARTY TRANSACTIONS

As disclosed in note 1, the Company is a subsidiary of CNOOC Group, 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 Group in respect of a range of products and services

As the Company and its subsidiaries are controlled by CNOOC Group, transactions with CNOOC Group and its Associates (Associate has the meaning ascribed in Chapter 14A of the Listing Rules of Stock Exchange.) are disclosed as related party transactions. The connected transactions or continuing connected transactions defined in Chapter 14A of the Listing Rules of Stock Exchange in respect of items listed below also constitute related party transactions. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules of Stock Exchange for continuing connected transactions listed below. The Company entered into a comprehensive framework agreement with CNOOC Group on 1 November 2019 for the provision (1) by the Company and its subsidiaries to CNOOC Group and/or its Associates and (2) by CNOOC Group and/or its Associates to the Company and its subsidiaries, 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 2020. The continuing connected transactions under the comprehensive framework agreement and the relevant annual caps for the three years from 1 January 2020 were approved by the independent shareholders of the Company on 21 November 2019. The approved continuing connected transactions are as follows:

(1) Provision of exploration, oil and gas development, oil and gas production as well as sales, management and ancillary services by CNOOC Group and/or its Associates to the Company and its subsidiaries:

  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 sales, management and ancillary services

  e) Floating production, storage and offloading (“FPSO”) vessel leases

(2) Provision of management, technical, facilities and ancillary services, including the supply of materials by the Company and its subsidiaries to CNOOC Group and/or its Associates;

(3) Sales of petroleum and natural gas products by the Company and its subsidiaries to CNOOC Group and/or its Associates:

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

  b) Long-term sales of natural gas and liquefied natural gas

32. RELATED PARTY TRANSACTIONS (continued)

Pricing principles

The basic pricing principle for the continuing connected transactions between the Company and its subsidiaries and CNOOC Group and/or its Associates is based on arm's length negotiations, on normal commercial terms or better and with reference to the prevailing local market conditions (including the volume of sales, length of contracts, the volume of services, overall customer relationship and other market factors).

On the basis of the above basic pricing principle, each type of products or services must be charged in accordance with the following pricing mechanism and in the following sequential order:

(a) government-prescribed price; or

(b) where there is no government-prescribed price, in accordance with market prices, including the local, national or international market prices.

The continuing connected transactions referred to in paragraph (1)(a)-(1)(b) above provided by CNOOC Group and/or its Associates to the Company and its subsidiaries and (3)(a)-(3)(b) above provided by the Company and its subsidiaries to CNOOC Group and/or its Associates, on the basis of the above pricing principle, are determined through arm's length negotiations based on market prices (as defined in the comprehensive framework agreement).

The continuing connected transactions referred to in paragraph (1)(c)-(1)(d) above provided by CNOOC Group and/or its Associates to the Company and its subsidiaries, on the basis of the above pricing principle, are based on government-prescribed price or market prices.

The continuing connected transactions referred to in paragraph (1)(e) on the basis of the above pricing principle, are unanimously determined with CNOOC Group and/or its Associates which provides the FPSO vessel leases after arm's length negotiation in accordance with normal commercial terms.

The continuing connected transactions referred to in paragraph (2) above provided by the Company and its subsidiaries to CNOOC Group and/or its Associates on the basis of the above pricing principle, are determined through arm's length negotiation between both parties with reference to market price.

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

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

32. RELATED PARTY TRANSACTIONS (continued)

(i) Provision of exploration, oil and gas development, oil and gas production as well as sales, management and ancillary services by CNOOC Group and/or its Associates to the Company and its subsidiaries

	2022	2021
Provision of exploration and support services	**12,399**	10,982
– Inclusive of amounts capitalised under property, plant and equipment	**7,017**	6,466
Provision of oil and gas development and support services	**47,127**	39,696
Provision of oil and gas production and support services (note (a))	**15,153**	11,836
Provision of sales, management and ancillary services (note (b))	**2,222**	2,335
FPSO vessel leases (note (c))*	**705**	1,011
	77,606	65,860

* For the right-of-use assets recognised during this period from the lease agreements with CNOOC Group and/or its Associates please refer to note 14.

(ii) Provision of management, technical, facilities and ancillary services, including the supply of materials by the Company and its subsidiaries to CNOOC Group and/or its Associates

The Company and its subsidiaries did not enter into any transactions in the above category for the years ended 31 December 2022 and 2021.

(iii) Sales of petroleum and natural gas products by the Company and its subsidiaries to CNOOC Group and/or its Associates

	2022	2021
Sales of petroleum and natural gas products (other than long-term sales of natural gas and liquefied natural gas) (note (d))	**234,837**	136,524
Long term sales of natural gas and liquefied natural gas (note (e))	**26,787**	16,194
	261,624	152,718

(iv) Transactions and balances with CNOOC Finance Corporation Limited ("CNOOC Finance") (note (f))

(a) Interest income received by the Company and its subsidiaries

	2022	2021
Interest income from deposits in CNOOC Finance	**402**	318

(b) Deposits balances made by the Company and its subsidiaries

	2022	2021
Deposits in CNOOC Finance	**22,308**	23,436

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

32. RELATED PARTY TRANSACTIONS (continued)

(v) Balances with CNOOC Group and/or its Associates

	2022	2021
Amount due to CNOOC Group		
– included in trade and accrued payables	**246**	51
Amounts due to its Associates		
– included in trade and accrued payables, contract liabilities, other payables and accrued liabilities (note (g))	**34,371**	27,395
– included in lease liabilities	**5,146**	4,105
	39,763	31,551
Borrowings from CNOOC Group and/or its Associates (note (h))	**5,154**	4,970
Amounts due from its Associates		
– included in trade receivables	**20,541**	14,151
– included in other current assets	**647**	1,079
	21,188	15,230

(vi) Balance with a joint venture and associates

	2022	2021
Amount due from a joint venture and associates		
– included in trade receivables and other current assets	**190**	161

(vii) Transactions and balances with other state-owned enterprises

The Company and its subsidiaries enter into extensive transactions covering sales of crude oil and natural gas, purchase of property, plant and equipment and other assets, receiving of services, and making deposits with state-owned enterprises, other than CNOOC Group and/or its Associates, in the normal course of business on terms comparable to those with non-state-owned enterprises. The purchases of property, plant and equipment and other assets, and receipt of services from these state-owned enterprises are individually not significant. The individually significant sales transactions with these state-owned enterprises are disclosed in note 37. In addition, the Company and its subsidiaries have certain of its cash in bank and time deposits with certain state-owned banks in the PRC as at 31 December 2022, as summarised below:

	2022	2021
Cash and cash equivalents	**27,264**	1,672
Time deposits with maturity over three months but within one year	**20,264**	24,473
Specified dismantlement fund accounts, included in other non-current assets (note 20)	**8,360**	10,402
	55,888	36,547

Interest rates for the above time deposits and specified dismantlement fund accounts are at prevailing market rates.

32. RELATED PARTY TRANSACTIONS (continued)

(viii) Key management personnel's remuneration

Key management personnel's remuneration is disclosed in note 8.

Note:

(a) These represent the services for production operations, the provision of various facilities and ancillary services.

(b) These include sales, administration and management, management of oil and gas operations and integrated research services as well as other ancillary services relating to exploration, development, production and research activities of the Company and its subsidiaries. In addition, CNOOC Group and/or its Associates leased certain premises to certain subsidiaries of the Company for use as office premises and staff quarters out of which they provided management services to certain properties.

(c) CNOOC Energy Technology & Services Limited leased FPSO vessels to the Company and its subsidiaries for use in oil production operations.

(d) The sales include crude oil, natural gas, condensate oil, liquefied petroleum gas to CNOOC Group and/or its Associates. Individual sales contracts were entered into from time to time between certain subsidiaries of the Company and CNOOC Group and/or its Associates.

(e) It is the market practice for sales terms to be determined based on the estimated reserves and production profile of the relevant gas fields. The long term sales contracts usually last for 5 to 25 years.

(f) CNOOC Finance is a 31.8% owned associate of the Company and also a subsidiary of CNOOC Group. The financial services provided by CNOOC Finance to the Company and its subsidiaries also constitute continuing connected transactions defined in Chapter 14A of the Listing Rules of Stock Exchange and the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules of Stock Exchange for the continuing connected transactions. Under the financial services framework agreement with CNOOC Finance dated 21 November 2019, CNOOC Finance continues to provide to the Company and its subsidiaries settlement, depository, discounting, loans and entrustment loans services. The agreement is effective from 1 January 2020 to 31 December 2022. The depository services were exempted from independent shareholders' approval requirements under the Listing Rules of Stock Exchange. On 21 November 2019, the Board approved to maintain the maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) placed by the Company and its subsidiaries with CNOOC Finance for the period from 1 January 2020 to 31 December 2022 with the amount of RMB23,500 million. The Company and its subsidiaries' actual maximum daily outstanding balance for deposits and interest stated in CNOOC Finance (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loan services) in 2022 did not exceed RMB23,500 million (2021: RMB23,500 million).

(g) During the year, CNOOC Hainan New Energy Co.Ltd, a wholly owned subsidiary of the Company, acquired 40% equity interest of China Nuclear Huihai Wind Power Investment Co., Ltd from CNOOC Donghai Corporation Limited at a consideration of RMB1,518 million, which is a fellow subsidiary of CNOOC.

(h) Borrowings from CNOOC Group and/or its Associates mainly represent a three-year uncommitted revolving loan facility provided from CNOOC Group to the Company for general purposes, with the principal amount of RMB4,300 million of 1.08% per annum. Finance costs for the year ended 31 December 2022 was RMB47 million. The Loan was drawn in full in 2021.

33. RETIREMENT BENEFITS

All the Company and its subsidiaries' full-time employees in the PRC are covered by a state-managed retirement benefit plan operated by the government of the PRC, and are entitled to an annual pension. The PRC government is responsible for the pension liabilities to these retired employees. The Company and its subsidiaries are required to make annual contributions to the state-managed retirement benefit plan at rates ranging from 14% to 16% of the employees' base salaries.

The Company is required to make contributions to a defined contribution mandatory provident fund at a rate of 5% of the salaries of all full-time employees in Hong Kong. The related pension costs are expensed as incurred.

The Company and its subsidiaries provide retirement benefits for all local employees in overseas locations in accordance with relevant labour law, and provide employee benefits to expatriate staff in accordance with the relevant employment contracts.

During the year, the Company and its subsidiaries' pension costs charged to the consolidated statement of profit or loss and other comprehensive income amounted to RMB1,161 million (2021: RMB945 million).

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

34. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

	2022	2021
Profit before tax	**194,770**	95,821
Adjustments for:		
Interest income	**(2,980)**	(1,341)
Finance costs	**6,027**	6,019
Exchange gains, net	**(18)**	(742)
Share of profits of associates	**(663)**	(611)
(Profit)/loss attributable to a joint venture	**(1,248)**	265
Investment income	**(2,058)**	(2,850)
Impairment and provision	**666**	7,957
Depreciation, depletion and amortisation	**62,852**	57,236
Loss on disposal and write-off of property, plant and equipment	**5,424**	5,071
Subtotal	**262,772**	166,825
Increase in trade receivables and other current assets	**(8,686)**	(9,803)
Increase in inventories and supplies	**(645)**	(99)
Increase in trade and accrued payables, contract liabilities and other payables and accrued liabilities	**3,134**	7,440
Cash generated from operations	**256,575**	164,363

Reconciliation of liabilities arising from financing activities

The table below details changes in the Company and its subsidiaries' liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company and its subsidiaries' consolidated statement of cash flows as cash flows from financing activities.

	Loans and borrowings (note 27)	**Lease liabilities (note 28)**	**Dividend payable**	**Total**
At 1 January 2021	136,230	7,319	–	143,549
Financing cash flows	(11,812)	(1,903)	(20,473)	(34,188)
New lease entered	–	1,061	–	1,061
Foreign exchange translation	(1,117)	79	26	(1,012)
Finance costs (note 7)	4,921	364	–	5,285
Dividends declared	–	–	20,447	20,447
At 31 December 2021	128,222	6,920	–	135,142
At 1 January 2022	**128,222**	**6,920**	**–**	**135,142**
Financing cash flows	**(16,773)**	**(2,446)**	**(77,378)**	**(96,597)**
New lease entered	**–**	**2,874**	**–**	**2,874**
Foreign exchange translation	**9,770**	**710**	**1,039**	**11,519**
Finance costs (note 7)	**4,743**	**376**	**–**	**5,119**
Dividends declared	**–**	**–**	**76,339**	**76,339**
At 31 December 2022	**125,962**	**8,434**	**–**	**134,396**

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

35. COMMITMENTS AND CONTINGENCIES

(i) Capital commitments

As at 31 December 2022, the Company and its subsidiaries had the following capital commitments, principally for the construction of property, plant and equipment:

	2022	2021
Contracted, but not provided for(1)	**58,346**	41,249

(1) The capital commitments contracted, but not provided for, include the estimated payments to the Ministry of Natural Resources of the PRC for the next five years with respect to the Company and its subsidiaries' exploration and production licenses.

As at 31 December 2022, the above table includes a commitment of approximately RMB16,967 million (2021: RMB11,467 million) contracted with CNOOC Group and/or its Associates.

Capital commitments of a joint venture:

	2022	2021
Contracted, but not provided for	**92**	247

As at 31 December 2022, the Company and its subsidiaries had unutilised banking facilities amounting to approximately RMB67,671 million (2021: RMB67,011 million).

(ii) 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.

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

36. FINANCIAL INSTRUMENTS

Fair value of financial instruments

The carrying values of the Company and its subsidiaries' cash and cash equivalents, time deposits with maturity more than three months, trade receivables excluding receivables financing, other current assets, short-term loans and borrowings, trade and accrued payables, and other payables and accrued liabilities approximated to their fair values at the reporting date due to the short maturity of these instruments.

The fair value of the Company and its subsidiaries' long term bank loans with floating interest rates approximated to the carrying amount as at 31 December 2022 and 2021.

The estimated fair value of the Company and its subsidiaries' long term guaranteed notes was approximately RMB101,266 million as at 31 December 2022 (2021: RMB120,087 million), which was determined by reference to the market price as at 31 December 2022.

Fair value hierarchy

The Company and its subsidiaries use the following hierarchy that reflects the significance of the inputs used in making the fair value measurement:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. Active markets are those in which transaction occur in sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. The Company and its subsidiaries obtain information from sources of independent price publications, over-the-counter broker quotes and the fund management's quotations as at the reporting date.

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs), or where the observable data does not support the majority of the instruments fair value.

As at 31 December 2022 and 31 December 2021, the Company and its subsidiaries held the following financial instruments measured at fair value for each hierarchy respectively:

	31 December 2022	Level 1	Level 2	Level 3
Assets measured at fair value				
Trade receivables				
Receivables financing	1,446	–	1,446	–
Other financial assets – current				
Corporate wealth management products and structured deposits	84,209	–	84,209	–
Publicly traded money market funds	4,000	4,000	–	–
Other financial assets – non current				
Corporate wealth management products	6,026	–	6,026	–
Equity investments				
Non-publicly traded investments – non current	1,075	–	–	1,075
Derivative financial instruments				
Futures	30	30	–	–
	96,786	4,030	91,681	1,075
Liabilities measured at fair value				
Derivative financial instruments				
Futures	32	32	–	–
	32	32	–	–

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

36. FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy (continued)

	31 December 2021	Level 1	Level 2	Level 3
Assets measured at fair value				
Other financial assets – current				
Corporate wealth management products	82,440	–	82,440	–
Equity investments				
Non-publicly traded investments – non current	994	–	–	994
Publicly traded investments – non current*	1,681	1,681	–	–
	85,115	1,681	82,440	994

* All gains and losses included in other comprehensive income related to financial assets at FVTOCI held at the end of the reporting period are reported as fair value change on equity investments designated as at FVTOCI.

Financial assets classified within Level 3 are made up of Kerogen Energy Fund invested by a wholly-owned subsidiary of the Company. Significant unobservable inputs are used to determine the fair value of these financial assets. As observable prices are not available, the fair value of the financial assets is derived by using valuation techniques, mainly including embedded terms of the instrument, bid offer price as well as valuations based on net asset value using the discounted cash-flow of each project or asset, having applied an appropriate risk factor for the stage of development of the project. The significant unobservable in puts used in the fair value measurement include net asset value, price to net asset value.

No amounts have been transferred between the different levels of the fair value hierarchy for the year.

37. CONCENTRATION OF CUSTOMERS

A substantial portion of the Company and its subsidiaries' oil and gas commodities sales to third-party customers is made to a small number of customers on credit. Details of the gross sales to these top five third party customers are as follows:

	2022	2021
China Petroleum & Chemical Corporation*	**20,663**	8,761
Zhonghai (Dongying) Petrochemical Co. Ltd.	**12,538**	8,754
Zhejiang Petrochemical Co., Ltd	**12,496**	–
Shandong Shouguang Luqing Petrochemical Co., Ltd	**12,017**	533
Marathon Petroleum Corporation	**5,614**	3,839

* This transaction is with other state-owned enterprises.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company and its subsidiaries' principal financial instruments comprise bank loans, long term guaranteed notes, debt investment, equity investments and other financial assets, cash and short term deposits. The Company and its subsidiaries have various other financial assets and liabilities such as trade receivables, other receivables, trade and accrued payables, which arise directly from its operations.

The Company and its subsidiaries are exposed to credit risk, oil and gas price risk, currency risk, interest rate risk and liquidity risk.

The Company's senior management oversees the management of these risks. The Company's senior management is supported by various departments that advise on financial risks and the appropriate financial risks governance framework for the Company and its subsidiaries. Those departments provide assurance to the Company's senior management that the Company and its subsidiaries' financial risk-taking activities are governed by appropriate policies and procedures and that financial risks are identified, measured and managed in accordance with group policies and group risk appetite.

(i) Credit risk and management assessment

As at 31 December 2022, the carrying amounts of the Company and its subsidiaries' cash and cash equivalents, time deposits with maturity more than three months, trade receivables, other receivables (approximately RMB4,888 million included in other current assets) and debt investment represent the Company and its subsidiaries' maximum exposure to credit risk in relation to its financial assets. The Company and its subsidiaries do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

In order to minimise the credit risk, the management of the Company and its subsidiaries have delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new counterparties, the Company and its subsidiaries use an internal credit scoring system to assess the potential counterparty's credit quality and define credit limits by counterparty. Limits and scoring attributed to counterparties are reviewed annually. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the Company and its subsidiaries perform impairment assessment under ECL model upon application of IFRS 9/HKFRS 9 on trade receivables individually or based on provision matrix, and other receivables individually. In this regard, the Directors of the Company consider that the Company and its subsidiaries' credit risk is significantly reduced.

Concentrations of credit risk are managed by counterparty and by geographical region. At 31 December 2022, the Company and its subsidiaries have certain concentrations of credit risk as 4.07% (2021: 1.90%) and 8.19% (2021: 3.21%) of the Company and its subsidiaries' trade receivables were due from the Company and its subsidiaries' largest third-party customer and the five largest third-party customers, respectively.

(ii) Oil and gas price risk

Since the Company and its subsidiaries make reference to international oil prices to determine its realised oil price, fluctuations in international oil price would have a significant impact on the Company and its subsidiaries' sales revenue, profit, assets value and cash-flow. In addition, certain of the Company and its subsidiaries' natural gas sales contracts contain price adjustment provisions. Any changes in international oil prices, inflation rate and domestic natural gas pricing policies may result in changes in natural gas prices, which will affect the Company and its subsidiaries' profitability.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(iii) Currency risk

Substantially all of the Company and its subsidiaries' oil and gas sales are denominated in RMB and United States dollars ("US dollars"). Starting from 21 July 2005, China reformed the exchange rate regime by moving into a managed floating exchange rate regime based on market supply and demand with reference to a basket of currencies. RMB would no longer be pegged to the US dollars. From 1 January 2022 to 31 December 2022, RMB has depreciated by approximately 8.46% (2021: appreciated by approximately 2.34%) against the US dollars. At 31 December 2022, approximately 69% (2021: 54%) of the Company and its subsidiaries' cash and cash equivalents and time deposits with maturity over three months but within one year were denominated in RMB, and the remaining amounts were substantially denominated in US dollars and Hong Kong dollars. The Company and its subsidiaries also have exposures to currencies other than the US dollars, such as Canadian dollars and British Pounds as such exposures are considered insignificant.

Management has assessed the Company and its subsidiaries' exposure to foreign currency risk by using a sensitivity analysis on the change in foreign exchange rate of the US dollars, to which the Company and its subsidiaries are mainly exposed to as at 31 December 2022 and 2021. Based on management's assessment at 31 December 2022, a 5% strengthening/weakening of RMB against US dollars would have increased/decreased the profit for the year of the Company and its subsidiaries by 0.01% (2021: 0.07%) and the equity of the Company and its subsidiaries by 0.73% (2021: 0.30%). This analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to the foreign currency balances to which the Company and its subsidiaries have significant exposure with all other variables held constant. The analysis is performed on the same basis for 2021.

Senior management is closely monitoring the company and its subsidiaries' net exposure to foreign currency risk. The depreciation of RMB against the US dollars may have the following impact on the company and its subsidiaries. On one hand, since the benchmark oil and gas prices are usually in US dollars against RMB, the company and its subsidiaries' oil and gas sales may increase due to the appreciation of the US dollars against RMB. On the other hand, the appreciation of the US dollars against RMB will also increase the company and its subsidiaries' costs for imported equipment and materials, most of which are denominated in the US dollars.

(iv) Interest rate risk

The interest rate risk is closely monitored by the Company and its subsidiaries' senior management. As at the end of 2022, the interest rates for 90.34% (2021: 90.46%) of the Company and its subsidiaries' debts were fixed. The weighted average term of the Company and its subsidiaries' debt balance outstanding was approximately 7.73 (2021: 8.03) years. The fixed interest rates can reduce the volatility of finance costs under uncertain environments and the Company and its subsidiaries' exposure to changes in interest rates is not expected to be material.

(v) Liquidity risk

The Company and its subsidiaries manage its liquidity risk by regularly monitoring its liquidity requirements and its compliance with debt covenants to ensure that it maintains sufficient cash and cash equivalents, other financial assets, and adequate time deposits to meet its liquidity requirements in the short and long term. In addition, bank facilities have been put in place for contingency purposes.

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

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(v) Liquidity risk (continued)

The financial liabilities held by the Company and its subsidiaries are analysed according to the maturity period of the undiscounted remaining contractual obligations as follows:

31 December 2022

	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Short-term borrowings	**4,350**	**–**	**–**	**–**	**4,350**
Long-term borrowings	**879**	**893**	**8,650**	**3,086**	**13,508**
Trade and accrued payables	**59,789**	**–**	**–**	**–**	**59,789**
Other payable	**7,143**	**–**	**–**	**–**	**7,143**
Notes	**22,414**	**19,418**	**23,184**	**85,553**	**150,569**
Long-term payable	**–**	**2,434**	**2,878**	**1,605**	**6,917**
Lease liabilities	**1,986**	**1,612**	**3,117**	**2,713**	**9,428**
Total	**96,561**	**24,357**	**37,829**	**92,957**	**251,704**

31 December 2021

	Within 1 year	1 to 2 years	2 to 5 years	Above 5 years	Total
Short-term borrowings	4,350	–	–	–	4,350
Long-term borrowings	684	530	8,583	3,115	12,912
Trade and accrued payables	48,990	–	–	–	48,990
Other payable	7,863	–	–	–	7,863
Notes	15,103	19,720	36,526	83,030	154,379
Long-term payable	–	930	2,682	2,845	6,457
Lease liabilities	1,279	1,087	2,771	2,761	7,898
Total	78,269	22,267	50,562	91,751	242,849

(vi) Capital management

The primary objectives of the Company and its subsidiaries' capital management are to safeguard the Company and its subsidiaries' ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Company and its subsidiaries manage its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company and its subsidiaries may return capital to shareholders, raise new debt or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Company and its subsidiaries monitor capital on the basis of the debt to capital ratio, which is calculated as interest-bearing debts divided by total capital (total equity plus interest-bearing debts).

	2022	2021
Loans and borrowings	**125,962**	128,222
Lease liability	**8,434**	6,920
Total Equity	**598,383**	481,976
Total capital	**732,779**	617,118
Gearing ratio	**18.3%**	21.9%

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

39. 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 Deed of Cross Charge and an Extended Deed of Cross Charge 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.

40. SUBSEQUENT EVENTS

The Company and its subsidiaries have no significant subsequent events needed to be disclosed in the consolidated financial statements.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022	2021
NON-CURRENT ASSETS		
Investments in subsidiaries	213,337	165,164
Right-of-use assets	6	12
Total non-current assets	213,343	165,176
CURRENT ASSETS		
Amounts due from subsidiaries	3,945	3,856
Loans to a subsidiary	26,489	30,651
Time deposits with maturity over three months but within one year	16,902	15,838
Cash and cash equivalents	17,032	22,066
Total current assets	64,368	72,411
CURRENT LIABILITIES		
Loans and borrowings	4,303	4,303
Lease liabilities	6	12
Other payables and accrued liabilities	44	66
Total current liabilities	4,353	4,381
NET CURRENT ASSETS	60,015	68,030
NET ASSETS	273,358	233,206
EQUITY		
Equity attributable to equity shareholders of the Company		
Issued capital	75,180	43,081
Reserves	198,178	190,125
TOTAL EQUITY	273,358	233,206

ZHOU Xinhuai
Director

XIA Qinglong
Director

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

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

A summary of the Company's reserves is as follows:

	Cumulative translation reserve	Other reserves	Retained earnings	Total reserves
Balance at 1 January 2021	(16,327)	5,564	199,186	188,423
Profit for the year	–	–	28,719	28,719
Other comprehensive expense, net of tax	(6,570)	–	–	(6,570)
Total comprehensive (expense)/income	(6,570)	–	28,719	22,149
2020 final dividend	–	–	(9,288)	(9,288)
2021 interim dividend	–	–	(11,159)	(11,159)
Balance at 31 December 2021	(22,897)	5,564	207,458*	190,125
Balance at 1 January 2022	**(22,897)**	**5,564**	**207,458**	**190,125**
Profit for the year	**–**	**–**	**61,378**	**61,378**
Other comprehensive income, net of tax	**23,637**	**–**	**–**	**23,637**
Total comprehensive income	**23,637**	**–**	**61,378**	**85,015**
Special dividend	**–**	**–**	**(47,372)**	**(47,372)**
2022 interim dividend	**–**	**–**	**(28,967)**	**(28,967)**
Other	**–**	**–**	**(623)**	**(623)**
Balance at 31 December 2022	**740**	**5,564**	**191,874***	**198,178**

* As at 31 December 2022, the distributable retained earnings of the Company amounted to approximately RMB191,874 million (2021: RMB207,458 million).

42. APPROVAL OF THE FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the Board of Directors on 29 March 2023.

Supplementary Information on Oil and Gas Producing Activities (Unaudited)

31 December 2022
(All amounts expressed in millions of Renminbi unless otherwise stated)

To fully reflect the Company's oil and gas producing activities, the Company makes the following disclosures in accordance with the FASB Accounting Standard Codification 932 "Extractive Activities-Oil and Gas" (the "ASC 932) for the assessment and disclosure of oil and gas reserves in order to provide standardized measures and variations of the estimated proven reserves of oil and gas and the discounted projected future net cash flows of the Company and its equity investors.

(1) Reserve quantity information

Crude oil and natural gas reserve estimates are determined through analysis of geological and engineering data which appear, with reasonable certainty, to be economically producible in the future from known oil and natural gas reservoirs under existing economic and operating conditions. The Company referred to the SEC's final rules on "Modernization of Oil and Gas Reporting", which became effective as of 1 January 2010 to evaluate reserves. We implemented rigorous internal control system that monitors the entire reserves estimation process and certain key metrics.

For the years 2022, 2021 and 2020, approximately 89%, 74%, and 62%, respectively, of our total proved reserves were evaluated by us, and the remaining were evaluated by independent third parties.

We established the Reserve Management Committee (the "RMC"), which comprises the general managers of the relevant departments and is led by the Company's management in charge of reserves as the director. The RMC's main responsibilities are to:

- review our reserves policies;
- review our proved reserves and other categories of reserves; and
- select our reserves estimators and auditors.

The RMC follows certain procedures to appoint our internal reserves estimators and reserves auditors, who are required to have undergraduate degrees and at least five years and ten years of experience related to reserves estimation, respectively.

The reserves estimators and auditors are required to be members of a professional society, such as China Petroleum Society (CPS), and are required to take the professional trainings and examinations as required by the professional society or us.

The RMC delegates its daily operation to our Reserves Office. The Reserves Office is mainly responsible for supervising reserves estimates and auditing. It reports to the RMC periodically and is independent from operating divisions such as the exploration and development departments. Our Chief Reserve Supervisor has 30 years' experience in oil and gas industry.

The Company's net proved reserves consist of its interest in reserves, comprised of a 100% interest in its independent oil and gas properties and its participating interest in the properties covered under the production sharing contracts in the PRC, less (i) an adjustment for the Company's share of royalties payable by the Company to the PRC government and the Company's participating interest in share oil payable to the PRC government under the production sharing contracts, and less (ii) an adjustment for production allocable to foreign partners under the PRC production sharing contracts as reimbursement for exploration expenses attributable to the Company's participating interest, and plus the participating interest in the properties covered under the production sharing contracts in oversea countries, less adjustments, if any, of share oil attributable to the host government and the domestic market obligation.

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

(1) Reserve quantity information (continued)

The Company uses the average, first-day-of-the-month oil price during the 12-month period before the ending date of the period covered by the consolidated financial statements to estimate its proved oil and gas reserves.

The Company determines its net entitlement oil and gas reserves under production sharing contracts using the economic interest method.

Proved developed and undeveloped reserves:

	PRC		Oversea				Total			
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Synthetic oil (mmbls)	Bitumen (mmbls)	Oil (mmbls)	Natural gas (bcf)	Synthetic oil (mmbls)	Bitumen (mmbls)
Consolidated entities										
31 December 2020	1,953	6,863	806	1,093	797	94	2,758	7,956	797	94
Purchase/(Disposal) of reserves	–	–	72	87	–	–	72	87	–	–
Discoveries and extensions	165	777	110	59	15	3	276	837	15	3
Improved recovery	62	2	9	–	–	–	71	2	–	–
Production	(311)	(474)	(108)	(173)	(7)	(16)	(419)	(648)	(7)	(16)
Revisions of prior estimates	225	(149)	57	265	(65)	63	282	116	(65)	63
31 December 2021	2,095	7,020	945	1,331	740	144	3,040	8,351	740	144
Purchase/(Disposal) of reserves	(1)	13	97	33	–	–	96	46	–	–
Discoveries and extensions	241	974	189	30	18	4	430	1,004	18	4
Improved recovery	63	142	5	–	–	–	68	142	–	–
Production	(336)	(567)	(118)	(156)	(7)	(18)	(454)	(724)	(7)	(18)
Revisions of prior estimates	219	205	16	(59)	(36)	74	235	146	(36)	74
31 December 2022	2,280	7,786	1,134	1,179	716	204	3,414	8,965	716	204
Enterprise's share of equity method investees										
31 December 2021	1	5	275	559	–	–	275	564	–	–
31 December 2022	1	3	269	626	–	–	270	629	–	–
Total consolidated and equity Interests in reserves										
31 December 2021	2,095	7,025	1,220	1,890	740	144	3,315	8,915	740	144
31 December 2022	2,281	7,789	1,403	1,805	716	204	3,684	9,595	716	204

Proved developed reserves:

	PRC		Oversea				Total			
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Synthetic Oil (mmbls)	Bitumen (mmbls)	Oil (mmbls)	Natural gas (bcf)	Synthetic Oil (mmbls)	Bitumen (mmbls)
Consolidated entities										
31 December 2021	1,206	4,073	499	906	108	83	1,705	4,979	108	83
31 December 2022	1,265	4,151	554	971	130	88	1,818	5,122	130	88
Enterprise's share of equity method investees										
31 December 2021	1	5	143	351	–	–	144	355	–	–
31 December 2022	1	3	143	376	–	–	144	379	–	–

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

(1) Reserve quantity information (continued)

Proved undeveloped reserves:

	PRC		Oversea				Total			
	Oil (mmbls)	Natural gas (bcf)	Oil (mmbls)	Natural gas (bcf)	Synthetic Oil (mmbls)	Bitumen (mmbls)	Oil (mmbls)	Natural gas (bcf)	Synthetic Oil (mmbls)	Bitumen (mmbls)
Consolidated entities										
31 December 2021	888	2,947	446	425	633	61	1,335	3,372	633	61
31 December 2022	1,016	3,635	580	208	586	115	1,596	3,844	586	115
Enterprise's share of equity method investees										
31 December 2021	–	–	131	208	–	–	131	208	–	–
31 December 2022	–	–	126	250	–	–	126	250	–	–

(2) Standardised measure of discounted future net cash flows and changes therein

The average of first-day-of-the-month oil price during the 12-month period before the year end were used to estimate annual future production from proved reserves to determine future cash inflows.

Future development costs are estimated based upon constant price assumptions and the assumption of the continuation of existing economic, operating and regulatory conditions. Future income taxes are calculated by applying the year-end statutory rate to estimate future pre-tax cash flows after provision for the tax cost of the oil and natural gas properties based upon existing laws and regulations. The discount was computed by the application of a 10% discount factor to the estimated future net cash flows.

Management believes that this information does not represent the fair market value of the oil and natural gas reserves or the present value of estimated future cash flows since no economic value is attributed to potential reserves, the use of a 10% discount rate is arbitrary, and prices change constantly.

Present value of estimated future net cash flows:

Consolidated entities		**2022**			2021		
	Notes	**PRC**	**Oversea**	**Total**	PRC	Oversea	Total
Future cash inflows	(1)	**2,162,624**	**1,309,079**	**3,471,703**	1,411,226	801,376	2,212,602
Future production costs		**(811,963)**	**(491,174)**	**(1,303,137)**	(491,797)	(363,975)	(855,772)
Future development costs	(2)	**(231,706)**	**(171,751)**	**(403,457)**	(202,328)	(104,706)	(307,035)
Future income taxes		**(228,230)**	**(123,465)**	**(351,695)**	(133,700)	(48,955)	(182,655)
Future cash flows	(3)	**890,724**	**522,690**	**1,413,414**	583,400	283,741	867,141
10% discount factor		**(319,462)**	**(264,266)**	**(583,728)**	(208,492)	(139,035)	(347,528)
Standardised measure of discounted future net cash flows		**571,262**	**258,424**	**829,686**	374,908	144,705	519,614

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

(2) Standardised measure of discounted future net cash flows and changes therein (continued)

(1) Future cash flows consist of the Company's 100% interest in the independent oil and gas properties and the Company's participating interest in the properties under the production sharing contracts in the PRC, less (i) an adjustment for the royalties payable to the PRC government and the Company's participating interest in share oil payable to the PRC government under the production sharing contracts, and less (ii) an adjustment for production allocable to foreign partners under the PRC production sharing contracts as reimbursement for exploration expenses attributable to the Company's participating interest, and plus the participating interest in the properties covered under the production sharing contracts in oversea countries, less adjustments, if any, of share oil attributable to the host government and the domestic market obligation.

(2) Future development costs include the estimated costs of drilling future development wells and building the production platforms.

(3) Future net cash flows have been prepared taking into consideration estimated future dismantlement costs of dismantling offshore oil platforms and gas properties.

Present value of estimated future net cash flows:

Standardised measure of consolidated entities (RMB million)	**2022**	2021
Standardised measure, at the beginning of year	**519,614**	274,982
Sales of production, net of royalties and production costs	**(303,040)**	(197,222)
Net change in prices, net of royalties and production costs	**369,842**	303,227
Extensions, discoveries and improved recovery, net of future production and development costs	**180,248**	89,601
Change in estimated future development costs	**(95,478)**	(52,957)
Development costs incurred during the year	**77,653**	64,225
Revisions in quantity estimates	**61,458**	49,099
Accretion of discount	**66,217**	32,311
Net change in income taxes	**(96,165)**	(64,604)
Purchase of oil and gas properties	**23,956**	13,979
Changes in timing and other	**25,380**	6,975
Standardised measure, at the end of year	**829,686**	519,614

COMPANY INFORMATION

Board of Directors:

Non-executive Directors
Wang Dongjin *(Chairman)*
Li Yong *(Vice Chairman)*
Xu Keqiang
Wen Dongfen

Executive Directors
Zhou Xinhuai *(CEO)*
Xia Qinglong *(President)*

Independent Non-executive Directors
Chiu Sung Hong
Lawrence J. Lau
Tse Hau Yin, Aloysius
Qiu Zhi Zhong
Lin Boqiang

Audit Committee
Tse Hau Yin, Aloysius *(Chairman and Financial Expert)*
Chiu Sung Hong
Lawrence J. Lau
Wen Dongfen

Nomination Committee
Wang Dongjin *(Chairman)*
Lawrence J. Lau
Qiu Zhi Zhong

Remuneration Committee
Chiu Sung Hong *(Chairman)*
Tse Hau Yin, Aloysius
Li Yong

Strategy And Sustainability Committee
Wang Dongjin *(Chairman)*
Li Yong
Xu Keqiang
Zhou Xinhuai
Lawrence J. Lau,
Qiu Zhi Zhong
Lin Boqiang

Other Members of the Senior Management
Cao Xinjian *(Executive Vice President)*
Yang Yun *(Executive Vice President)*
Xie Weizhi *(Chief Financial Officer)*
Sun Fujie *(Vice President)*
Xu Yugao *(General Counsel, Compliance Officer & Secretary to the Board (Acting Deputy))*
Ke Lvxiong *(Vice President)*
Yan Hongtao *(Vice President)*
Xu Changgui *(Deputy Chief Exploration Engineer)*

Joint Company Secretaries
Xu Yugao
Tsue Sik Yu, May

Principal Banks:
Bank of China
Industrial and Commercial Bank of China
China Construction Bank
Bank of China (Hong Kong) Limited
Citi Bank, N.A.
Bank of America

Hong Kong Share Registrar:
Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

A Share Registrar:
China Securities Depository and
Clearing Corporation
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HKSE: 00883
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