

CNOOC LTD  
Form 6-K  
April 12, 2018  
**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 6-K**

**Report of Foreign Private Issuer**

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

For the month of April 2018

Commission File Number 1-14966

**CNOOC Limited**

(Translation of registrant's name into English)

65th Floor

Bank of China Tower

One Garden Road

Central, Hong Kong

(Address of principal executive offices)

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

Form 20-F  Form 40-F

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

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

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

Yes  No

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

**Signature**

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

**CNOOC Limited**

By: /s/ Jiewen Li  
Name: Jiewen Li  
Title: Joint Company Secretary

Dated: April 12, 2018

EXHIBIT INDEX

- 99.1 Announcement entitled “2017 Annual Report”
- 99.2 Announcement entitled “Notice of Annual General Meeting”
- 99.3 Announcement entitled “Explanatory Statement Relating to the Proposed General Mandates to Issue Shares and Buy Back Shares and Proposed Re-Election of Directors”
- 99.4 Announcement entitled “Form of proxy for the Annual General Meeting to be held on 31 May 2018”
- 99.5 Announcement entitled “Notification Letter and Request Form For Non-Registered Holders”

**Exhibit 99.1**

**Company Profile**

CNOOC Limited (the “Company”, together with its subsidiaries, the “Group” or “we”), incorporated in the Hong Kong Special Administration Region (“Hong Kong”) in August 1999, was listed on the New York Stock Exchange (code: CEO) and The Stock Exchange of Hong Kong Limited (code: 00883) on 27 and 28 February 2001, respectively. The Company was admitted as a constituent stock of the Hang Seng Index in July 2001. The Company’s American Depositary Receipts (“ADRs”) was listed on the Toronto Stock Exchange (code: CNU) on 18 September 2013.

The Group 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 Group mainly engages in exploration, development, production and sale of crude oil and natural gas.

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

As at 31 December 2017, the Group owned net proved reserves of approximately 4.84 billion BOE, and its average daily net production was 1,288,128 BOE (unless otherwise stated, all amounts of reserve and production in this report include our interests in equity method investees). The Group had total assets of approximately RMB617.2 billion.

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**Financial Summary***(All amounts expressed in millions of RMB)***Consolidated Statement of Profit or Loss and Other Comprehensive Income (Audited)**

Year ended 31 December

	2013	2014	2015	2016	2017
Total revenues	285,857	274,634	171,437	146,490	186,390
Total expenses	(207,354)	(193,719)	(153,981)	(148,902)	(149,340)
(Finance costs)/interest income, net	(2,365 )	(3,701 )	(5,245 )	(5,345 )	(4,391 )
Share of profits/(losses)of associates and a joint venture	895	1,006	1,903	(76 )	855
Investment income	2,611	2,684	2,398	2,774	2,409
Profit/(loss) before tax	80,851	82,513	17,130	(5,275 )	36,357
Income tax (expense)/credit	(24,390 )	(22,314 )	3,116	5,912	(11,680 )
Profit for the year	56,461	60,199	20,246	637	24,677

**Consolidated Statement of Financial Position (Audited)**

As at 31 December

	2013	2014	2015	2016	2017
Current assets	146,552	140,708	140,211	122,045	138,838
Property, plant and equipment	419,102	463,222	454,141	432,465	395,868
Investments in associates and a joint venture	24,397	25,250	28,413	29,995	29,146
Intangible assets	17,000	16,491	16,423	16,644	15,070
Total assets	621,473	662,859	664,362	637,681	617,219
Current liabilities	(128,948)	(103,498)	(84,380 )	(67,090 )	(61,412 )
Non-current liabilities	(150,905)	(179,751)	(193,941)	(188,220)	(175,832)
Total liabilities	(279,853)	(283,249)	(278,321)	(255,310)	(237,244)
Equity	341,620	379,610	386,041	382,371	379,975





**Operating Summary***Year ended 31 December*

	2013	2014	2015	2016	2017
<b>Production</b>					
<b>Net production of crude and liquids (barrels/day)</b>					
China	610,435	626,791	761,019	739,378	706,955
Bohai	392,413	403,927	477,904	455,002	433,591
Western South China Sea	75,606	80,493	89,958	98,351	96,543
Eastern South China Sea	141,545	141,166	190,525	182,848	173,192
East China Sea	872	1,206	2,632	3,177	3,629
Overseas	279,409	305,345	338,440	321,131	335,887
Asia (excluding China)	28,997	37,237	45,640	48,577	57,395
Oceania	4,533	4,297	3,350	4,278	3,691
Africa	77,343	76,838	83,677	80,297	73,625
North America (excluding Canada)**	44,245	49,814	54,692	48,078	46,785
Canada	39,872	48,183	46,712	40,304	57,711
Europe	83,460	87,918	103,258	98,672	95,750
South America	960	1,058	1,110	926	929
<b>Subtotal</b>	<b>889,845</b>	<b>932,137</b>	<b>1,099,459</b>	<b>1,060,509</b>	<b>1,042,842</b>

<b>Net production of natural gas (mmcf/day)</b>					
China	634.5	643.3	731.9	648.7	721.4
Bohai	127.4	137.9	136.9	134.3	149.3
Western South China Sea	330.5	341.7	314.3	273.9	273.5
Eastern South China Sea	151.4	136.8	234.9	185.9	238.2
East China Sea	25.2	26.8	45.8	54.6	56.3
Others	—	—	—	—	4.1
Overseas	482.7	546.6	482.1	472.5	432.8
Asia (excluding China)	140.3	154.4	140.0	150.2	141.4
Oceania	98.2	111.2	93.5	111.4	96.5
North America (excluding Canada)**	109.5	112.7	134.6	127.3	130.3
Canada	106.0	117.5	68.4	48.9	38.7
Europe	28.7	50.7	45.5	34.8	25.8
<b>Subtotal</b>	<b>1,117.1</b>	<b>1,189.9</b>	<b>1,214.0</b>	<b>1,121.2</b>	<b>1,154.2</b>

Total net production (BOE/day)					
China	717,784	735,533	884,346	848,322	827,941
Bohai	413,650	426,913	500,719	477,380	458,473
Western South China Sea	132,284	138,972	143,676	144,835	142,870

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Eastern South China Sea	166,778	163,970	229,679	213,835	212,895
East China Sea	5,072	5,678	10,271	12,273	13,016
Others	—	—	—	—	688
Overseas	365,010	401,804	423,319	405,320	412,832
Asia (excluding China)	54,529	65,280	70,987	75,780	82,958
Oceania	23,909	26,092	21,673	26,107	22,598
Africa	77,343	76,838	83,677	80,297	73,625
North America (excluding Canada)**	62,496	68,396	76,915	69,290	68,507
Canada	57,534	67,770	58,115	48,448	64,167
Europe	88,241	96,370	110,842	104,473	100,046
South America	960	1,058	1,110	926	929
Total	1,082,795	1,137,337	1,307,664	1,253,643	1,240,773

Net production in equity  
method investees

Crude and liquids (barrels/day)	22,758	23,510	24,588	22,592	22,144
Natural gas (mmcf/day)	130.2	140.2	149.6	155.0	146.4
Subtotal (BOE/day)	45,173	47,640	50,357	49,280	47,355
Total (BOE/day)	1,127,967	1,184,977	1,358,022	1,302,922	1,288,128
	2013	2014	2015	2016	2017

Reserves at year end\*

Net proved crude and liquids  
reserves (million barrels)

China	1,692.6	1,691.6	1,430.6	1,445.7	1,627.3
Bohai	1,087.6	1,111.7	908.3	903.8	1,050.4
Western South China Sea	228.3	210.0	149.3	168.3	196.5
Eastern South China Sea	357.0	351.9	357.0	363.1	371.9
East China Sea	19.8	18.0	16.1	10.6	8.5
Overseas	1,367.8**	1,348.2**	1,399.6**	870.2 **	1,571.9**
Asia (excluding China)	83.6	47.4	59.8	77.3	69.9
Oceania	15.9	16.6	14.5	12.0	10.7
Africa	155.4	142.5	166.6	138.0	136.9
North America (excluding Canada)	175.0	209.3	239.5	260.3	282.1
Canada	770.3	781.4	815.3	300.5	904.3
Europe	166.0	149.1	102.3	80.6	88.4
South America	1.7	1.8	1.6	1.5	79.7

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Subtotal	3,060.4	3,039.8	2,830.2	2,315.9	3,199.3
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Net proved natural  
gas reserves (bcf)

China	4,475.6	4,756.8	5,354.6	5,843.7	5,910.7
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Bohai	552.9	480.8	381.4	278.7	305.7
Western South China Sea	2,505.4	2,318.1	3,132.6	3,896.8	3,880.1
Eastern South China Sea	1,114.2	1,029.6	951.6	854.9	970.5
East China Sea	303.1	928.3	889.0	813.3	754.4
Overseas	1,847.7	1,974.0	1,638.3	1,642.4	1,632.6
Asia (excluding China)	889.4	861.2	845.8	952.4	885.0
Oceania	386.0	455.7	389.2	333.5	297.2
North America (excluding Canada)	349.6	403.9	275.2	349.6	421.5
Canada	195.0	233.0	119.3	—	24.2
Europe	27.8	20.2	8.8	6.9	4.8
Subtotal	6,323.3	6,730.8	6,992.9	7,486.1	7,543.3

Total net proved reserves  
(million BOE)

China	2,442.3	2,486.8	2,324.3	2,420.7	2,613.3
Bohai	1,179.7	1,191.8	971.8	950.2	1,101.4
Western South China Sea	649.6	598.7	672.6	818.8	844.1
Eastern South China Sea	542.7	523.5	515.6	505.5	533.7
East China Sea	70.4	172.7	164.2	146.2	134.2
Overseas	1,696.4	1,698.3	1,691.7	1,162.7	1,860.8
Asia (excluding China)	240.6	199.4	208.9	245.0	225.4
Oceania	92.0	106.0	90.8	77.4	69.0
Africa	155.4	142.5	166.6	138.0	136.9
North America (excluding Canada)	233.2	275.9	284.8	318.6	352.3
Canada	802.8	820.2	835.2	300.5	908.3
Europe	170.6	152.5	103.8	81.8	89.2
South America	1.7	1.8	1.6	1.5	79.7
Total	4,138.7	4,185.0	4,016.0	3,583.4	4,474.1

Net proved reserves in equity  
method investees

Crude and liquids (million barrels)	199.3	200.4	200.1	195.3	244.8
Natural gas (bcf)	519.9	537.3	576.9	574.0	706.8
Subtotal (million BOE)	288.9	293.0	299.5	294.2	366.7

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Total*	4,427.6	4,478.0	4,315.5	3,877.6	4,840.8
	2013	2014	2015	2016	2017

Others					
Reserve life (years)	10.5	10.1	8.4	7.8	9.9
Reserve life (years) (including equity method investees)	10.8	10.4	8.7	8.1	10.3
Reserve replacement ratio (%)	337	111	65	6	297

Reserve replacement ratio (%,  
including equity method investees) 327 112 67 8 305

Average realized price  
Crude oil (US\$/barrel) 104.60 96.04 51.27 41.40 52.65  
Natural gas (US\$/mcf) 5.78 6.44 6.39 5.46 5.84

Approximately 52%, 52%, 62%, 60% and 65%, respectively, of our net proved reserve estimates in 2013, 2014, \*2015, 2016 and 2017 were made by the Company's internal evaluation staff and the remaining were made by the independent consultants. Our reserve data was prepared in accordance with the SEC's final rules on "Modernization of Oil and Gas Reporting", which became effective as of 1 January 2010.

Includes 736.4 million barrels of synthetic oil and 33.8 million barrels of bitumen in 2013; 749.9 million barrels of \*\*synthetic oil and 31.4 million barrels of bitumen in 2014; 815.3 million barrels of synthetic oil in 2015; 300.5 million barrels of synthetic oil in 2016; 785.9 million barrels of synthetic oil and 118.4 million barrels of bitumen in 2017.

## **Chairman's Statement**

Dear Shareholders,

It has been an extraordinary year 2017 for CNOOC Limited. This year the oil market gradually stabilized and international oil prices started to rebound after being volatile for a long time. The oil and gas industry began to show signs of recovery.

Under this improved external environment, our employees were both passionate and committed to step onto a new journey. I believe that our striving and hard-working employees are the best illustration of the Company's spirit of persistent determination to succeed.

I would like to take this once a year opportunity to draw your attention to some key highlights that the Company achieved in 2017 and provide an outline of our future plans.

### **Striding forward**

As the leader of CNOOC Limited, I recognize the expectation and trust that shareholders and employees have placed on me on the great mission to lead the Company to future success.

Looking back at CNOOC Limited's history, each of our milestones was achieved through the dedication and hard work of our employees. These milestones are a reflection of our culture and commitment to the "Spirit of Daqing Model", a spirit that quietly leads all our employees to stride forward and encourage us to reach new heights.

As an upstream company focused on oil and gas exploration, development and production, our profitability was adversely affected by the persistently low oil prices in the past several years. However, leveraging on our high level of corporate governance and continuous enhancement of quality and efficiency, we achieved excellent results in 2017.

During the year, the Company exceeded its oil and gas production target, five new projects came on stream as planned, and over 20 projects have been under construction. We also made significant gains in oil and gas reserves, reaching new heights in 2017. The Company's oil and gas sales revenue amounted to RMB151.9 billion and net profit



reached RMB24.7 billion, representing a significant year-on-year increase. The Company has adhered to the goal of enhancing quality and efficiency of the business and achieved costs reduction for the fourth consecutive year.

With a prudent development strategy, excellent performance and outstanding level of corporate governance, the Company continues to be recognized by the capital market. Recently, CNOOC Limited has been included as a constituent stock of the Hang Seng China Enterprises Index by the Hang Seng Indexes Company Limited. In the end of 2017, the Company's market capitalization reached over HK\$500 billion.

Delivering strong shareholder returns is a key priority for CNOOC Limited. We strive to continuously reward our shareholders by sharing our development results while taking into account the importance of long-term development. With the Company's sound financial position, the Board of Directors was pleased to recommend a final dividend of HK\$0.30 (tax inclusive) per share for the year.

No journey can be a completely smooth sail. No one's dream can come true in an easy way. On our journey to new heights, I call upon all our employees to carry forward the "Spirit of Daqing Model" and bring out its potential to drive the Company's continued growth.

### **A Stable Oil and Gas Supplier**

The energy industry was still confronted by many uncertainties in 2017. Use of alternative energy, low carbon solutions and global

climate control bring enormous challenges to the oil industry. The Company has always been committed to contributing to the development of sustainable energy solution, in particular, providing safe and reliable clean energy.

When CNOOC Limited went public in 2001, the Company's production volume was only 260,000 BOE per day, with a reserve base of 1.79 billion barrels. At the end of 2017, production reached 1.29 million BOE per day, with total reserve of 4.84 billion barrels, and with diversified oil and gas assets located worldwide. These fully demonstrate the considerable efforts that CNOOC Limited has made in meeting global energy demand.

In 2017, exploration results in offshore China were remarkable. The Company made 17 new discoveries and completed several successful appraisals of mid-to-large size oilfields, laying a solid reserve foundation for future development. The Company also stepped up its efforts in natural gas exploration. During the year, breakthroughs were achieved in high temperature and ultra-high pressure natural gas exploration in South China Sea, as well as deep-formation natural gas exploration in Bohai. These advancements will help control air pollution in China and contribute to the low-carbon development trend of the global energy industry.

Overseas exploration also recorded significant success. The Company has further optimized its portfolio in strategic core areas overseas, with notable projects spanning from Nigeria to the UK North Sea and from the Gulf of Mexico to Brazil. Most worth noting is the continuous exploration success in the Stabroek block offshore Guyana, which has become one of the Company's most successful overseas exploration projects.

Going forward, CNOOC Limited strives to be the driving force for sustainable energy supply and will work relentlessly to create a broader future for our industry.

### **A Pragmatic Pioneer**

CNOOC Limited has made great strides since its establishment. In the years to come we will continue to grow and responsibly supply energy to the world, while meeting shareholders expectations, making our employees proud of our achievements and gaining respect from our peers. To achieve this, we aspire to aim high, have our feet firmly on the ground, and diligently execute our yearly plan and implement the following key strategies:

First, we will continue to promote innovation-driven development. As we enter a new era, we will strive to achieve quality growth through innovation and efficiency enhancement. We will focus on making breakthroughs in the key technologies for oil and gas exploration. We will put more efforts in achieving innovation in management and business model, promoting quality and efficiency, and continuing to deepen internal reforms and inspiring vitality and growth potential.

Second, we will progress our international development strategy. We will focus on enhancing the integration of our global resources, increasing the profitability of overseas assets and improving overseas business management systems. CNOOC Limited has set a firm goal to forge ahead with internationalization as the Company's development starts with its cooperation with foreign companies.

Third, we will adhere to the green and low carbon strategy. We will proactively adapt to the new requirements of the "Beautiful China" initiative and the trend of low-carbon development in the global energy industry, and strive to build world-class low-carbon management capabilities and low-carbon competitiveness, and actively develop natural gas business.

Fourth, we will continue to develop our business in line with market-driven strategy. We will actively adapt to the increasing industry competition, further enhance our understanding on market needs, so that the Company's development model fits in the needs of the market and customers.

Fifth, we will continue to develop our talents. In order to succeed in the future, the Company must rely on management and technology talents with global vision and strategic thinking, international talents with top-tier management capabilities, and technical personnel with strong professionalism and innovative thinking. Our employees are our

most valuable asset, and we will continue to optimize our talent structure and create healthy working environment that will allow them to thrive.

From April 2017, I have been re-designated from Executive Director and Chief Executive Officer of the Company to Non-executive Director. The Chief Executive Officer position was succeeded by Mr. Yuan Guangyu, and Mr. Xu Keqiang was appointed as the Executive Director and President of the Company. I would like to take this opportunity to congratulate Mr. Yuan and to welcome Mr. Xu.

Friends, 2018 marks the 40th anniversary of China's reform and opening up. Looking to the past as we ponder the future, we see a promising picture, which is set to be another extraordinary journey. In pursuit of continued value creation, CNOOC Limited will certainly live up to market expectations!

**Yang Hua**

*Chairman*

Hong Kong, 29 March 2018

**Yang Hua** *Chairman*

## Business Overview

### Overview

CNOOC Limited is an upstream company specializing in oil and natural gas exploration, development and production. It is the dominant oil and natural gas producer in offshore China, and in terms of reserves and production, is one of the largest independent oil and natural gas exploration and production companies in the world. As of the end of 2017, the Company had net proved reserves of approximately 4.84 billion BOE (including approximately 0.37 billion BOE in its equity method investees). In 2017, the Company achieved a total net oil and gas production of 1,288,128 BOE per day (including net oil and gas production of approximately 47,355 BOE per day in its equity method investees).

In offshore China, the Company engages in oil and natural gas exploration, development and production in Bohai, Western and Eastern South China Sea, and the East China Sea, either independently or in cooperation with foreign partners through production sharing contracts (“PSCs”). As of the end of 2017, approximately 54.0% of the Company’s net proved reserves and approximately 64.4% of its net production were derived from offshore China.

In its independent operations, the Company has been adding to its reserves and production mainly through independent exploration and development in offshore China. At the end of 2017, approximately 84.1% of the Company’s net proved reserves and approximately 76.0% of its net production in offshore China were derived from independent projects.

In its PSC operations, China National Offshore Oil Corporation (“CNOOC”), the Company’s controlling shareholder, has the exclusive right to explore and develop oil and natural gas in offshore China in cooperation with foreign partners through PSCs. CNOOC has transferred to the Company all its rights and obligations in regard to the PSCs (except those relating to its management and regulatory function as a state-owned company), including new PSCs that will be signed in the future.

After years of hard work, we have established our presence in more than 20 countries and regions. Our overseas assets account for over 50% of the Company’s total assets. With its diversified portfolio of high-quality assets, the Company is an active participant in a number of world-class oil and gas projects and is regarded as a leading industry player. Currently, the Company holds interests in oil and natural gas blocks in Indonesia, Australia, Nigeria, Uganda, Argentina, the U.S., Canada, the United Kingdom, Brazil, Guyana and various other countries. As of the end of 2017, approximately 46.0% of the Company’s net proved reserves and approximately 35.6% of its net production were derived from overseas.

In 2017, the recovery of the global economy remained stable on the whole. The U.S. economy recovery momentum was strong. The Eurozone economy continued to improve, and emerging markets saw rapid overall economic growth. International oil prices surged upward following initial decline. The entire oil and gas industry, as well as oil and gas companies still faced an uncertain operating environment.

In 2017, the Company persisted with the operating strategies it formulated at the beginning of the year, which include balancing short-term and mid-to-long term development; maintaining a prudent financial policy and improving capital efficiency; and optimising the assets portfolio and focusing more on assets return.

In 2017, the Company achieved its production and business targets despite being faced with a variety of challenges. The Company managed to maintain appropriate exploration expenditures and carry out an intensive exploration program, and obtained successful results while continuing to control total capital expenditure. 19 new discoveries were made and 16 successful appraisals of oil and gas structures were achieved. Five new projects planned in early 2017 all came on stream. The production target was met with a net production volume of 470.2 million BOE. To ensure its continuing sustainable development, the Company pushed ahead steadily with the construction of new projects. All-in cost per BOE was US\$32.54. The Company maintained a healthy financial position with

a net profit of RMB24.7 billion for the year. Meanwhile, its performance in the areas of health, safety and environmental protection remained stable.

Looking forward to 2018, the global economy will continue its slow recovery. Despite a recovery in international oil prices, the external operating environment is filled with uncertainties. To this end, the Company remains confident of its prospects. We will further strengthen our operating strategies, which mainly includes: steadily increase the Company's oil and gas reserve and production levels, continue to reinforce quality and efficiency enhancement, strengthen innovation and technology-driven philosophy, maintain prudent financial policy and investment decision-making, and pursue a green, healthy and environment-friendly development model.

In 2018, the Company's capital expenditure is anticipated to reach RMB 70-80 billion. To maintain its competitive financial position, the Company will continue to stress efficiency, enhance investment return, strengthen cost controls and focus on cash flow management. Our production target for 2018 is 470-480 million BOE, with five new projects to commence production. Meanwhile, the Company will maintain its high standards of health, safety and environmental protection.

## EXPLORATION

In 2017, the Company continued to reinforce the integration of exploration and development and enhance the ability and shorten the cycle of reserve monetization. For offshore China, it further prioritized investment in mature areas while continuing to explore frontier areas. For overseas exploration, with its foothold on existing core projects, the Company sought to maintain a "rolling" pattern of development. It continued to maintain a reasonable proportion of exploration investment in total capital expenditure and to ensure mid-to-long term sustainable development with a relatively high level of exploration activity. In 2017, the reserve replacement ratio for the Company was 305%. Reserve life as the end of 2017 was back to over ten years.

The Company's major exploration areas as of the end of 2017 are shown in the table below:

<b>Areas</b>	<b>Major Exploration Areas (Net) (km<sup>2</sup>)</b>
Bohai	43,068
Western South China Sea	73,388

<b>Offshore China</b>	Eastern South China Sea	55,424
	East China Sea	85,413
	<b>Subtotal</b>	<b>257,292</b>
	Asia (excluding China)	5,670
	Africa	9,016
	Oceania	25,140
<b>Overseas</b>	North America	7,276



South America	7,860
Europe	13,285
<b>Subtotal</b>	<b>68,247</b>
<b>Total</b>	<b>325,539</b>

In offshore China, the Company's exploration activities remained at a high level. A total 116 exploration wells were drilled, two of which were drilled through PSC. A total of 4,417 kilometers of 2D seismic data and 11,063 square kilometers of 3D seismic data were acquired independently and through PSC. The Company made 17 new discoveries and successfully appraised 14 oil and gas structures in offshore China. The success rate for independent exploration wells in offshore China was 48-61%.

In 2017, the Company continued to follow a value-driven exploration strategy in offshore China, resulting in outstanding achievement. Meanwhile, the Company intensified natural gas exploration and achieved breakthroughs in various fields. Notable achievements include:

Firstly, we effectively completed the appraisal of four mid-to-large size oilfields, including Bozhong 36-1, Kenli 6-4/5/6, Longkou 7-6 and Wushi 16-1 West/Wushi 23-5.

Secondly, key breakthroughs were achieved in deep formation natural gas exploration in Bohai. New discovery Bozhong 19-6 is expected to be the largest gas discovery in Bohai Basin in history.

Thirdly, breakthroughs were achieved in natural gas exploration with high temperature and ultra-high pressure in South China Sea, proving the exploration potential of Ledong 10 area in Yinggehai Basin.

Fourthly, new discoveries of Lufeng 14-8 and Lufeng 8-1 South were made in Pearl River Mouth Basin, significantly increased the reserve scale of Lufeng area.

Overseas, the Company drilled 12 exploration wells and acquired approximately 3,163 square kilometers of 3D seismic data. During its overseas explorations, the Company made two new discoveries and successfully appraised two oil and gas structures. Major achievements include the following:

Firstly, successive new discoveries were made in Stabroek block in Guyana, which became one of the Company's most successful overseas exploration projects.

Secondly, Libra project in Brazil was successfully appraised, with reserve in line with expectation.

Thirdly, following the significant discovery of Owowo, the Preowei-3 well in Nigeria was successfully appraised, and reserve scale substantially increased.

In 2017, the Company focused on its overseas strategic layout and obtained new quality projects in Senegal and Brazil.

The Company's major exploration activities in 2017 are set out in the table below:

	Exploration Wells		New Discoveries		Successful Appraisal Wells		Seismic Data					
	Independent	PSC	Independent	PSC	Independent	PSC	Independent	PSC	Independent	PSC		
<b>Offshore China</b>												
Bohai	22	38	1	0	9	0	28	0	0	0	742	0
Eastern South China Sea	16	7	1	0	2	0	3	1	2,248	2,169	3,545	683
Western South China Sea	16	12	0	0	6	0	7	0	0	0	3,131	1,028
East China Sea	2	1	0	0	0	0	0	0	0	0	1,934	0
<b>Subtotal</b>	<b>56</b>	<b>58</b>	<b>2</b>	<b>0</b>	<b>17</b>	<b>0</b>	<b>38</b>	<b>1</b>	<b>2,248</b>	<b>2,169</b>	<b>9,352</b>	<b>1,711</b>
<b>Overseas</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>7</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,163</b>
<b>Total</b>	<b>56</b>	<b>58</b>	<b>7</b>	<b>7</b>	<b>17</b>	<b>2</b>	<b>38</b>	<b>7</b>	<b>2,248</b>	<b>2,169</b>	<b>9,352</b>	<b>4,874</b>

In 2018, the Company will continue to follow a value-driven exploration philosophy and target mid-to-large size oil and gas discoveries offshore China. It will make efforts on both oil and gas exploration and strengthen gas exploration activities. It will strengthen exploration in new areas to support the Company's sustainable development. Overseas, the Company will focus on strategic core areas, actively obtain quality blocks, continue to target mid-to-large size discoveries, and expand reserve base.

#### Engineering Construction, Development and Production

In 2017, the Company successfully met its operational targets, with oil and gas production exceeding the target set early in the year. The Company carefully organized its operational resources and made smooth progress in engineering construction.

In 2017, while ensuring safety, the Company achieved its development and production targets for the year through consistently maintaining high operational efficiency, refined adjustment of liquid structures, optimizing water injection and lower the decline of oilfields. The Company's net oil and gas production reached 470.2 million BOE, fulfilling the production target of 450-460 million BOE set at the beginning of the year. The five new projects planned for 2017, namely Penglai 19-9 oilfield comprehensive adjustment, Enping 23-1 oilfields, Weizhou 12-2 oilfield phase II, BD gas field and the Hangingstone project, all came on stream during the year.

In 2017, the Company's development and production were driven by intensive and streamline management with emphasis on cost savings and efficiency enhancement, technology-driven strategy and sustainable development. Achievements in these areas included the following:

Firstly, we ensured base production level and laid solid foundation for future production profile of oilfields through refined management.

Secondly, we strictly controlled the operating cost of existing fields and encouraged conservation to improve efficiency, and further lowered the all-in cost per BOE.

Thirdly, we actively implemented infill drillings to contribute to production.

Fourthly, we strengthened technology-driven development, breaking technology bottlenecks, and promoted heavy oil thermal recovery in Bohai.

Looking forward to 2018, the workload of onshore construction and offshore installations will increase. A total of five new projects are expected to commence production, including Weizhou 6-13 oilfield, Penglai 19-3 oilfield 1/3/8/9 comprehensive adjustment project, Dongfang 13-2 gas fields and Wenchang 9-2/9-3/10-3 gas fields in offshore China, and Stampede oilfield of U.S. in the Gulf of Mexico. Among these, the Stampede oilfield commenced production in February 2018 and the Weizhou 6-13 oilfield commenced production in March 2018. It is expected that more than 20 new projects will be under construction in 2018, supporting the Company's future sustainable growth.

In 2018, the Company will promote the construction of key projects, optimize development plans of producing fields, strengthen comprehensive management and lower the decline to ensure base production level. It will arrange infill drillings based on economic evaluation and increase the contribution to production. Meanwhile, it will continue to intensify quality and efficiency enhancement and consolidate its cost competitiveness.

## **REGIONAL OVERVIEW**

### **Offshore China**

#### **Bohai**

Bohai is the most important crude oil producing area for the Company. The crude oil produced in this region is mainly heavy oil. As of the end of 2017, the reserve and daily production volume in Bohai were 1,101.4 million BOE and 458,473 BOE/day, respectively, representing approximately 22.8% of the Company's total reserves and 35.6% of its daily production. The operational area in Bohai is mainly shallow water with a depth of 10 to 30 meters.

Bohai has rich oil and gas resources and has been one of the Company's primary areas for exploration and development. In 2017, the Company made nine successful discoveries in Bohai, namely Bozhong 19-6, Bozhong 29-6, Bozhong 29-6 South, Bozhong 13-1 South, Penglai 19-1, Bozhong 29-1 East, Bozhong 26-3 West, Kenli 3-2 South and Kenli 4-1. The Company also successfully appraised eight oil and gas structures, including Bozhong 36-1/36-2, Bozhong 19-6, Bozhong 29-6 South, Bozhong 26-3, Longkou 7-6, Kenli 6-4/6-5, Bozhong 29-1 and Luda 27-2 South. Among these, three mid-to-large size oilfields, namely Bozhong 36-1, Kenli 6-4/5/6 and Longkou 7-6, were successfully appraised, laying reserve foundations for the sustainable development of Bohai. The newly discovered Bozhong 19-6 marks a significant breakthrough in the natural gas exploration in deep formation in Bohai. The rolling exploration in Bohai also made some remarkable achievements.

These new discoveries and successful appraisals further demonstrated Bohai's potential as a core production region for the Company.

For development and production, Penglai 19-9 comprehensive adjustment project commenced production during the year. Penglai 19-3 oilfield 1/3/8/9 comprehensive adjustment project is expected to commence production in 2018. Currently a number of new projects are under construction, including Luda 16-3 oilfield, Caofeidian 6-4 oilfield and Qinhuangdao 33-1 South oilfield.

### **Western South China Sea**

Western South China Sea is one of the Company's most important natural gas production areas. Currently, the typical water depth of the Company's operational area in the region ranges from 40 to 120 meters. As of the end of 2017, the reserves and daily production volume in Western South China Sea reached 844.1 million BOE and 142,870 BOE/day, respectively, representing approximately 17.4% of the Company's total reserves and 11.1% of its daily production.

In 2017, the Company made six successful discoveries in Western South China Sea, namely Weizhou 11-2 East, Weizhou 11-12, Wenchang 9-3 South, Wenchang 19-9, Wushi 22-8, Wushi 23-5/23-5 South. Four successful appraisals were made, namely Weizhou

11-12, Wushi 16-1 West, Wushi 22-8, Wushi 23-5/23-5 South. Among these, the mid-to-large size oil and gas fields Wushi 16-1 West and Wushi 23-5 were successfully appraised, which will greatly promote the Phase II development of Wushi oilfields. Breakthroughs were made in high temperature and ultra-high pressure natural gas exploration, which proved the exploration potential of Ledong 10 area in Yinggehai Basin. The concept of integrated exploration and development was further developed in the Weixinan oilfields and many new discoveries were obtained.

For development and production, Weizhou 12-2 oilfield Phase II commenced production during the year. Weizhou 6-13 oilfield commenced production in March 2018. Dongfang 13-2 gas fields and Wenchang 9-2/9-3/10-3 gas fields are planned to commence production in 2018. Wenchang 13-2 comprehensive adjustment and other new projects are under construction.

### **Eastern South China Sea**

Eastern South China Sea is the Company's another important crude oil producing area. Currently, the typical water depth of the Company's operational area in the region ranges from 100 to 300 meters. The crude oil produced is mostly of light to medium gravity. As of the end of 2017, reserves and daily production volume in Eastern South China Sea reached 533.7 million BOE and 212,895 BOE/day, respectively, representing approximately 11.0% of the Company's total reserves and 16.5% of its daily production.

In 2017, new discoveries of Lufeng 14-8 and Lufeng 8-1 South were made in Pearl River Mouth basin, significantly increased the reserve scale of Lufeng area. Two oil and gas structures, namely Lufeng 8-1 and Lufeng 14-8, were successfully appraised.

For development and production, Enping 23-1 oilfield