

Section 172 (1) statement

Section 172 (1) of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole. In so doing, a Director is to have regard, amongst other matters, to the:

- likely consequences of any decisions in the long-term;
- interests of the Company's employees;
- need to foster the Company's business relationships with suppliers, customers and others;
- impact of the Company's operations on the community and environment;
- desirability of the Company maintaining a reputation for high standards of business conduct, and
- need to act fairly as between members of the Company.

As the Board of Directors of the Company ("**the Board**"), we have regard to the Section 172(1) matters set out above as well as other factors which we consider relevant to the decisions being made. These factors include the interests and views of our shareholder, subsidiary companies and ultimate parent company. We acknowledge that every decision we make will not necessarily result in a positive outcome for all of our stakeholders, however, by considering the Company's purpose, vision and values together with its strategic priorities and having a process in place for decision-making, we aim to make sure that our decisions are consistent and predictable.

Board Meetings are held periodically where the Directors consider the Company's activities and make decisions. As part of these meetings, the Directors receive information on Section 172(1) matters when making relevant decisions. This is done through the discussion and deliberation of reports such as the Company's financial statements, tax strategy and proposed work program and budgets, which are sent in advance of Board meetings for the Directors to consider. As a result of this, we understand the nature of our stakeholders' concerns and are able to comply with our Section 172 duty to promote the success of the Company.

Each year we make an assessment of the strength of the Company's balance sheet and future prospects relative to market uncertainties and make decisions about the payment of a dividend. In determining whether to make a dividend payment, we consider a range of factors including, the long-term viability of the Company, its expected cash flow and financing requirements, the ongoing need for strategic investment in our business and the expectations of our shareholder as supplier of long-term equity capital to the Company.

As the principal activity of the Company is to act as a holding Company and to provide loan facilities to subsidiary and affiliate undertakings, the Company has had no commercial business and has had no employees or customers during the period. As such, the breadth of stakeholder considerations that would often apply in operating or commercial trading companies have generally not applied to the decisions made by the Directors.

Corporate Governance Arrangements Statement

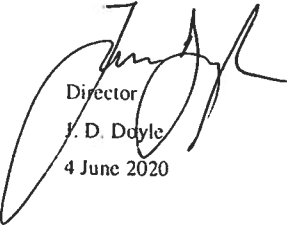
Under the Companies (Miscellaneous Reporting) Regulations 2018 ("the Regulations"), the Company is required to provide a statement of its corporate governance arrangement for the years beginning on or after 01 January 2019.


The Company is a private intermediate holding company with a Board of four Directors. The Board understand its Section 172 responsibilities which include, inter alia, maintaining good corporate governance standards within the Company. The Board is accountable to its Shareholder and understands that good corporate governance is important for the success of the Company. During the year, the Board also received reports on the affairs of the Company which are sent in advance of the Board Meeting for the Directors to consider as detailed in the Section 172(1) statement.

The Board understands the Regulations as well as the provisions of the new Wates Corporate Governance Principles for large Companies ("Principles"). The Board adheres to the Regulations, however due to a range of factors the Board has decided not to apply the Principles. These factors include: the Company is an intermediate holding company and has had no commercial business and has had no employees or customers during the period and none of its Subsidiary Companies meet the requirement to comply with the Principles. The Board's decision not to apply the Principles will be reviewed again at the end of 2020.

Although there are no independent Directors on the Board, the Directors are highly experienced business leaders and frequently consider the interests of the Stakeholders in their decision-making processes as detailed in the Section 172(1) statement. Since the Company is an intermediate holding Company within the CNOOC Limited Group, the Directors believe that the Board is of an appropriate size and composition given that it works closely with the Board of directors of the Company's parent.

Approved by the Board of Directors and signed on behalf of the Board


Director
J. D. Doyle
4 June 2020


Director
L. Kuang
4 June 2020