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*This announcement and the listing document attached hereto are for information purposes only and do not constitute an invitation or offer to acquire, purchase or subscribe for the securities of the Issuer (as defined below). This announcement and the listing document attached hereto are not, and are not intended to be, an offer of securities of the Issuer for sale, or the solicitation of an offer to buy securities of the Issuer, in the United States. The securities referred to in this announcement and the listing document attached hereto have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"), and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to registration requirements of the Securities Act. This announcement and the listing document attached hereto are not for distribution, directly or indirectly, in or into the United States. No public offer of the securities referred to herein is being or will be made in the United States.*

***This announcement and the listing document attached hereto have been published for information purposes only as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and do not constitute an offer to sell nor a solicitation of an offer to buy any securities. Neither this announcement nor anything referred to herein (including the listing document attached hereto) forms the basis for any contract or commitment whatsoever.** For the avoidance of doubt, the publication of this announcement and the listing document attached hereto shall not be deemed to be an offer of securities made pursuant to a prospectus issued by or on behalf of the Issuer for the purposes of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong) nor shall it constitute an advertisement, invitation or document containing an invitation to the public to enter into or offer to enter into an agreement to acquire, dispose of, subscribe for or underwrite securities for the purposes of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).*

***Notice to Hong Kong investors:** The Issuer and the Guarantor (as defined below) confirm that the Bonds (as defined below) are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and are listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.*

PUBLICATION OF OFFERING CIRCULAR

CNPC Global Capital Limited

(incorporated in the British Virgin Islands with limited liability)

(the "**Issuer**")

ISSUE OF RMB1,000,000,000 2.60 PER CENT. GUARANTEED BONDS DUE 2026
unconditionally and irrevocably guaranteed by

China National Petroleum Corporation (中國石油天然氣集團有限公司)

(incorporated in the People's Republic of China with limited liability)

(the "**Guarantor**")

(the "Bonds", Stock Code: 84485)

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China
Bank of Communications
ICBC (Asia)

Citigroup
HSBC
China Construction Bank (Asia)

Joint Bookrunners and Joint Lead Managers

China Securities International

Standard Chartered Bank

ABC International

China International Capital Corporation

CITIC Securities

This announcement is made pursuant to Rule 37.39A of the Listing Rules.

Please refer to the offering circular dated 18 January 2024 (the "**Offering Circular**") appended hereto in relation to the Bonds. As disclosed in the Offering Circular, any Bonds issued by the Issuer are intended for purchase by Professional Investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. The listing document attached hereto is published in English only. No Chinese version of the Offering Circular has been published.

The listing document attached hereto does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any securities to the public in any jurisdiction, nor is the listing document attached hereto an invitation to the public to make offers to subscribe for or purchase any securities, nor is it circulated to invite offers by the public to subscribe for or purchase any securities.

The listing document attached hereto must not be regarded as an inducement to subscribe for or purchase any securities of the Issuer, and no such inducement is intended. In making an investment decision, prospective investors must rely on their examination of the Issuer and the Guarantor and the terms of this offering, including the merits and risks involved.

Hong Kong, 26 January 2024

As at the date of this announcement, the directors of CNPC Global Capital Limited are HAN Yu, ZHANG Yun and SUN Haiquan.

As at the date of this announcement, the directors of China National Petroleum Corporation (中國石油天然氣集團有限公司) are DAI Houliang, HOU Qijun, DUAN Liangwei, LI Jianhong, SHI Yan, GAO Yunhu and YANG Hua.

IMPORTANT NOTICE

NOT FOR DISTRIBUTION TO ANY PERSON OR ADDRESS IN THE UNITED STATES.

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "**offering circular**"). You are therefore advised to read this disclaimer carefully before accessing, reading or making any other use of the attached offering circular. In accessing the attached offering circular, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Issuer or the Guarantor (each as defined in the attached offering circular) or from Bank of China Limited, Bank of China (Hong Kong) Limited, Citigroup Global Markets Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank (Asia) Corporation Limited, China Securities (International) Corporate Finance Company Limited, Standard Chartered Bank, ABCI Capital Limited, China International Capital Corporation Hong Kong Securities Limited and CLSA Limited (together, the "**Joint Lead Managers**") as a result of such access. In order to review the attached offering circular or make an investment decision with respect to the securities, you must be located outside the United States.

Confirmation of Your Representation: The attached offering circular is being sent to you at your request, and by accepting the e-mail and accessing the attached offering circular, you shall be deemed to represent to the Issuer, the Guarantor and the Joint Lead Managers that (1) you are not in the United States and, to the extent you purchase the securities described in the attached offering circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1993, as amended (the "**Securities Act**"); (2) the e-mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories or possessions; and (3) you consent to delivery of the attached offering circular and any amendments or supplements thereto by electronic transmission.

The attached offering circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee (as defined in the attached offering circular) and the Agents (as defined in the attached offering circular) or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will provide a hard copy version to you upon request.

Restrictions: The attached offering circular is being furnished in connection with an offering exempt from registration under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES DESCRIBED IN THE ATTACHED OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. THE SECURITIES MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO THE SECURITIES ACT.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer or invitation is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Issuer, the Guarantor, the Joint Lead Managers, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, agents, affiliates or advisers or any person who controls any of them to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute in the United States or elsewhere a general solicitation or general advertising (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Manager or any affiliate of the Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Issuer in such jurisdiction.

You are reminded that you have accessed the attached offering circular on the basis that you are a person into whose possession the attached offering circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you are not allowed to purchase any of the securities described in the attached offering circular.

Actions that You May Not Take: If you receive this document by e-mail, you should not reply by e-mail to this electronic transmission, and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

YOU ACKNOWLEDGE THAT THE ATTACHED OFFERING CIRCULAR AND THE INFORMATION CONTAINED THEREIN ARE STRICTLY CONFIDENTIAL AND INTENDED FOR YOU ONLY. YOU ARE NOT AUTHORISED TO AND YOU MAY NOT DELIVER OR FORWARD THE ATTACHED OFFERING CIRCULAR, ELECTRONICALLY OR OTHERWISE, TO ANY OTHER PERSON OR REPRODUCE SUCH OFFERING CIRCULAR IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting against viruses and other destructive items. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

STRICTLY CONFIDENTIAL

CNPC Global Capital Limited

(incorporated in the British Virgin Islands with limited liability)

RMB1,000,000,000 2.60 PER CENT. GUARANTEED BONDS DUE 2026
unconditionally and irrevocably guaranteed by

中國石油天然氣集團有限公司
China National Petroleum Corporation

(incorporated in the PRC with limited liability)

Issue Price: 100.00 per cent.

The RMB1,000,000,000 2.60 per cent. bonds due 2026 (the "**Bonds**") will be issued by CNPC Global Capital Limited (the "**Issuer**") and irrevocably and unconditionally guaranteed (the "**Guarantee**") by China National Petroleum Corporation (中國石油天然氣集團有限公司) (the "**Guarantor**" or the "**Company**"). The Issuer is an indirect wholly owned subsidiary of the Company.

The Bonds will be direct, general, unsubordinated, unconditional and (subject to Condition 4(a) of the *Terms and Conditions of the Bonds*) unsecured obligations of the Issuer, at all times ranking *pari passu* without any preference among themselves and, save for such exceptions as may be provided by applicable legislation that are both mandatory and of general application and subject to Condition 4(a) of the *Terms and Conditions of the Bonds*, ranking at least *pari passu* in right of payment with all other present and future unsecured and unsubordinated obligations of the Issuer. The obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the *Terms and Conditions of the Bonds*, at all times rank at least *pari passu* in right of payment with all its other present and future unsecured and unsubordinated obligations. Payments on the Bonds will be made free and clear of, and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax, unless such withholding or deduction is required by law. To the extent described in "*Terms and Conditions of the Bonds – Taxation*", subject to certain exceptions, the Company will pay additional amounts as will result in receipt by the Holders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.

If any Interest Payment Date (as defined in the "*Terms and Conditions of the Bonds*") would otherwise fall on a day which is not a business day (as defined below in this Condition 5 of the *Terms and Conditions of the Bonds*), it shall be postponed to the next day which is a business day. The Bonds will bear interest from and including 25 January 2024 (the "**Issue Date**") at the rate of 2.60 per cent. of their outstanding principal amount per annum. Interest on the Bonds is payable semi-annually in arrear on the Interest Payment Dates (as defined in the "*Terms and Conditions of the Bonds*") falling on, or nearest to, 25 January and 25 July in each year, commencing on the Interest Payment Date falling on, or nearest to, 25 July 2024. The amount of interest payable per Calculation Amount (as defined in the "*Terms and Conditions of the Bonds*") for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the relevant Interest Period (as defined in the "*Terms and Conditions of the Bonds*") (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

Unless previously redeemed, or purchased and cancelled, the Issuer will redeem the Bonds at their principal amount on the Interest Payment Date falling on, or nearest to, 25 January 2026. The Bonds are subject to redemption, in whole but not in part, at their principal amount, together with accrued interest (if any), at the option of the Issuer at any time in the event of certain changes affecting taxes of the British Virgin Islands or the PRC. The Bonds also contain a provision for redemption at the option of the holder of any Bond at the principal amount of each Bond, together with interest accrued up to, but excluding, the Change of Control Put Date (as defined in "*Terms and Conditions of the Bonds*"), upon the occurrence of a Change of Control Triggering Event (as defined in "*Terms and Conditions of the Bonds*") and at their principal amount, together with interest accrued up to, but excluding, the No Registration Event Put Date (as defined in "*Terms and Conditions of the Bonds*"), upon the occurrence of a No Registration Event (as defined in "*Terms and Conditions of the Bonds*"). See "*Terms and Conditions of the Bonds – Redemption and Purchase*".

For a more detailed description of the Bonds, see "*Terms and Conditions of the Bonds*".

Application will be made to The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") for the listing of, and permission to deal in, the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) ("**Professional Investors**") only, and such permission is expected to become effective on 26 January 2024. This offering circular is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Issuer and the Guarantor confirm that the Bonds are intended for purchase by Professional Investors only and will be listed on the Hong Kong Stock Exchange on that basis. Accordingly, the Issuer and the Guarantor confirm that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The Hong Kong Stock Exchange has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on the Hong Kong Stock Exchange is not to be taken as an indication of the commercial merits or credit quality of the Bonds, the Issuer, the Company or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This offering circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Issuer and the Guarantor. The Issuer and the Guarantor accept full responsibility for the accuracy of the information contained in this offering circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The Company has been assigned a rating of "A1" with negative outlook by Moody's Investors Service, Inc. ("**Moody's**"), "A+" with stable outlook by S&P Global Ratings ("**S&P**") and "A+" with stable outlook by Fitch Inc. ("**Fitch**"). The Bonds are expected to be assigned a rating of "A+" by S&P. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

Investing in the Bonds involves certain risks. See "*Risk Factors*" beginning on page 12.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this offering circular, see "*Subscription and Sale*" below.

The denomination of the Bonds shall be RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

Pursuant to the Administrative Measures for the Review and Registration of Medium- and Long-Term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) ("**NDRC Administrative Measures**") issued by the National Development and Reform Commission of the PRC ("**NDRC**") and effective from 10 February 2023, and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, the Company has registered the issuance of the Bonds with the NDRC and obtained a certificate from NDRC on 23 November 2023, evidencing such registration which, as at the date of this offering circular, remains valid and in full force and effect. The Company undertakes it will, within the relevant prescribed timeframes after the Issue Date, file or cause to be filed with the NDRC requisite information and documents in respect of the Bonds (the "**NDRC Filings**") in accordance with the NDRC Administrative Measures and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the filing with the NDRC the requisite information and documents in respect of the issue of the Bonds within ten PRC Business Days after the Issue Date.

The Company undertakes to file or cause to be filed with the Beijing Branch of SAFE, the Guarantee in accordance with, and within the time period prescribed by, the Provisions on the Foreign Exchange Administration Rules on Cross-Border Security (跨境擔保外匯管理規定) promulgated by the State Administration of Foreign Exchange ("**SAFE**") on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**") and shall use its reasonable endeavours to complete the Cross-Border Security Registration and obtain a registration record from SAFE (or any other document evidencing the completion of registration issued by SAFE) on or before the Registration Deadline (as defined in the *Terms and Conditions of the Bonds*).

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by the CMU. Except as described herein, definitive certificates for Bonds will not be issued in exchange for interests in the Global Certificate. See "Summary of Provisions relating to the Bonds in Global Form".

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Bank of China | **Citigroup** | **Bank of Communications** | **HSBC** | **ICBC (Asia)** | **China Construction Bank (Asia)**

Joint Bookrunners and Joint Lead Managers

China Securities International | **Standard Chartered Bank** | **ABC International** | **China International Capital Corporation** | **CITIC Securities**

Offering Circular dated 18 January 2024

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NOTICE TO INVESTORS

This offering circular has been prepared by the Issuer and the Company solely for use in connection with the proposed offering of the Bonds. Both the Issuer and the Company, as well as Bank of China Limited, Bank of China (Hong Kong) Limited, Citigroup Global Markets Limited, Bank of Communications Co., Ltd. Hong Kong Branch, The Hongkong and Shanghai Banking Corporation Limited, Industrial and Commercial Bank of China (Asia) Limited, China Construction Bank (Asia) Corporation Limited, China Securities (International) Corporate Finance Company Limited, Standard Chartered Bank, ABCI Capital Limited, China International Capital Corporation Hong Kong Securities Limited and CLSA Limited (the "**Joint Lead Managers**"), reserve the right to withdraw the offering of the Bonds at any time or to reject any offer to purchase, in whole or in part, for any reason, or to sell less than all of the Bonds offered hereby.

This offering circular is personal to the prospective investor to whom it has been delivered by the Joint Lead Managers and does not constitute an offer to any other person or to the public in general to subscribe for or otherwise acquire the Bonds. Distribution of this offering circular to any person other than the prospective investor and those persons, if any, retained to advise that prospective investor with respect thereto is unauthorised, and any disclosure of its contents without the Issuer's prior written consent is prohibited. The prospective investor, by accepting delivery of this offering circular, agrees to the foregoing and agrees not to make any photocopies of this offering circular.

This offering circular is intended solely for the purpose of soliciting indications of interest in the Bonds from qualified investors and does not purport to summarise all of the terms, conditions, covenants and other provisions contained in the trust deed governing the Bonds and other transaction documents described herein. The information provided is not all-inclusive. The market information in this offering circular has been obtained by the Issuer from publicly available sources deemed by it to be reliable. Notwithstanding any investigation that the Joint Lead Managers may have conducted with respect to the information contained herein, the Joint Lead Managers do not accept any liability in relation to the information contained in this offering circular or its distribution or with regard to any other information supplied by or on the Issuer's or the Company's behalf.

Each of the Issuer and the Company confirms that, after having made all reasonable inquiries, this offering circular contains all information with regard to it and the Bonds which is material to the offering and sale of the Bonds, that the information contained in this offering circular is true and accurate in all material respects and is not misleading in any material respect and that there are no omissions of any other facts from this offering circular which, by their absence herefrom, make this offering circular misleading in any material respect. Each of the Issuer and the Company accepts responsibility accordingly.

You should rely only on the information contained in this offering circular. The Issuer and the Company have not authorised anyone to provide you with information that is different. This offering circular may only be used where it is legal to sell the Bonds. The information in this document may only be accurate at the date of this offering circular. Neither the delivery of this offering circular nor any sale made hereunder shall under any circumstances imply that there has been no change in the Company's or the Issuer's affairs and those of each of their respective subsidiaries or that the information set forth herein is correct in all material respects as of any date subsequent to the date hereof.

This offering circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company and the Issuer. The directors of the Company and the Issuer collectively and individually accept full responsibility for the accuracy of the information contained in this document and confirm that, having made all reasonable enquiries, to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Prospective investors hereby acknowledge that (i) they have not relied on the Joint Lead Managers or any person affiliated with the Joint Lead Managers in connection with any investigation of the accuracy of such information or their investment decision, and (ii) no person has been authorised to give any information or to make any representation concerning the Issuer, the Company, the Bonds or the Guarantee (other than as contained herein and information given by the Issuer's or the Company's duly authorised officers and employees, as applicable, in connection with investors' examination of the Issuer and the Company, and the terms of this offering) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Issuer, the Company or the Joint Lead Managers.

In making an investment decision, prospective investors must rely on their examination of the Issuer and the Company and the terms of this offering, including the merits and risks involved. Neither the Bonds nor the Guarantee has been approved or recommended by any United States federal or state securities commission or any other regulatory authority. Furthermore, the foregoing authorities have not passed upon or endorsed the merits of the offering or confirmed the accuracy or determined the adequacy of this offering circular. Any representation to the contrary is a criminal offense in the United States.

In connection with the offering, the Joint Lead Managers are not acting for anyone other than the Issuer and the Company and will not be responsible to anyone other than the Issuer or the Company for providing the protections afforded to their clients nor for providing advice in relation to the offering.

Hong Kong Exchanges and Clearing Limited and the Hong Kong Stock Exchange take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this document.

This offering circular does not constitute an offer to sell, or a solicitation of an offer to buy, any Bonds or Guarantee offered hereby by any person in any jurisdiction in which it is unlawful for such person to make an offer or solicitation.

*Singapore SFA Product Classification: In connection with Section 309B of the Securities and Futures Act 2001 of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).*

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to Prospective Investors: Prospective investors should be aware that certain intermediaries in the context of this offering of the Bonds, including certain Joint Lead Managers, are "**capital market intermediaries**" (together, the "**CMIs**") subject to Paragraph 21 of the Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission (the "**SFC Code**"). This notice to prospective investors is a summary of certain obligations the SFC Code imposes on such CMIs, which require the attention and cooperation of prospective investors. Certain CMIs may also be acting as "overall coordinators" (together, the "**OCs**") for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an association (an "**Association**") with the Issuer, the Guarantor, the CMI or the relevant group company. Prospective investors associated with the Issuer, the Guarantor or any CMI (including its group companies) should specifically disclose this when placing an order for the Bonds and should disclose, at the same time, if such orders may negatively impact the price discovery process in relation to this offering. Prospective investors who do not disclose their Associations are hereby deemed not to be so associated. Where prospective investors disclose their Associations but do not disclose that such order may negatively impact the price discovery process in relation to this offering, such order is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should ensure, and by placing an order prospective investors are deemed to confirm, that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). If a prospective investor is an asset management arm affiliated with any Joint Lead Manager, such prospective investor should indicate when placing an order if it is for a fund or portfolio where the Joint Lead Manager or its group company has more than 50% interest, in which case it will be classified as a "proprietary order" and subject to appropriate handling by CMIs in accordance with the SFC Code and should disclose, at the same time, if such "proprietary order" may negatively impact the price discovery process in relation to this offering. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". If a prospective investor is otherwise affiliated with any Joint Lead Manager, such that its order may be considered to be a "proprietary order" (pursuant to the SFC Code), such prospective investor should indicate to the relevant Joint Lead Manager when placing such order. Prospective investors who do not indicate this information when placing an order are hereby deemed to confirm that their order is not a "proprietary order". Where prospective investors disclose such information but do not disclose that such "proprietary order" may negatively impact the price discovery process in relation to this offering, such "proprietary order" is hereby deemed not to negatively impact the price discovery process in relation to this offering.

Prospective investors should be aware that certain information may be disclosed by CMIs (including private banks) which is personal and/or confidential in nature to the prospective investor. By placing an order, prospective investors are deemed to have understood and consented to the collection, disclosure, use and transfer of such information by the Joint Lead Managers and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, any OCs, relevant regulators and/or any other third parties as may be required by the SFC Code, it being understood and agreed that such information shall only be used for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. Failure to provide such information may result in that order being rejected.

In connection with the issue of the Bonds, any of the Joint Lead Managers appointed and acting in its capacity as the stabilisation manager (the "**Stabilisation Manager**") (or any person acting on behalf of any Stabilisation Manager) may over-allot bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilisation Managers (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

None of the Issuer, the Company, the Joint Lead Managers, or any of their respective affiliates or representatives is making any representation to any offeree or purchaser of the Bonds offered hereby regarding the legality of any investment by such offeree or purchaser under applicable legal investment or similar laws. The Joint Lead Managers have not separately verified the information contained in this offering circular. None of the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar or Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them makes any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this offering circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar or Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them accepts any responsibility for the contents of this offering circular or for any other statements made or purported to be made by the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar or Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them on their behalf in connection with the Issuer and the Company, the giving of the Guarantee or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar and Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or each person who controls any of them accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this offering circular or any such statement. Each prospective investor should consult with its own advisors as to legal, tax, business, financial and related aspects of a purchase of the Bonds.

The distribution of this offering circular and the offer and sale of the Bonds may, in certain jurisdictions, be restricted by law. Each purchaser of the Bonds must comply with all applicable laws and regulations in force in each jurisdiction in which it purchases, offers or sells the Bonds or possesses or distributes this offering circular, and must obtain any consent, approval or permission required for the purchase, offer or sale by it of the Bonds under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes purchases, offers or sales. For a description of the restrictions on offers, sales and resales of the Bonds and distribution of this offering circular, see "*Subscription and Sale – Selling Restrictions*" below.

This offering circular is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Company, the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar or Transfer Agent, or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them that any recipient, of this offering circular or of any such information, should purchase the Bonds. Each potential purchaser of Bonds should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer, the Company and their respective subsidiaries. Each potential purchaser of Bonds should determine for itself the relevance of the information contained in this offering circular and its purchase of Bonds should be based upon such investigation as it deems necessary. Neither the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar nor Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them undertakes to review the financial condition or affairs of the Issuer, the Company and their respective subsidiaries during the life of the arrangements contemplated by this offering circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of any of the Joint Lead Managers, the Trustee, CMU Lodging and Paying Agent, Registrar or Transfer Agent or their respective affiliates, directors, officers, employees, agents, advisers or representatives or any person who controls any of them. This offering circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in Bonds of a particular issue. The risks and investment considerations identified in this offering circular are provided as general information only. Investors should consult their own financial and legal advisors as to the risks and investment considerations arising from an investment in an issue of Bonds and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

CERTAIN DEFINED TERMS AND CONVENTIONS

In this offering circular, references to:

- "CMU" refers to the Central Moneymarkets Unit Service;
- "CNPC", "Guarantor", "Company" or "We" refer to China National Petroleum Corporation (中國石油天然氣集團有限公司), a PRC wholly state-owned enterprise and ultimate parent of the Issuer (unless the context requires otherwise, including all subsidiaries of CNPC);
- "CNPC Capital" refers to CNPC Capital Company Limited;
- "E.U." refers to European Union;
- "HK$" refers to Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region of the PRC;
- "Issuer" refers to CNPC Global Capital Limited, a company incorporated in the British Virgin Islands with limited liability, which is a wholly owned subsidiary of China Petroleum HongKong (Holding) Limited (中國石油天然氣香港有限公司);
- "NDRC" refers to the National Development and Reform Commission of the PRC;
- "OPEC" refers to the Organisation of the Petroleum Exporting Countries;
- "PBOC" refers to the People's Bank of China, the central bank of the PRC;
- "PetroChina" refers to PetroChina Company Limited, a joint stock limited liability company formed in 1999, of which 80.54% of its share capital is owned by CNPC as of 31 December 2022 (unless the context requires otherwise, including any subsidiaries of PetroChina);
- "PRC" or "China" refers to the People's Republic of China, excluding, for the purpose of this offering circular only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;
- "SAFE" refers to the State Administration of Foreign Exchange of the PRC;
- "SASAC" refers to the State-owned Assets Supervision and Administration Commission of the PRC State Council;
- "SEC" refers to the United States Securities and Exchange Commission;
- "Hong Kong Stock Exchange" refers to The Stock Exchange of Hong Kong Limited;
- "SOE" refers to state-owned enterprise;
- "RMB" or "Renminbi" refers to Renminbi, the official currency of the PRC;
- "U.S. GAAP" refers to the Generally Accepted Accounting Principles of the U.S.; and
- "US$" or "U.S. dollars" refers to United States dollars, the official currency of the United States of America.

For definitions of certain oil and gas industry terms, please refer to Annex A to this offering circular.

Market data and certain industry forecasts and statistics in this offering circular have been obtained from both public and private sources, including internal calculation, internal surveys, market research, publicly available information and industry publications. Although this information is believed to be reliable, it has not been independently verified by the Issuer, the Guarantor, the Joint Lead Managers or their respective directors and advisors, and neither the Issuer, the Guarantor, the Joint Lead Managers nor their respective directors and advisors make any representation as to the accuracy or completeness of that information. Such information may not be consistent with other information compiled within or outside the PRC. In addition, third-party information providers may have obtained information from market participants and such information may not have been independently verified. This offering circular summarises certain documents and other information, and investors should refer to them for a more complete understanding of what is discussed in those documents. In making an investment decision, each investor must rely on its own examination of the Issuer, the Guarantor and the terms of the offering and the Bonds, including the merits and risks involved.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

PRESENTATION OF FINANCIAL AND OTHER DATA

FINANCIAL DATA

CNPC's consolidated balance sheet data as of 31 December 2022, consolidated income statement data and cash flow statement data for the year then ended have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2022 audited by Baker Tilly China and included elsewhere in this offering circular. CNPC's consolidated balance sheet data as of 31 December 2020 and 2021, consolidated income statement data and cash flow statement data for the years then ended have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2021 audited by Da Hua Certified Public Accountants (Special General Partnership) and included elsewhere in this offering circular. Such financial statements are prepared in accordance with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance and its Application Guidance, the Interpretations and other relevant provisions, Application Guidance of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other regulations issued thereafter ("China Accounting Standards" or the "PRC GAAP").

Certain amounts and percentages included in this offering circular have been rounded. Accordingly, in certain instances, the sum of the numbers in a column may not exactly equal the total figure for that column.

OIL AND GAS RESERVES

Oil and gas reserves are key elements in CNPC's investment decision-making process. The term "reserves" describes the recoverable quantity of oil and gas volumes that are commercially viable for development given the prevailing economic situation, in particular the prices of crude oil and natural gas, present at the time of estimation. Reserves are estimated using either a deterministic method, in which a single best estimate is made based on known geological, engineering and economic data, or a probabilistic method, in which known geological, engineering and economic data are used to generate a range of estimates and their associated probabilities. All oil and gas reserves data are estimates, which are revised when additional information becomes available (for example, when additional wells are drilled or when actual production commences). "Proved reserves" refers to those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible – from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations – prior to the time at which contracts providing the right to operate expire, unless evidence indicates that renewal is reasonably certain, regardless of whether deterministic or probabilistic methods are used for the estimation. Proved reserves are estimated quantities of mineral deposits, which can be recovered from reservoirs proved by appraisal drilling during the period of reservoir evaluation, with a reasonable certainty or a relative difference of no more than 20%.

A substantial majority of CNPC's total estimated proved crude oil and natural gas reserves are located in China. CNPC's reserves are estimates calculated by CNPC only. CNPC's internal geological team focuses on periodically estimating field reserves information based on geological data obtained from various geological and geophysical studies. Estimates of net reserves are based on numerous assumptions and estimates relating to technical factors such as initial oil in place, initial production rates, production decline rates and ultimate recovery of reserves, as well as commercial factors such as future oil prices, timing and amount of capital expenditures, and operating costs that may occur during the production life of the reserves. See "*Risk Factors – CNPC's crude oil and natural gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time or may not accurately reflect actual growth levels. Even if such estimates are accurate, technical limitations may prevent CNPC from retrieving these reserves. In addition, the actual size of deposits may differ materially from such estimates.*"

CNPC believes that the methods it uses to estimate these reserves are consistent with definitions and classifications in the Petroleum Resources Management System developed by internationally recognised organisations such as the Society of Petroleum Engineers, World Petroleum Congress, American Association of Petroleum Geologists and Society of Petroleum Evaluation Engineers, which serve as guidelines for the oil and gas industry.

Unless otherwise indicated, information regarding CNPC's oil and gas reserves and production in this offering circular refers to CNPC's share of reserves and production based on its percentage of equity interest in the relevant properties.

FORWARD-LOOKING STATEMENTS

Certain statements in this offering circular are not historical facts and constitute "forward-looking statements". This offering circular may contain words such as "believe," "could," "may," "will," "target," "estimate," "project," "predict," "forecast," "guideline," "should," "plan," "expect," "intend" and "anticipate" and similar expressions that are intended to identify forward-looking statements, but are not the exclusive means of identifying these statements. Particularly, statements under the captions "*Summary*" and "*Business*" relating to the following matters may include forward-looking statements:

- the anticipated demand for oil, gas products, refined products and chemical products and related capital expenditures and investments;
- projections of capital expenditures in general and other financial items;
- generation of future receivables;
- expected sales to customers and price levels;
- the expected results of exploration, production and refining activities and related capital expenditures and investments; and
- environmental compliance and remediation.

Such statements are subject to various risks and uncertainties, including, but not limited to:

- changes in global economic and social conditions;
- changes in the world political situation;
- changes in economic and political conditions and increases in regulatory burdens in the PRC, Hong Kong and other jurisdictions in which CNPC operates, transacts business or has interests;
- accidents and natural disasters;
- changes in import controls or import duties, levies or taxes, either in international markets or in the PRC;
- changes in laws, regulations and policies (including without limitation, environmental laws, regulations and policies internationally or in the PRC), taxation or accounting standards or practices;
- changes in relation to the CNPC's ability to respond to international sanctions requirements;
- currency, interest rate, price and credit risks;
- changes in prices or demand for products or raw materials produced or used by CNPC or its subsidiaries or affiliates, both in the PRC and in international markets, as a result of competitive actions or economic factors, such as inflation or exchange rate fluctuations;
- changes in governmental support from the PRC government;

- the risks of increasing expenditures and investments;
- uncertainty of technological change;
- the technical limitations of CNPC's exploration and production on the oil and gas reserves;
- the ability of third parties to perform in accordance with contractual terms and specifications;
- acquisitions or divestitures;
- potential disputes with international and domestic joint venture partners; and
- other factors, including those discussed in "*Risk Factors*".

In addition, the expectations of management with respect to oil and gas exploration activities are subject to risks arising from the inherent difficulties of predicting the presence, yield or quality of oil and gas deposits, as well as unknown or unforeseen difficulties in extracting, transporting or processing any oil and gas found, or doing so on a commercial basis.

Forward-looking statements involve inherent risks and uncertainties. Should one or more of these or other uncertainties or risks materialise, actual results may vary materially from those estimated, anticipated or projected. Specifically, but without limitation, capital costs could increase, projects could be delayed, and anticipated improvements in capacity, performance or profit levels might not be fully realised. Although CNPC believes that the expectations of its management as reflected by such forward-looking statements are reasonable based on information currently available to it, no assurances can be given that such expectations will prove to have been correct. Accordingly, investors are cautioned not to place undue reliance on forward-looking statements and neither the Issuer nor the Guarantor undertakes any obligation to update or revise any of them, whether as a result of new information, future developments or otherwise.

SUMMARY

This summary highlights certain information contained in this offering circular. This summary does not contain all the information that investors should consider before investing in the Bonds. Investors should carefully read this offering circular in its entirety, including the sections entitled "Forward-Looking Statements", "Risk Factors" and "Business" as well as the financial statements and notes thereto included elsewhere in this offering circular.

CNPC

CNPC is one of China's key SOEs under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The predecessor of CNPC was the Ministry of Petroleum Industry of the PRC, which was founded in July 1955 and mandated to supervise the exploration and development of oil and gas resources in China. In 1988, the PRC State Council dissolved the Ministry of Petroleum Industry and established China National Petroleum and Natural Gas Corporation. On 27 July 1998, China National Petroleum and Natural Gas Corporation was reorganised as CNPC to become an integrated group with businesses covering oil and gas upstream and downstream operations as well as oilfield and engineering services.

CNPC is one of China's primary oil and gas producers and suppliers. CNPC is China's largest oil and gas producer in terms of production volumes in 2022 and China's largest natural gas transporter and seller in terms of sales volume in 2022. CNPC is an international energy company integrating production, refining, transportation, reserves and sales, with businesses covering (i) oil, gas and new energies, (ii) refining, chemicals, marketing and new materials, (iii) support and services, and (iv) capital and finance. With oil and gas operations in 32 overseas countries as of 31 December 2022, CNPC is seeking an even greater international role. CNPC ranked fourth in the "Fortune Global 500" in 2022 in terms of revenues and ranked second in the "Fortune China 500" in 2022 in terms of revenues. According to "Petroleum Intelligence Weekly", CNPC ranked third in 2022 among the world's 50 largest oil companies and has ranked as one of the top 10 oil companies for 22 consecutive years.

COMPETITIVE STRENGTHS

CNPC believes that the following strengths have contributed to its strong competitive position:

- CNPC is one of the world's largest energy companies and one of the cornerstones of economic development in China and beyond;
- CNPC is of strategic significance to safeguard China's national energy security;
- CNPC has an integrated business model, diversified sources of revenue and strong resilience;
- CNPC carries out an innovation-driven development strategy to enhance its core competitiveness;
- CNPC accelerates green transformation and low-carbon strategies to promote sustainable development;
- CNPC has established experienced management team to promote the modernization of corporate governance system and capabilities; and
- CNPC maintains low leverage, sufficient liquidity and achieved continued improvement in profitability.

STRATEGIES

CNPC's goal is to become a leading world class integrated energy corporation. To achieve this goal, CNPC plans to implement the following five major strategies:

- Innovation-driven development strategy;
- Sustainable acquisition and supply of resources;
- Enhancement of market competitiveness;
- Internationalisation and globalisation strategy; and
- Green transformation and low-carbon development.

RECENT DEVELOPMENTS

On 31 October 2023, CNPC announced its unaudited consolidated financial results for the nine months ended 30 September 2023 (the "September 2023 Unaudited Financial Information") on the website of Shanghai Clearing House (上海清算所). According to CNPC's announcement, CNPC's consolidated operating revenue was RMB2,352.8 billion for the nine months ended 30 September 2023, representing a decrease of 8.1% as compared to the same period in 2022. CNPC reported a net profit of RMB146.2 billion for the nine months ended 30 September 2023, as compared to a net profit of RMB135.7 billion for the same period in 2022. The decrease in operating revenue was primarily due to the decrease of sales revenues as a result of the decline in prices of crude oil, natural gas and related products.

On 31 October 2023, PetroChina announced its unaudited financial results for the nine months ended 30 September 2023. According to PetroChina's announcement, when published, PetroChina witnessed a decrease of 7.1% in operating revenue from RMB2,455.4 billion to RMB2,282.1 billion, and an increase of 9.8% in net profit attributable to shareholders of PetroChina from RMB119.9 billion to RMB131.7 billion, for the nine months ended 30 September 2023 as compared to the same period in 2022, due to the combined impact of the decline in prices of crude oil, natural gas and related products and the increase in their sales volume.

The September 2023 Unaudited Financial Information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Such financial information, similar to any previously published unaudited and unreviewed financial information, could be adjusted if audited or reviewed. Accordingly, other than the discussion contained herein, the September 2023 Unaudited Financial Information is not part of this offering circular. Furthermore, the September 2023 Unaudited Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of CNPC for the full year ending 31 December 2023. Potential investors are advised to exercise caution when using such data to evaluate CNPC's financial condition and results of operations, and should not place undue reliance upon such data.

PETROCHINA

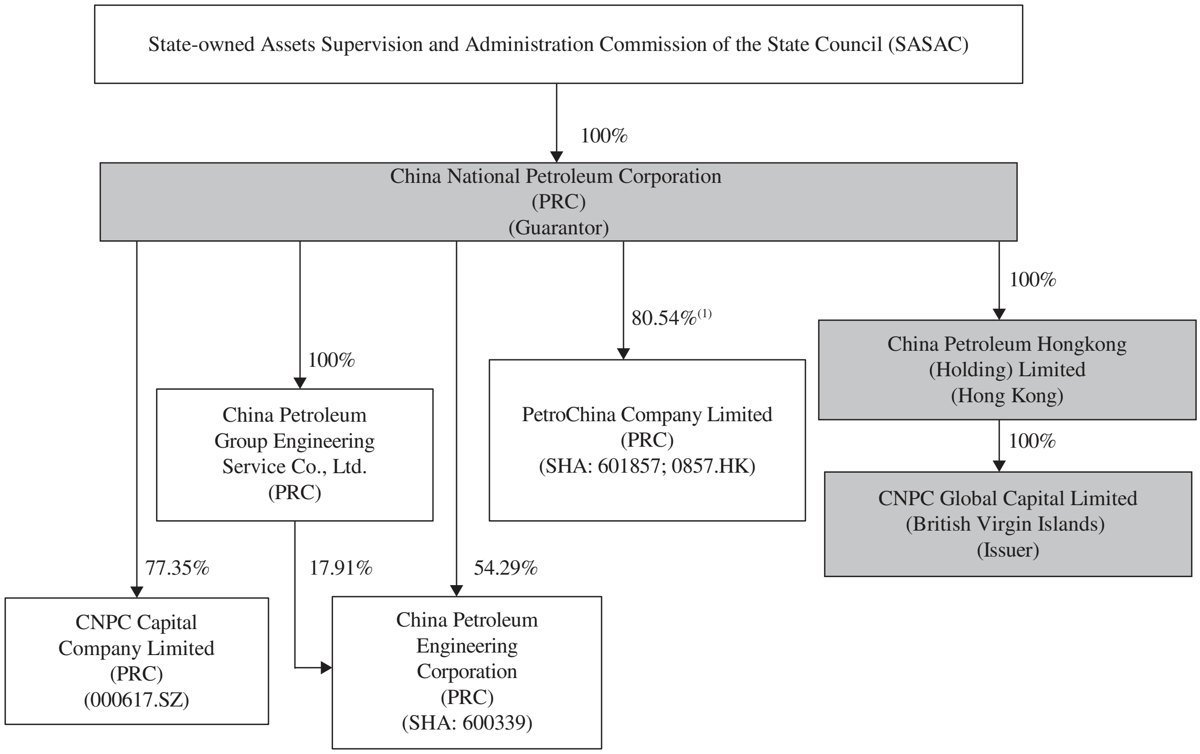
PetroChina is an integral and significant part of CNPC. It was established as a joint stock limited company under the Company Law of the PRC on 5 November 1999 as part of a restructuring in which CNPC transferred to PetroChina most of its assets and liabilities relating to its oil and gas exploration and production, refining and chemicals, marketing, trading and natural gas and pipelines businesses. CNPC retained the assets and liabilities relating to its remaining businesses and operations. The H shares of PetroChina were listed on the Hong Kong Stock Exchange on 7 April 2000 (stock code: 857). The A shares of PetroChina were listed on the Shanghai Stock Exchange on 5 November 2007 (stock code: 601857). As of 31 December 2022, CNPC was the beneficial owner of 80.54% of the share capital of PetroChina, including the 291,518,000 H Shares indirectly held by CNPC as of 31 December 2022 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC. PetroChina accounted for approximately 60.8% of CNPC's total assets as of 31 December 2022 and 95.3% of CNPC's revenues for the year ended 31 December 2022, according to the audited consolidated financial statements of CNPC and PetroChina prepared in accordance with PRC GAAP. In 2022, PetroChina ranked fourth in the "Oil & Gas Operations" of the Global 2000 list (the world's 2,000 largest public companies) by Forbes Magazine, and in 2022, PetroChina ranked 12th in the S&P Global Platts Top 250 Global Energy Company Rankings. For more information on PetroChina, see PetroChina's announcements on the Hong Kong Stock Exchange. PetroChina's announcements on the Hong Kong Stock Exchange do not constitute part of this offering circular.

THE ISSUER

The Issuer is a wholly owned subsidiary of China Petroleum HongKong (Holding) Limited (中國石油天然氣香港有限公司) and was incorporated with limited liability on 15 April 2020 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended). The Issuer will not conduct business or any other activities other than the offering, sale or issuance of Indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by CNPC and any other activities in connection therewith or related thereto. As of the date of this offering circular, the Issuer has no material assets or revenues and has no outstanding borrowings or contingent liabilities other than the issuance of 1.350 per cent. bonds due 2025 and 2.000 per cent. bonds due 2030 with an outstanding principal amount of US$900,000,000 and US$500,000,000 as of the date of this offering circular, respectively. The registered address of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

CORPORATE STRUCTURE

The following chart sets forth the shareholding and group structure of the Issuer, as of 31 December 2022.



Note:

(1) The shareholding includes the 291,518,000 H Shares indirectly held by CNPC as of 31 December 2022 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER INFORMATION

CNPC's consolidated balance sheet data as of 31 December 2022, consolidated income statement data and cash flow statement data for the year then ended have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2022 audited by Baker Tilly China and included elsewhere in this offering circular. CNPC's consolidated balance sheet data as of 31 December 2020 and 2021, consolidated income statement data and cash flow statement data for the years then ended have been extracted from the consolidated financial statements of the Company for the year ended 31 December 2021 audited by Da Hua Certified Public Accountants (Special General Partnership) and included elsewhere in this offering circular. The summary financial data below should be read in conjunction with the consolidated financial statements as well as the notes thereto, included elsewhere in this offering circular. CNPC's consolidated financial statements were prepared and presented in accordance with PRC GAAP.

CONSOLIDATED INCOME STATEMENT DATA OF CNPC

	Year Ended 31 December		
	2020	**2021**	**2022**
	(audited) **RMB**	**(audited)** **RMB** **(in millions)**	**(audited)** **RMB**
Operating Revenues	**2,064,488**	**2,781,399**	**3,372,646**
Interest income	20,215	22,740	24,698
Premium Earned	696	1,520	1,178
Fee and commission income	1,747	1,615	1,485
Operating Expenses	**2,029,240**	**2,629,728**	**3,065,508**
Operating costs	1,587,694	2,142,204	2,532,027
Taxes and surcharges	205,249	239,683	294,491
Selling and distribution expenses	79,367	79,404	74,817
General and administrative expenses	79,019	84,406	93,580
Research and development expenses	22,759	25,292	30,824
Financial expenses	25,401	22,442	(458)
Others	19,597	24,582	27,247
Other income	11,531	15,586	19,151
Investment gains	52,419	46,223	4,439
Foreign exchange gains (losses)	106	47	100
Gains (losses) from changes in fair value	3,523	6,398	(7,968)
Credit impairment losses	(797)	(5,774)	(8,458)
Assets impairment losses	(29,625)	(36,561)	(44,772)
Gains (losses) from assets disposal	1,829	1,501	1,495
Operating Profit	**96,893**	**204,967**	**298,486**
Non-operating income	16,605	7,977	5,949
Non-operating expenses	25,978	46,467	37,570
Profit Before Income Tax	**87,520**	**166,477**	**266,866**
Income tax	37,248	66,213	86,510
Net Profit	**50,272**	**100,263**	**180,355**
Net profit attributable to parent company	31,569	62,165	141,798

CONSOLIDATED BALANCE SHEET DATA OF CNPC

	As of 31 December		
	2020	2021	2022
	(audited) RMB	(audited) RMB (in millions)	(audited) RMB
Total current assets	1,427,816	1,544,769	1,617,896
Total non-current assets	2,691,573	2,647,665	2,777,157
Total assets	4,119,389	4,192,434	4,395,054
Total current liabilities	1,188,047	1,269,198	1,433,186
Total non-current liabilities	613,489	591,523	452,931
Total liabilities	1,801,536	1,860,721	1,886,118
Equity attributable to the equity owners of the company	1,977,199	1,990,167	2,118,767
Minority interest	340,654	341,546	390,170
Total liabilities and owners' equity	4,119,389	4,192,434	4,395,054

OTHER FINANCIAL DATA OF CNPC

	As of and for the Year Ended 31 December		
	2020	2021	2022
	RMB	RMB (in millions, except for percentages and ratios)	RMB
EBITDA(1)	330,732	422,275	531,133
EBITDA margin(2)	15.85%	15.04%	15.7%
Total debt(3)	563,644	546,387	501,405
Net debt(4)	293,736	225,166	98,457
Total debt/EBITDA	1.70	1.29	0.94
Net debt/EBITDA	0.89	0.53	0.19
EBITDA/Interest(5)	13.61	19.44	24.2
Total debt/Total capitalisation(6)	22.18%	21.54%	16.7%

(1) EBITDA for any period is calculated as net profit plus income tax expenses, financial expenses and depreciation, depletion and amortisation. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of CNPC's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. In evaluating EBITDA, CNPC believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses and the amount by which EBITDA exceeds capital expenditures and other charges. CNPC has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of CNPC's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare CNPC's EBITDA to EBITDA presented by other companies because not all companies use the same definitions.

(2) EBITDA margin is calculated as EBITDA divided by operating revenues.

(3) Total debt consists of all short-term borrowings, long-term borrowings, long-term debt due within one year, bonds payable, bonds payable due within one year, short-term financing bonds, medium-term notes and financial bonds, and other interest-bearing current liabilities. It does not include amounts due to CNPC subsidiaries.

(4) Net debt is calculated as total debt minus cash and cash equivalent.

(5) Interest is calculated as interest expenses plus capitalised interests.

(6) Total capitalisation equals total indebtedness plus total owners' equity.

The following table sets forth CNPC's historical crude oil and natural gas production for the periods indicated.

	Year Ended 31 December		
	2020	**2021**	**2022**
Crude oil production			
Total production (million tons)	178.6	179.4	182.0
Domestic production (million tons)	102.3	103.1	105.0
Overseas production (million tons)	76.4	76.3	77.0
Natural gas production			
Total production (billion cubic meters)	160.4	169.2	177.2
Domestic production (billion cubic meters)	130.6	137.8	145.5
Overseas production (billion cubic meters)	29.8	31.5	31.8

SUMMARY OF THE OFFERING

The following is a brief summary of the terms of this offering and is qualified in its entirety by the remainder of this offering circular. For a detailed description of the Bonds, see the section entitled "Terms and Conditions of the Bonds". The terms and conditions of the Bonds prevail to the extent of any inconsistency set forth in this section. This summary is not intended to be complete and does not contain all of the information that is important to an investor. Terms used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds".

Issuer	CNPC Global Capital Limited
Guarantor	China National Petroleum Corporation (中國石油天然氣集團有限公司)
Guarantee	The Company will unconditionally and irrevocably guarantee the due and punctual payment of all sums from time to time payable by the Issuer under the Bonds and all other monies payable by the Issuer under or pursuant to the Trust Deed, as further described in Condition 3. The Company's obligations in respect of the Bonds and the Trust Deed are contained in the Trust Deed (and any supplement thereto).
Issue	RMB1,000,000,000 2.60 per cent. guaranteed bonds due 2026.
Issue Price	100.00 per cent.
Form and Denomination	The Bonds will be issued in registered form in the specified denomination of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.
Interest	The Bonds will bear interest from and including the Issue Date at the rate of 2.60 per cent. per annum, payable semi-annually in arrears on the Interest Payment Dates falling on, or nearest to, 25 January and 25 July in each year. If any Interest Payment Date would otherwise fall on a day which is not a business day, it shall be postponed to the next day which is a business day. The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the relevant Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).
Issue Date	25 January 2024.
Maturity Date	The Interest Payment Date falling on, or nearest to, 25 January 2026.
Status of the Bonds	The Bonds constitute direct, general, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves, as further described in Condition 3.

Status of the Guarantee	The obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable legislation that are both mandatory and of general application and subject to Condition 4(a), at all times rank at least *pari passu* in right of payment with all its other present and future unsecured and unsubordinated obligations.
Events of Default	The Bonds contain certain events of default provisions, as further described in Condition 9.
Taxation	All payments of principal and interest in respect of the Bonds and/or the Guarantee by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any Relevant Jurisdiction, unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law, as further described in Condition 8. In such event, the Issuer or, as the case may be, the Company shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 25 January 2026.
Redemption for Tax Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with accrued interest (if any) up to, but excluding the date fixed for redemption, in the event of certain changes affecting taxes of certain jurisdictions, as further described in Condition 6(b).
Redemption upon a No Registration Event	At any time following the occurrence of a No Registration Event (as described in Condition 6(c)), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only of that holder's Bonds on the No Registration Event Put Date, at 100 per cent. of their principal amount, together with accrued interest, as further described in Condition 6(c).

Redemption upon a Change of Control Triggering Event	At any time following the occurrence of a Change of Control Triggering Event (as described in Condition 6(d)), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all, but not some only of that holder's Bonds, at 100 per cent. of their principal amount, together with accrued interest, as further described in Condition 6(d).
Clearing System	The Bonds will be represented by beneficial interests in the Global Certificate, which will be registered in the name of and lodged with a sub-custodian for the Hong Kong Monetary Authority as operator of the CMU. Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by the CMU. Except as described in this offering circular, the certificates for the Bonds will not be issued in exchange for interests in the Global Certificate.
ISIN	HK0000980174.
Common Code	274403829.
CMU Instrument Number	CILHFB24001.
Governing Law and Jurisdiction	The Bonds, the Trust Deed and the Agency Agreement relating to the Bonds will be governed by and will be construed in accordance with English law. The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Guarantee, the Trust Deed or the Agency Agreement may be brought in the courts of Hong Kong.
Trustee	Citicorp International Limited.
CMU Lodging and Paying Agent and Transfer Agent and Registrar	Citicorp International Limited.
Listing	Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only as described in this offering circular. If the application to the Hong Kong Stock Exchange to list the Bonds is approved, such Bonds listed on the Hong Kong Stock Exchange will be traded on the Hong Kong Stock Exchange in a board lot size of at least HK$500,000 (or its equivalent in other currencies).

Ratings	The Bonds are expected to be rated "A+" by S&P. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Further Issues	The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for any one or more of the first payment of interest, the issue date, the timing for the NDRC Post-Issuance Filing and the timing for completion of the Cross-Border Security Registration and, to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds, as further described in Condition 15.
Use of Proceeds	The aggregate proceeds from this offering, after deducting the underwriting commissions and other estimated expenses payable by us in connection with this offering, will be RMB999 million, which we plan to use for general corporate purposes. See section entitled "*Use of Proceeds*".
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "*Risk Factors*".
LEI Code	254900BS1UPERUNF4860

RISK FACTORS

An investment in the Bonds is subject to significant risks. Investors should carefully consider all of the information in this offering circular and, in particular, the risks described below. The following factors are contingencies which may or may not occur and neither the Issuer nor CNPC is in a position to express a view on the likelihood of any such contingency occurring. Any of the risks or uncertainties described below, as well as additional risks or uncertainties, including those which are not currently known to the Issuer and CNPC or which the Issuer and CNPC currently deem to be immaterial, may affect CNPC's business, financial condition or results of operations or the ability of the Issuer and CNPC to fulfil their obligations under the Bonds.

RISKS RELATING TO CNPC

CNPC's operations may be adversely affected by the international and domestic economic conditions. The global economic downturn has adversely affected economies and businesses around the world, including in China.

CNPC's operations may be adversely affected by international or regional economic conditions. As the oil and gas industry is sensitive to macroeconomic trends, oil and gas prices tend to fluctuate along with changes in macroeconomic conditions, such as the timing and pace of United States interest rate hikes. For example, the Federal Reserve announced on 26 July 2023 that it had raised its key interest rate by 0.25% to as much as 5.5%, the highest level in 22 years, as it continues to fight persistent inflation in the U.S. economy. On 20 September 2023, the Federal Reserve decided to maintain such interest rate. In the first half of 2023, affected by factors including supply and demand fundamentals and the U.S. Dollar interest hike, international crude oil prices fluctuated downwards.

CNPC may experience pricing pressure on its refined products in recessionary periods, which would have an adverse effect on its profitability. Changes in macroeconomic conditions can affect the demand for certain of CNPC's products. These factors may also lead to intensified competition for market share, with consequential potential adverse effects on sales volumes. Inflation may lead to increase in CNPC's operating costs. Notwithstanding the measures taken by the PRC government to control inflation, China may experience an increase in inflation in the future and CNPC's operating costs may become higher than anticipated. The financial and economic situation may also have a negative impact on third parties with whom CNPC does, or may do, business. Any global recession, slowdown of China's economic growth, or any other macroeconomic trends may adversely affect CNPC's financial condition, results of operations and liquidity.

The oil and gas industry is highly competitive.

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commercial, industrial and residential markets. In recent years, with the intensive reform of China's petroleum, refining and chemical, natural gas, LNG, pipelines and refined oils sales industries, CNPC has been facing increasingly intense competition from privately owned companies, foreign-invested enterprises and other state-owned enterprises that recently entered the refinery, chemical, sales, and oil and gas service sectors. In addition, the rapid development of unconventional oil and gas resources, new energy sources and new products also poses competition with the conventional energy and petrochemical industries. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on identifying new trends, reducing unit costs and improving efficiency. The implementation of CNPC's growth strategy requires continued technological advances and innovation, including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. CNPC's performance could be impeded if competitors developed or acquired intellectual property rights to technology that CNPC required or if CNPC's innovation lagged the industry.

CNPC is exposed to political, economic, regulatory and legal risks related to countries where it participates in exploration, development and production projects.

CNPC is subject to various political, legal and regulatory environments in overseas countries or regions where it operates, some of which are known to be unstable and differ in certain significant respects from those prevailing in developed countries.

In addition, the results of operations of CNPC may be adversely affected by a number of factors in the countries in which it operates or has interests, including, but not limited to, the following:

- changes in international and local political and economic conditions, as well as social conditions;
- military hostilities, war, political unrest or acts of terrorism;
- challenges caused by distance, language, local business customs and cultural differences;
- difficulty in obtaining licences, permits or other regulatory approvals from local authorities and in enforcing the oil and gas segment's rights under contracts;
- with respect to those countries that are members of OPEC, the lowering of petroleum production volume pursuant to OPEC policy;
- changes in laws, regulations or government policies, or in the interpretation or enforcement of laws, regulations and government policies, including changes driven by resource nationalism, or uncertainties thereof;
- measures which may be introduced to control inflation or changes in the rate or method of taxation;
- imposition of additional restrictions on currency conversion and remittances abroad or reduction in tariff protection and other import restrictions;
- natural disasters and epidemics, outbreaks or pollution; and
- changes in the usage and costs of state-controlled transportation services.

CNPC has expanded its global footprints in many of its business segments in recent years through mergers and acquisitions, and CNPC plans to continue to grow our business internationally. As CNPC's international operations expand into many foreign jurisdictions, CNPC faces new regulatory environment and compliance challenges that CNPC may not have familiarity with. Furthermore, CNPC may be required to devote significant additional resources to understanding, adapting and formulating its corporate governance and regulatory compliance framework to, and monitoring changes in, the laws and regulations in multiple foreign jurisdictions where CNPC has business operations, and may incur high costs in structuring and operating its businesses to comply with such laws and regulations and implementing and administering related internal policies and procedures.

The operations of CNPC's oil and gas business are affected by the price volatility of crude oil, refined products and natural gas.

CNPC's operations are affected by the price volatility of crude oil, refined products and natural gas. CNPC sets its crude oil price based on the international trading prices for crude oil. International prices for crude oil have fluctuated widely in recent years in response to changes in the supply of and demand for oil and international geopolitics, market uncertainty and a variety of additional factors that are beyond CNPC's control, including applicable regulations on the pricing of oil and gas and related products, competition within the oil and natural gas industry and with other industries in supplying consumers with competing commodities, international economic trends, exchange rate and interest rate fluctuations, expectations of inflation, domestic and foreign governmental regulations, concerns regarding the security of oil and gas supply, political and other events in major oil and gas producing and consuming nations and actions taken by members of OPEC and other oil exporting countries. A decline in refined oil products prices will reduce our revenue derived from refining operations, while the decline in natural gas prices will reduce our revenue derived from natural gas operations. Such decreases may also have negative impact on the services we provide and our overseas operations.

CNPC does not have, and will not have, control over the factors affecting domestic and international prices for crude oil, refined products and natural gas. For example, in early 2020, the crude oil price experienced a significant decrease due to a sharp drop in international travel and transportation as well as a price war on oil primarily caused by the COVID-19 pandemic. Also, the crude oil price rose significantly in the first half of 2022 but generally declined in the second half of the year mainly due to geopolitical tension, supply concerns, low global crude oil inventories and other related factors. In the first half of 2023, affected by factors including supply and demand fundamentals and the U.S. Dollar interest hike, international crude oil prices fluctuated downwards; the supply and demand in the international natural gas market were loose, and the average transaction price of natural gas in the major markets dropped sharply as compared with that in the same period of last year. A decline in crude oil prices will reduce CNPC's crude oil revenues derived from external customers. While the extent of price drop in crude oil remains subject to factors beyond CNPC's control, if crude oil prices remain low for a prolonged period, CNPC has to determine and estimate whether CNPC's oil and gas assets may suffer impairment losses and, if so, the amount of the impairment losses. An increase in crude oil prices, however, may increase production costs of refined products. A decline in refined products prices will reduce CNPC's revenues derived from refining operations. An increase in the refined products prices, however, will increase production costs of chemical products that use refined products as raw materials.

In addition, CNPC's ability to adjust the price of refined oil products is subject to applicable regulations and regulatory oversight and it may not be able to pass on the increase in crude oil costs to its customers of refined oil products. As a result, CNPC's refining and chemicals segment may incur losses.

The oil and gas industry has historically been cyclical. CNPC's operations are generally driven by commodity prices that are influenced by the level of global and domestic oil and natural gas production, the domestic and foreign supply of, and demand for, oil and natural gas and related products, the cost of exploring for, developing, producing, and delivering oil and natural gas, and the discovery rates of new oil and natural gas reserve. CNPC's business is also sensitive to general economic conditions, such as changes in regional and global economic conditions. Although CNPC is an integrated company with upstream, midstream and downstream businesses, CNPC has limited ability to mitigate the adverse influence of the cyclicality of global markets.

The exploration, development and production activities of CNPC's oil and gas business require substantial capital expenditure and investments, and its plans for and ability to make such expenditures and investments are subject to various risks.

Exploring, developing and producing crude oil and natural gas fields are capital-intensive activities involving a high degree of risk. The ability of CNPC to undertake its exploration, development and production activities and make the necessary capital expenditures and investments is subject to many risks, contingencies and other uncertainties, which may prevent its oil and gas business from achieving the desired results, or which may significantly increase the expenditures and investments that CNPC's oil and gas business makes, including, but not limited to, the following:

- ability to generate sufficient cash flows from operations to finance its expenditures, investments and other requirements, which are affected by changes in crude oil and natural gas prices and other factors;

- availability and terms of external financing;

- mix of exploration and development activities conducted on an independent basis and those conducted jointly with other partners;

- extent to which its ability to influence or adjust plans for exploration and development related expenditures is limited under joint operating agreements for those projects in which it has partners;

- government approvals required for exploration and development related expenditures and investments in jurisdictions in which it conducts business; and

- economic, political and other conditions in jurisdictions in which it conducts business.

CNPC is currently constructing new, and expanding some existing, refining and petrochemical facilities, constructing several natural gas and oil pipelines and establishing overseas operations centres, all of which could require substantial capital expenditures and investments. As of 31 December 2020, 2021 and 2022, CNPC's current liabilities were RMB1,188.0 billion, RMB1,269.2 billion and RMB1,433.2 billion, respectively. CNPC's primary sources of funding include cash generated from operating activities and short-term and long-term borrowings and debt capital markets financing. As of 31 December 2022, the total credit facilities available to CNPC were approximately RMB2,412.7 billion, 90% of which was unused. There can be no assurance that the cash generated by its operations will be sufficient to fund these development plans or that CNPC's actual future capital expenditures and investments will not significantly exceed its current planned amounts. Given CNPC's increasing indebtedness and capital expenditures, relatively volatile oil prices and adverse economic and industry conditions might have an adverse impact on CNPC's cash flows. CNPC's inability to obtain sufficient funding for its development plans could adversely affect its business, financial condition and results of operations.

CNPC may encounter problems with its acquisitions and joint venture projects and any disputes with its joint venture and other business partners may materially adversely affect its business, financial condition and results of operations.

In the course of CNPC's business, it has in the past undertaken acquisitions and formed joint ventures, consortiums or other cooperative relationships with other parties, including in some cases foreign governmental entities or foreign companies, to jointly engage in certain business activities, which include, among other things, jointly operating the oilfields. CNPC will in the future continue to undertake such activities.

CNPC may bear joint and several liabilities to the project owners or other parties with other consortium members or joint venture or business partners under the relevant consortium, joint venture or other agreements, and as a result, CNPC may incur damages and other liabilities for any defective work or other breaches by other consortium members or joint venture or business partners.

In addition, if there are disagreements between CNPC and its joint venture or business partners regarding the business and operations of the relevant projects, there can be no assurance that they will be able to resolve them in a manner which is in CNPC's best interests. Certain major decisions, such as selling or refinancing these projects, may require the consent of all other partners. Such restrictions could adversely affect CNPC's ability to sell, refinance or otherwise operate and profit from these projects.

Any of these and other factors may have an adverse effect on the performance of CNPC's oil and gas joint venture projects and expose such projects to a number of risks, including the risk that these projects may not be able to fulfil their obligations under contracts with customers, resulting in disputes not only between CNPC and its partners, but also between the joint ventures and their customers, or create unexpected complications. Such a material adverse effect on the performance of the joint venture projects may in turn adversely affect CNPC's business, financial condition and results of operations.

Exploration, development, production, transportation and storage activities involve numerous risks that may result in accidents, natural disasters and other substantial operating risks and costs, including the risk of accidents or oil spills, against which CNPC may not be fully insured.

CNPC's oil and gas business is subject to significant hazards and risks inherent in exploration, development, production, refining, equipment, transportation and storage that are common among oil and gas companies. These hazards and risks include, but are not limited to, natural disasters, fires, pipeline explosions, pipeline ruptures and spills, oil spills and leaks, unexpected geological formations or pressures, sudden blowouts, violent explosions of oil, natural gas or water from drilling wells followed by uncontrolled flow, third-party interference, collapsed holes and mechanical failure of equipment at our or third-party facilities, any of which could result in production and distribution difficulties and disruptions, environmental pollution, personal injury or wrongful death claims and other damage to our properties and the property of others. There are also risks of mechanical failure and equipment shutdowns both in general and following unforeseen events. In such situations, undamaged refinery processing units may be dependent on or interact with damaged process units and, accordingly, are also subject to being shut down. CNPC cannot assure you that its institutional focus on the safety of its operations and the health, safety and environment management system it has implemented will effectively prevent accidents and reduce personal injuries, property losses and environment pollution.

Some of CNPC's oil and natural gas fields are surrounded by residential areas or located in areas where natural disasters, such as earthquakes, floods and sandstorms, tend to occur more frequently than in other areas. As with many other companies around the world that conduct similar businesses, CNPC has experienced accidents that have caused property damage and personal injuries and death. For example, CNPC has historically been subject to investigations and minor fines. Further occurrence of any of these events could result in material fines and penalties, significant damage to property, loss of life, environmental pollution, impairment of the operations of CNPC's oil and gas business and financial and reputational losses to CNPC.

While CNPC also maintains insurance coverage on our property, personnel, plant, equipment and inventory and potential third-party liability, it cannot assure you that its insurance coverage will be sufficient to cover all the financial losses caused by the operation risks and natural disasters. The occurrence of any of these events which are not fully covered by insurance would require CNPC to cover the damages with its own funds, thereby increasing costs and net income, which could have a material adverse effect on its oil and gas segment's financial condition and results of operations.

Any interruptions in CNPC's operations due to suspension, damage, destruction, closure of key operational facilities or natural disasters could adversely affect CNPC's activities.

CNPC owns and operates a variety of key operational facilities in China and around the world, such as drilling platforms, transport pipelines for oil and gas and production lines and refinery plants. Any interruption in, or prolonged suspension of any part of operations at, or any damage to or destruction of such key operational facilities, or the closure of the same, whether due to man-made or natural disasters, could significantly affect CNPC's activities. CNPC's various facilities are subject to the risk of operational breakdowns or disruptions, which may result from external factors beyond CNPC's control. Significant natural disasters such as earthquake, tsunami, fire and flood, or man-made calamities such as terrorist attacks, war, widespread and prolonged labour disputes, as well as health epidemics may cause partial or significant interruptions to our operations, facilities and environmental damage that could have an adverse impact on our results of operations and financial condition.

Operational breakdowns or disruptions may also result from industrial accidents, such as faulty construction, technical failures and human error, which may lead to fire, explosions or the release of toxic or harmful substances, particularly in CNPC's oil and gas operations. Any interruptions in CNPC's operations may prevent CNPC from serving its principal customers, which may, in turn, result in breach of contract, loss of revenues, or expose CNPC to liability, lawsuits and damage to its reputation, any of which could have an adverse effect on CNPC's business, financial condition and results of operations.

Oilfield exploration and drilling involves numerous risks, including risks that no commercially productive crude oil or natural gas can be discovered.

CNPC's oil and gas business is currently involved in exploration activities in various regions, including in some areas where natural conditions may be challenging and where the costs of such exploration activities may be high. As a result, the oil and gas business may incur cost overruns or may be required to curtail, delay or cancel drilling operations because of many factors, including, but not limited to, the following:

- unexpected drilling conditions;
- pressure or irregularities in geological formations;
- equipment failures or accidents;
- oil well blowouts;
- adverse weather conditions or natural disasters;
- compliance with existing or enhanced environmental regulations;
- compliance with governmental requirements and standards;
- unanticipated labour disputes or work stoppages; or
- delays in the availability of drilling rigs and delivery and maintenance of equipment.

The future production of CNPC's oil and gas business depends significantly upon its success in finding or acquiring additional reserves and retaining and developing such reserves. If CNPC's oil and gas business fails to conduct successful exploration activities or to acquire or retain assets holding proved reserves, it may not meet its production or growth targets, and its proved reserves will decline as it extracts crude oil and natural gas from the existing reservoirs, which could adversely affect CNPC's business, financial condition and results of operations.

Future exploration and discovery of new reserves may not fully replace our existing oil and natural gas reserves. Due to the volatile prices of crude oil and natural gas, only large scale and high-quality reserves are able to meet our development criteria. Therefore, the implementation of some of our exploration projects may not be viable at the current crude oil price level, potentially leading to failure in fully replacing and supplementing our oil and natural gas reserves with additional reserves through future exploration. In the acquisition of exploration blocks, due to the limited nature of reservoir data, evaluation of underground resources is subject to inherent uncertainties and the acquired assets may fail to meet previous expectations.

CNPC has been actively pursuing business opportunities outside China to improve its international operations. There can be no assurance, however, that CNPC can successfully locate sufficient, if any, alternative sources of crude oil supply due to the complexity of the international political, economic and other conditions. If CNPC fails to obtain sufficient alternative sources of crude oil supply, its results of operations and financial condition may be materially and adversely affected.

CNPC's crude oil and natural gas reserve estimates involve some degree of uncertainty and may prove to be incorrect over time or may not accurately reflect actual growth levels. Even if such estimates are accurate, technical limitations may prevent CNPC from retrieving these reserves. In addition, the actual size of deposits may differ materially from such estimates.

CNPC's reserves are estimates assessed by CNPC only. Such estimates reflect CNPC's best judgment at the time of their preparation, based on geological and geophysical analyses and appraisal work, and may differ from the estimates that CNPC assessed in the past.

Crude oil and natural gas exploration and production activities are subject to various uncertainties, including in relation to the physical characteristics of crude oil and natural gas fields. These physical characteristics, including the proportion of reserves that can ultimately be produced, the rate of production and the costs of developing the fields, are difficult to estimate and, as a result, actual production may be materially different from current estimates of reserves. Factors affecting CNPC's reserve estimates include new exploration, drilling or production activities, new acquisitions or licences granted, assumptions regarding future performance of wells and surface facilities, field reviews, the addition of new reserves from discoveries or extensions of existing fields, the application of improved recovery techniques and changed economic conditions.

The crude oil and natural gas reserves data in this offering circular are only estimates. The reliability of reserves estimates depends on a number of factors, assumptions and variables, such as the quality and quantity of CNPC's technical and economic data and the prevailing oil and gas prices applicable to CNPC production, some of which are beyond CNPC's control and may prove to be incorrect over time. Results of drilling, testing and production after the date of estimates may require substantial upward or downward revisions in CNPC's reserves data. CNPC's actual production, revenues and expenditures with respect to its reserves may differ materially from these estimates because of these revisions.

CNPC can give no assurance that the reserve estimates upon which it has made investment decisions accurately reflect actual reserve levels, or even if accurate, that technical limitations will not prevent it from retrieving these reserves.

CNPC may not be able to detect or prevent employee misconduct, including misconduct by senior management, and such misconduct may damage its reputation, which could have an adverse effect on its business.

CNPC may not be able to detect or prevent employee misconduct, including misconduct by senior management, and such misconduct may damage its reputation and could adversely affect its business.

Any internal control and corporate governance policies and procedures put in place by CNPC may not be able to strengthen its ability to detect and prevent employee misconduct. CNPC cannot assure you, that it will be able to detect or prevent such misconduct in a timely fashion, or at all. If CNPC fails to prevent employee misconduct, its reputation may be harmed, and its business, financial condition and results of operations could be adversely affected.

While CNPC maintains a focus on attracting and retaining sufficiently skilled and experienced employees, including qualified scientists, engineers, project execution managers, artisans and operators and highly skilled employees in business and functional roles, there exist various risks that may impact CNPC's ability to achieve such goal.

Our operations may be materially adversely affected by cyber-attacks or similar disruptions.

CNPC's activities depend heavily on the reliability and security of its information technology ("IT") systems. CNPC's IT systems may suffer disruptions due to cyberattacks, computer intrusions and viruses, technical failure and disruptions, power and network outages or damages caused by natural disasters. CNPC has adopted multi-layer technological measures for prevention and detection of cybersecurity problems, and it also trains its employees to improve their awareness and ability to detect and respond to cybersecurity situations. If CNPC's measures prove to be insufficient, cybersecurity disruptions could damage or destroy assets, compromise business systems, result in proprietary information being altered, lost, or stolen; result in employee, customer, or third-party information or material intellectual property being compromised, cause physical harm to people or the environment, or otherwise disrupt CNPC's business operations. CNPC could incur significant costs to remedy the effects of a major cybersecurity disruption in addition to costs in connection with resulting regulatory actions, litigation or reputational harm. As a result of the above, CNPC's business, results of operations and financial conditions may be materially and adversely affected.

CNPC's business operations may be materially adversely affected by present or future environmental regulations.

CNPC is subject to extensive environmental protection laws and regulations in the PRC and other countries where it has operations. Compliance with changes in laws, regulations and obligations relating to environmental protection and safety production could result in substantial expenditures and reduced profitability from increases in operating costs. In recent years, the PRC government has implemented environmental protection and safety production laws and regulations and has gradually improved refined oil standards which have stricter requirements for our business, and led to an increase in CNPC's operating costs. In the future, the PRC government may implement more stringent environmental protection and safety production regulations and impose higher standards on refined oil products. Compliance with these new regulations and standards will increase CNPC's costs and expenses.

CNPC's operations produce substantial amount of wastewater, gas and solid waste materials. In addition, CNPC's production facilities require operating permits that are subject to renewal, modification and revocation. The PRC government has moved, and may move further, towards more rigorous enforcement of applicable laws, and towards the adoption of more stringent environmental standards.

CNPC's oil and gas exploration and production activities shall comply with relevant PRC environment protection laws and regulations governing abandonment and disposal processes for oil and gas exploration and production activities. CNPC has established standard waste disposal and abandonment procedures pursuant to these laws and regulations. CNPC has included under its asset retirement obligations the costs for these abandonment activities and this asset retirement obligation is based on CNPC's best estimate of future abandonment expenditures. In addition, PRC national or local governments may enact stricter environmental protection regulations and CNPC's abandonment costs may increase as a result.

As CNPC seeks to expand its operations and explore overseas opportunities, CNPC may also be subject to environmental protection laws of other jurisdictions that may be more stringent than those in the PRC or subject to uncertainties in implementation measures. In such event, CNPC may be required to incur additional expenditures for environmental compliance matters.

Rising climate change concerns could lead to additional regulatory measures that may result in higher costs.

It is expected that the greenhouse gas emissions will rise alongside CNPC's increasing production scale. Greenhouse gas emissions from combustion will continue to increase if there is not a mature and reliable gas collection system in place. With the Paris Agreement coming into effect and the continuing growth of the public's awareness of climate change problems, a number of countries have enacted carbon emission policies which lead to additional legal and regulatory measures. Therefore, CNPC expects to be exposed to increasing regulatory burden. CNPC also expects that emission reduction actions by customers will continue to focus more on suppressing demand for fossil fuels, either through taxes, fees, incentives to promote the sale of electric vehicles or even through the future prohibition of sales of new diesel or gasoline vehicles, as have recently been enacted by several countries. These measures to limit greenhouse gas emissions could result in lower demand for many of CNPC's products, which could lead to lower revenue and, in the long term, potential impairment of certain assets. If CNPC is unable to find economically viable and publicly acceptable solutions that could reduce its greenhouse gas emissions for new and existing projects, it could experience additional costs or financial penalties, delayed or cancelled projects, or reduced production and reduced demand for its products, which could have a material adverse effect on its earnings, cash flows and financial condition.

CNPC's activities in certain countries and with certain entities that are the subject of U.S. and E.U. sanctions could result in negative media and investor attention to CNPC and subject CNPC or its subsidiaries to secondary sanctions, which may materially and adversely affect investors' investment in the Bonds.

CNPC undertakes certain exploration and production of oil and gas, refining, transportation, trading, engineering construction and technical services, operations of pipelines and LNG projects, or other business activities in countries or with entities that are the subject of various United States sanctions regimes and/or sanction programs in Europe, including Iran, and certain Russian and Venezuelan entities. The activities of CNPC's subsidiaries in countries or with entities targeted by U.S. sanctions could also subject those subsidiaries and CNPC to secondary U.S. sanctions. Certain U.S. sanctions provisions authorise the imposition of sanctions on non-U.S. companies that engage in certain activities in or related to sanctioned countries or with sanctioned entities and, in certain instances, on the parent companies of such non-U.S. companies.

Although CNPC's overall operations and activities in or related to countries and with individuals or entities that are the subject of any U.S. sanction regimes and/or sanction programs in Europe currently represent only a small percentage of CNPC's consolidated assets, revenues and net profit, there can be no assurance that additional countries, jurisdictions or entities will not be added to various U.S. or European sanctions programs or that the interpretation or implementation of any sanction-related policies by the U.S. and other governments particularly relating to their applications to CNPC's business activities will not change. CNPC closely monitors the possible impacts of U.S. and other sanctions against the countries and entities in or with which CNPC has trading or investment relationships. CNPC will continue to manage its risk exposure and endeavor that its activities do not violate any applicable sanctions administered by the United States or other countries. However, CNPC cannot assure that current or future regulations or developments related to sanctions will not have a material adverse impact on CNPC's business or reputation. Certain U.S. based investors may not wish to invest and have proposed or adopted divestment or similar initiatives regarding investments in companies that do business in or with countries and with entities that are subject to U.S. sanctions. These investors may not wish for CNPC to make investments or conduct activities in or with the countries or with the entities that are the subject of U.S. and other sanctions and may divest their investment in CNPC because of CNPC's investments and activities in or with those countries or with those entities that are the subject of U.S. and other sanctions. As a result, it is possible that CNPC may be subject to negative media or investor attention, which may distract management, consume internal resources, and negatively affect investors' perception of CNPC and investors' investment in the Bonds.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Changes in China's economic and social conditions as well as regulatory policies could affect CNPC's financial condition and results of operations.

China's economy differs from the economies of most developed countries in many respects, including the structure of economy, level of government participation, level of development, growth rate, regulation of capital investment, regulation of foreign currency and allocation of resources. For the past four decades, the PRC government authorities have implemented economic reform measures to emphasise the utilisation of market forces in economic development. The PRC government authorities from time to time implements various macro-economic and other policies and measures. Economic reform measures, however, may be adjusted or modified from time to time. As a result, CNPC may not continue to benefit from all, or any, of these measures. In addition, there may be changes in the PRC's economic and social conditions, laws, regulations and policies from time to time and some may have an adverse effect on CNPC's current or future business, financial condition and results of operations.

In particular, any insolvency proceeding relating to CNPC would likely involve the insolvency laws of the jurisdictions where it is incorporated and operates, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Government regulations may limit CNPC's activities and adversely affect its business operations.

The operations of CNPC, like those of other oil and gas companies, are subject to extensive regulation by the government authorities in jurisdictions where it operates. Relevant governmental authorities exercise control over various aspects of oil and gas industry. These controls affect the following material aspects of the operations of CNPC:

- exploration and production licensing;
- pricing mechanisms for CNPC's main products;
- industry-specific taxes and fees;

- capital investments;
- import and export quotas and procedures;
- environmental and safety standards; and
- technology development.

For example, CNPC has been subject to crude oil special levy and resource tax. CNPC's results of operations may be adversely affected by any additional regulations on crude oil special levy and resource tax.

In addition, the PRC government must approve the construction and major renovation of significant refining and petrochemical facilities as well as the construction of significant natural gas and refined product pipelines and storage facilities.

As a result, CNPC may face significant constraints on its ability to implement its business strategies, to develop or expand its business operations or to maximise its profitability. Its business may also be adversely affected by future changes in policies and regulations in respect of the oil and gas industry.

The PRC legal system continues to rapidly evolve.

The PRC legal system is a civil law system based on written statutes. Many laws, rules and regulations and the PRC legal system continue to evolve and are subject to changes. Future developments in the PRC legal system, particularly with regard to the oil and gas industry in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the preemption of local regulations by national laws, may materially and adversely affect CNPC's business. In addition, any litigation in jurisdictions where CNPC operates may be protracted and result in substantial costs and diversion of CNPC's resources and management attention.

Fluctuations in exchange rates may affect CNPC's oil and gas business, financial condition and results of operations.

CNPC receives most of its revenues in Renminbi. A portion of CNPC's Renminbi revenues must be converted into other currencies to meet its foreign currency obligations. The existing foreign exchange regulations in jurisdictions where CNPC operates could affect CNPC's ability to obtain foreign exchange through debt financing, or to obtain foreign exchange for capital expenditures. The value of Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, market conditions and regulations. The PRC government has implemented a floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of foreign currencies. Because most of CNPC's imports of crude oil, equipment and other materials and its outbound investments are settled in foreign currencies, the exchange rates between RMB and U.S. dollars and any other relevant foreign currencies may have an effect on its crude oil purchase costs and investment costs.

Under the Enterprise Income Tax Law, the Issuer may be classified as a "resident enterprise" of China. Such classification could result in unfavourable tax consequences to the Issuer and its non-PRC Bondholders.

Under the Enterprise Income Tax Law ("**EIT Law**"), an enterprise established outside of China with a "*de facto management body*" within China is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income." The implementation regulations of the EIT Law define "*de facto management*" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. *Notice on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management* issued by the State Administration of Taxation on 22 April 2009 ("**Circular 82**"), as amended on 29 December 2017, provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "*de facto management body*" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. On 1 September 2011, the State Administration of Taxation implemented *Provisional Administrative Regulations of Enterprise Income Taxation of a Foreign Enterprise Controlled by a PRC Enterprise or a PRC Enterprise Group* ("**Circular 45**"), to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Circular 45 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its *de facto* management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The Issuer believes that it is currently not a PRC resident enterprise. However, since substantially all of CNPC and the Issuer's directors are currently based in the PRC, the Issuer cannot assure investors that the Issuer will not be deemed a "resident enterprise" under the EIT Law and, therefore, be subject to enterprise income tax at a rate of 25% on its global income in the future.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is generally applicable to PRC-source income derived by non-resident enterprises, subject to adjustment by applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in China. If the Issuer is deemed a PRC resident enterprise for tax purposes, interest or premium (if any) paid to overseas Bondholders may be regarded as PRC-sourced and therefore be subject to PRC withholding tax at a rate of 10% for enterprise Bondholders and 20% for individual Bondholders. Any gains realised on the transfer of the Bonds by such investors will also be subject to PRC income tax at a rate of 10% for enterprise Bondholders or 20% for individual Bondholders, if such gains are regarded as PRC-sourced. In addition, since the Company is a PRC resident enterprise, any payment on the Bonds made by the Company under the Guarantee will be subject to the PRC tax liabilities described above. PRC tax liability may be reduced under applicable tax treaties, such as the arrangement for avoidance of double taxation with Hong Kong. However, it is unclear whether in practice non-resident Bondholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

Pursuant to the *Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (Caishui [2016] No. 36)* ("**Circular 36**") issued by the MOF and the State Administration of Taxation on 23 March 2016 and amended on 1 July 2017, 1 January 2018 and 1 April 2019 respectively, a new value-added tax ("**VAT**") was introduced from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. If the Issuer is deemed a PRC resident enterprise, the Bondholders may be regarded as providers of financial services within China and consequently, the Issuer or the Company, as the case may be, may be obligated to withhold VAT of 6% from any interest it pays. VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside the PRC and therefore unlikely to be applicable to gains realised upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Since Circular 36 together with other laws and regulations pertaining to VAT are relatively new, the interpretation and enforcement of such laws and regulations involve uncertainties.

If the Issuer or the Guarantor must withhold PRC tax from interest payments or payments of premium (if any) made to a non-PRC Bondholder, the Issuer or the Guarantor will, subject to certain exceptions, be required to pay such additional amounts as will result in receipt by such holder of such amounts as would have been received by the holder had no such withholding been required. The requirement to pay additional amounts could have a material adverse effect on our cash flow and will increase the cost of servicing interest payments on the Bonds.

RISKS RELATING TO THE BONDS AND THE GUARANTEE OF THE BONDS

The Issuer has no material assets and relies on the Company's subsidiary to which the Issuer lends the proceeds from the Bonds and the Company to make payment under the Bonds.

The Issuer, an indirect wholly owned subsidiary of the Company, will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Company and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from such company controlled by the Company outside the PRC in respect of such intercompany loans, and its ability to make payments under the Bonds will depend on its receipt of timely payments from the company that borrows the loan in respect of such intercompany loans. The Issuer will advance the proceeds raised from this offering to a company controlled by the Company that is located or incorporated in a jurisdiction outside the PRC, and the proceeds will then be used for general corporate purposes. The Bonds and Guarantee are unsecured obligations of the Issuer and the Company, respectively.

The Bonds and the Guarantee are unsecured obligations.

The Bonds are unsecured obligations of the Issuer, and the Guarantee is an unsecured obligation of the Company. Payments under the Bonds and the Guarantee may be adversely affected if:

- the Issuer, the Company, or a third party to which we have provided a guarantee enters into bankruptcy, liquidation, reorganization or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Company's future secured indebtedness; or
- there is an acceleration of the indebtedness of the Issuer, the Company or a third party to which we have provided a guarantee.

If any of these events were to occur, the Issuer's or the Company's assets may not be sufficient to pay amounts due on the Bonds. The Company may incur significant additional secured or unsecured indebtedness in the future, and there can be no assurance that the Company will have sufficient cash flows to satisfy its obligations in respect of the Guarantee. Although the Company believes that it will be able to meet its obligations in respect of the Guarantee, any shortfall would have to be made up from other sources of cash, such as a capital injection from the shareholders of the Company, a sale of investments or any financing available to the Company.

The PRC government has no obligations under the Bonds and the Bonds are solely to be repaid by the Issuer as an independent legal person.

The Issuer is ultimately a state-owned entity, but none of the PRC governmental bodies is an obligor under the Bonds. The payment obligations under the Bonds remain the sole obligations of the Issuer or (as the case may be) the Company, and any such ownership or control by the PRC government does not necessarily correlate to, or provide any assurance as to, the financial condition of the Issuer and the Company. The PRC government is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds in lieu of the Issuer or (as the case may be) the Company.

The Company may, without the consent of the Bondholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds.

The Trust Deed contains provisions under which the Company or any subsidiary of the Company may, without the consent of the Bondholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds, provided that certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Company, a requirement that the Guarantee is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Bonds.

No Bondholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder except to the extent provided for in the Terms and Conditions of the Bonds (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

The Bonds do not restrict the Issuer's or the Company's ability to incur additional debt, redeem the Bonds or repay other indebtedness or to take other actions that could negatively impact holders of the Bonds.

The Issuer and the Company are not restricted under the Bonds and the Guarantee from incurring additional debt or from redeeming the Bonds or repaying other indebtedness. Future incurrence of indebtedness may increase the related risks of the Issuer and the Company as described in this offering circular. In addition, the covenants applicable to the Bonds do not require the Issuer or the Company to achieve or maintain any minimum financial results relating to their respective financial positions or results of operations. The Issuer's and the Company's ability to recapitalise, incur additional debt and take other actions that are not limited by the Bonds could have the effect of diminishing the Issuer's and the Company's ability to make payments on the Bonds and the Guarantee when due.

The obligations of the Company under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The obligations of the Company under the Guarantee will be effectively subordinated to all existing and future obligations of its existing or future subsidiaries, and all claims of creditors of existing or future subsidiaries and rights of holders of preferred shares of such subsidiaries (if any) will have priority as to the assets of such subsidiaries over the claims of the Company and those of the Company's creditors, including the holders of the Bonds. As a result, all of the existing and future liabilities of the Company's subsidiaries other than the Issuer, including any claims of trade creditors and preferred stockholders (if any) of such subsidiaries, will be effectively senior to the Bonds and the Guarantee. In addition, even if the Company were a creditor of any subsidiary, its rights as a creditor would be subordinated to any security interest in the assets of such subsidiary and any indebtedness of the subsidiary senior to that held by the Company.

Our subsidiaries may be subject to restrictions on the payment of dividends and the repayment of intercompany loans or advances to us and our subsidiaries.

If we are unable to receive dividends and the interest and principal payments on intercompany loans or advances from our subsidiaries (other than the Issuer), we may not be able to meet our obligations under the Bonds. The ability of our subsidiaries to pay dividends and to make payments on intercompany loans or advances to their shareholders may be subject to, among other things, their distributable earnings and cash flow conditions, restrictions contained in the articles of association and the financing agreements entered into by our subsidiaries and applicable laws. In addition, if any of our subsidiaries raises capital by issuing equity securities to third parties, dividends declared and paid with respect to such equity securities would not be available to us to make payments on the Bonds. These restrictions could reduce the amounts that we receive from our subsidiaries, which would restrict our ability to meet our payment obligations under the Bonds and the obligations of the Company under the Guarantee.

PRC laws and regulations permit payment of dividends only out of accumulated profits as determined in accordance with PRC accounting standards and regulations. Our PRC subsidiaries are also required to set aside a portion of their after-tax profits according to PRC accounting standards and regulations to fund certain reserves that are not distributable as cash dividends. As a result of such restrictions, there could be limitations, including timing limitations, on our ability to receive payments from our PRC subsidiaries to meet our payment obligations under the Bonds and the obligations under the Guarantee, and there could be restrictions on payments required to redeem the Bonds at maturity or as required for any early redemption.

As a result of the foregoing, we cannot assure you that we will have sufficient cash flow from dividends or payments on intercompany loans or advances from our subsidiaries to satisfy our obligations under the Bonds or the obligations of the Company under the Guarantee.

If the Company fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payments under the Guarantee.

Pursuant to the Trust Deed to be executed by the Issuer, the Company and the Trustee, the Company will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. The Company is required to submit the Guarantee to the local SAFE for registration in accordance with the Cross-Border Security Registration (as defined in "*Terms and Conditions of the Bonds*") as soon as possible after the execution of the Trust Deed and in any event on or before the Registration Deadline (as defined in "*Terms and Conditions of the Bonds*"). Although the non-registration does not necessarily render the Guarantee ineffective or invalid under PRC law, the SAFE may impose penalties on the Company if registration is not carried out within the stipulated time frame. In addition, if the Company fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Company under the Guarantee) as domestic banks may require evidence of the SAFE registration in connection with the Guarantee in order to effect such remittance, although this does not affect the validity of the Guarantee itself.

The interpretation of the Cross-Border Security Registration may involve uncertainty, which may adversely affect the enforceability and/or effective performance of the Guarantee in the PRC if the Company fails to complete the SAFE registration in connection with the Guarantee. In addition, the administration of the Cross-Border Security Registration may be subject to a certain degree of executive and policy discretion by the local SAFE. There is no assurance that the registration of the Guarantee with the local SAFE can be completed by the Company or will not be revoked or amended in the future or that future changes in PRC laws and regulations will not have a negative impact on the validity and enforceability of the Guarantee in the PRC.

If we are unable to comply with the restrictions and covenants in our debt agreements (if any) or the Bonds, there could be a default under the terms of these agreements or the Bonds, which could cause repayment of our debt to be accelerated.

If we are unable to comply with the restrictions and covenants in the Bonds, or our current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under those agreements, the holders of the debt could terminate their commitments to lend to us, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements, as the case may be. Furthermore, some of our debt agreements, contain cross-acceleration or cross-default provisions. As a result, our default under one debt agreement may cause the acceleration of repayment of not only such debt but also other debt or result in a default under our other debt agreements, including the Bonds. If any of these events occur, we cannot assure you that our assets and cash flow would be sufficient to repay in full all of our indebtedness, or that we would be able to find alternative financing. Even if we could obtain alternative financing, we cannot assure you that it would be on terms that are favourable or acceptable to us.

The Trustee may request the holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, the Trustee may, at its sole discretion, request holders of the Bonds to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions and/or steps and/or institute proceedings on behalf of holders of the Bonds. The Trustee shall not be obliged to take any such actions and/or institute proceedings if not indemnified and/or secured and/or pre-funded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions and/or steps can be taken and/or when such proceedings can be instituted. The Trustee may not be able to take actions and/or steps and/or institute such proceedings, notwithstanding the provision of an indemnity and/or security and/or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds, and in circumstances where there is uncertainty or dispute as to the applicable laws or regulations and, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions and/or steps and/or institute any proceedings directly.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Guarantee, the Agency Agreement and the Trust Deed by the Trustee or less than all of the holders of the Bonds, and decisions may be made on behalf of all holders of the Bonds that may be adverse to the interests of the individual holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may (but shall not be obliged to), without the consent of the Bondholders, agree to any modification (except as mentioned in the Trust Deed) of the Trust Deed, the Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Trust Deed, the Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement which is in the opinion of the Trustee of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law.

The Trust Deed also contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders including those Bondholders who did not attend and vote at the relevant meeting or participate in the written resolutions or electronic consents and those Bondholders who voted in a manner contrary to the majority. There is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual holders of the Bonds.

In addition, the Trustee may (but shall not be obliged to), without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Trust Deed, the Guarantee, the Terms and Conditions of the Bonds and/or the Agency Agreement if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

We may not be able to redeem the Bonds upon a Change of Control Triggering Event.

At any time following the occurrence of a Change of Control Triggering Event (as defined in the *Terms and Conditions of the Bonds*), the holder of the Bonds will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Change of Control Put Date at 100 per cent. of their principal amount, together with accrued interest. See the sections headed "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption upon a Change of Control Triggering Event*". However, we may not have sufficient available funds at the time of the occurrence of any Change of Control Triggering Event to redeem the outstanding Bonds. Our failure to make the offer to redeem or to redeem the outstanding Bonds would constitute an event of default under the Bonds. The event of default may, in turn, constitute an event of default under other indebtedness, any of which could cause the related debt to be accelerated after any applicable notice or grace periods. If our other debts were to be accelerated, we may not have sufficient funds to purchase the Bonds and repay the debt.

We may redeem the Bonds in whole, but not in part, at their principal amount, together with accrued interest (if any) in the event we are required to pay additional amounts as a result of future changes in tax law or official positions with respect thereto.

As described under "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Tax Reasons*", in the event we are required to pay additional amounts as a result of future changes in specified tax law or future changes in the existing official position or the stating of an official position regarding the application or interpretation of such tax law that results in our being required to withhold tax on interest payments due to the Issuer being treated as a PRC resident enterprise, we may redeem the Bonds in whole, but not in part, at a redemption price equal to 100% of the principal amount plus accrued interest (if any).

The Bonds will initially be held in book-entry form, and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially only be issued in global certificate form and held through the CMU. Interests in the Bonds represented by the global certificate will trade in book-entry form only, and Bonds in definitive registered form, or definitive registered Bonds, will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds. The nominee of the sub-custodian for the HKMA as operator of the CMU will be the sole registered holder of the global certificate representing the Bonds. Payments of principal, interest and other amounts, as applicable, owing on or in respect of the global certificate representing the Bonds will be made to the CMU Lodging and Paying Agent, which will make payments to the CMU. Thereafter, these payments will be credited to accounts of participants that hold book-entry interests in the global certificate representing the Bonds and credited by such participants to indirect participants. After payment to the nominee of the sub-custodian for the HKMA as operator of the CMU, we will have no responsibility or liability for the payment of interest, principal or other amounts to the owners of book-entry interests. Accordingly, if you own a book-entry interest, you must rely on the procedures of the CMU or, if you are not a participant in the CMU, on the procedures of the participant through which you own your interest, to exercise any rights and obligations of holders of the Bonds under the Trust Deed.

Unlike the holders of the Bonds themselves, owners of book-entry interests will not have the direct right to act upon our solicitations for consents, requests for waivers or other actions from holders of the Bonds. Instead, if you own a book-entry interest, you will be permitted to act only to the extent you have received appropriate proxies to do so from the CMU. The procedures implemented for the granting of such proxies may not be sufficient to enable you to vote on a timely basis. The procedures to be implemented through the CMU may not be adequate to ensure the timely exercise of rights under the Bonds.

The rating assigned to the Bonds and our corporate rating may be lowered or withdrawn in the future.

The Bonds are expected to be assigned a rating of "A+" by S&P. The rating addresses our ability to perform our obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. In addition, we have been assigned a corporate rating of "A1" with negative outlook by Moody's, "A+" with stable outlook by S&P and "A+" with stable outlook by Fitch. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time. We cannot assure you that a rating will remain for any given period of time or that a rating will not be lowered or withdrawn entirely by the relevant rating agency if in its judgment circumstances in the future so warrant. We have no obligation to inform holders of the Bonds of any such revision, downgrade or withdrawal. A suspension, reduction or withdrawal at any time of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in our revenues, earnings and cash flows, proposals for new investments, strategic alliances and acquisitions, changes in interest rates, fluctuations in price for comparable companies, government regulations and changes thereof applicable to our industry and general economic conditions nationally or internationally could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the trading volume and price of the Bonds. There can be no assurance that these developments will not occur in the future.

Renminbi is not freely convertible and there are regulations on the remittance of Renminbi into and out of the PRC which may adversely affect the liquidity of the Bonds.

Renminbi is not freely convertible at present. The PRC government continues to regulate conversion between Renminbi and foreign currencies, including the Hong Kong dollar, despite significant reduction in control by it in recent years over trade transactions involving the import and export of goods and services as well as other frequent routine foreign exchange transactions. These transactions are known as current account items. However, remittance of Renminbi into and out of the PRC for settlement of capital account items, such as capital contributions, debt financing and securities investment, is generally only permitted upon obtaining specific approvals from or completing specific registrations or filing with the relevant authorities on a case-by-case basis and subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into and out of the PRC for settlement of capital account items are being adjusted from time to time to match the policies of the PRC government.

Although the Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016, and the People's Bank of China (the "**PBOC**") and the Ministry of Commerce of the PRC have implemented policies for further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies, there is no assurance that the PRC government will continue to gradually liberalise control over cross-border remittance of Renminbi in the future, that any pilot schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of further regulating the remittance of Renminbi into or outside the PRC. In the event that any regulations inhibit the ability of the Issuer or the Guarantor to repatriate funds outside the PRC to meet its obligations under the Bonds, the Issuer or the Guarantor will need to source Renminbi offshore to finance such obligations under the relevant Bonds, and its ability to do so will be subject to the overall availability of Renminbi outside the PRC.

In addition, holders of beneficial interests in the Bonds may be required to provide certifications and other information (including Renminbi account information) in order to allow such holder to receive payments in Renminbi in accordance with the Renminbi clearing and settlement system for participating banks in Hong Kong.

There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of the Bonds and the Issuer's or the Guarantor's ability to source Renminbi outside the PRC to service the Bonds.

As a result of the regulations imposed by the PRC government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBOC has entered into agreements on the clearing of Renminbi business (the "**Settlement Arrangements**") with financial institutions (each, a "**Renminbi Clearing Bank**") in a number of financial centres and cities, including but not limited to Hong Kong, London, Frankfurt and Singapore, has established the Cross-Border Inter-Bank Payments System (CIPS) to facilitate cross-border Renminbi settlement and is in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions (the "**Settlement Arrangements**"), the current size of Renminbi-denominated financial assets outside the PRC remains limited.

There are regulations imposed by the PBOC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from the PBOC, although the PBOC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from the PBOC to square open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In such cases, where the participating banks cannot source sufficient Renminbi through the above channels, the participating banks will need to source Renminbi from the offshore market to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of regulating availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Bonds. To the extent the Issuer or the Guarantor is required to source Renminbi outside the PRC to service the Bonds, there is no assurance that the Issuer or the Guarantor will be able to source such Renminbi on satisfactory terms, if at all.

Remittance of proceeds into or outside of the PRC in Renminbi may be difficult.

In the event that the Issuer decides to remit some or all of the proceeds into the PRC in Renminbi, its ability to do so will be subject to obtaining all necessary approvals from, and/or registration or filing with, the relevant PRC government authorities. However, there can be no assurance that the necessary approvals from, and/or registration or filing with, the relevant PRC government authorities will be obtained at all or, if obtained, they will not be revoked or amended in the future.

In the event that the Issuer does remit some or all of the proceeds into the PRC in Renminbi and the Issuer or the Guarantor subsequently is not able to repatriate funds outside the PRC in Renminbi, the Issuer or the Guarantor will need to source Renminbi outside the PRC to finance its respective obligations under the Bonds, and their ability to do so will be subject to the overall availability of Renminbi outside the PRC.

Investment in the Bonds is subject to exchange rate risks.

The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates from time to time and is affected by changes in the PRC and international political and economic conditions as well as other factors. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the U.S. dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies. In May 2017, the PBOC further decided to introduce counter-cyclical factors to offset the market pro-cyclicality, so that the midpoint quotes could adequately reflect China's actual economic performance. However, the volatility in the value of the Renminbi against other currencies still exists. The Issuer and the Guarantor will make all payments of interest and principal with respect to the Bonds in Renminbi unless otherwise specified. As a result, the value of these Renminbi payments may vary with the changes in the prevailing exchange rates in the marketplace. If an investor measures its investment returns by reference to a currency other than Renminbi, an investment in the Bonds entails foreign exchange related risks, including possible significant changes in the value of Renminbi relative to the currency by reference to which an investor measures its investment returns. Depreciation of Renminbi against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. Accordingly, the value of the investment made by a holder of the Bonds in that foreign currency will decline.

Payments with respect to the Bonds may be made only in the manner designated in the Bonds.

All payments to investors in respect of the Bonds will be made solely (i) for so long as the Bonds are represented by global certificates lodged with a sub-custodian for or registered with the CMU, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong in accordance with prevailing CMU rules and procedures or (ii) for so long as the Bonds are in definitive form, by transfer to a Renminbi account maintained by or on behalf of the holder with a bank in Hong Kong in accordance with prevailing rules and regulations. Neither the Issuer nor the Guarantor is required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft, or by transfer to a bank account in the PRC).

There may be PRC tax consequences with respect to investment in the Bonds.

In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situation as well as any tax consequences arising under the laws of any other tax jurisdictions. The value of the holder's investment in the Bonds may be materially and adversely affected if the holder is required to pay PRC tax with respect to acquiring, holding or disposing of and receiving payments under those Bonds.

Investment in the Bonds is subject to interest rate risks.

The value of Renminbi payments under Bonds may be susceptible to interest rate fluctuations occurring within and outside the PRC, including PRC Renminbi repo rates and/or the Shanghai inter-bank offered rate. The PRC government has gradually liberalised its regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. In addition, the interest rate for Renminbi in markets outside the PRC may significantly deviate from the interest rate for Renminbi in the PRC as a result of foreign exchange controls imposed by PRC law and regulations and prevailing market conditions.

The Bonds will carry a fixed interest rate. Consequently, the trading price of such Bonds will vary with the fluctuations in the Renminbi interest rates. If holders of the Bonds propose to sell their Bonds before their maturity, they may receive an offer lower than the amount they have invested.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the subprime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Trust Deed and Agency Agreement are governed by English law, whereas parties to these documents will submit to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the "Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned", judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus such holders' ability to initiate a claim outside Hong Kong will be limited.

In addition, the Company as an SOE may be entitled to immunity if it can demonstrate to the Hong Kong courts that it was acting under the control of the state at the time that it entered into the Trust Deed and Agency Agreement. This will be a fact-sensitive analysis on a case-by-case basis. The holders' ability to bring enforcement action against the Company in Hong Kong may be limited if the Company can demonstrate its entitlement to crown immunity and does not waive such immunity at the time of proceedings in the Hong Kong courts.

A trading market for the Bonds may not develop, and there are restrictions on resales of the Bonds.

Application will be made to the Hong Kong Stock Exchange for the listing of the Bonds. However, we cannot assure you that we will obtain or be able to maintain a listing of the Bonds on the Hong Kong Stock Exchange.

One or more initial investors may subscribe for a material proportion of the aggregate principal amount of the Bonds which may reduce the liquidity of the Bonds in the secondary trading market and such investors may have certain influence on matters voted on by holders. Accordingly, there can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, our operations and the market for similar securities. Further, the Bonds may be allocated to a limited number of investors, in which case liquidity may be limited. We have been advised that the Joint Lead Managers intend to make a market in the Bonds, but the Joint Lead Managers are not obligated to do so and may discontinue such market making activity at any time without notice.

In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, holders will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act. The Bonds and the Trust Deed will contain provisions that will restrict the Bonds from being offered, sold or otherwise transferred except pursuant to the exemptions available. It is the investors' obligation to ensure that their offers and sales of the Bonds within the United States and other countries comply with applicable securities laws. See "*Subscription and Sale*". The Issuer and the Company cannot predict whether an active trading market for the Bonds will develop or be sustained. If an active trading market does not develop or is sustained, the market price and liquidity of the Bonds could be adversely affected.

The Issuer may issue additional Bonds in the future.

The Issuer may, from time to time, and without the consent of the holders of the Bonds, create and issue further securities (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as it may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

The insolvency laws of the British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer is incorporated under the laws of the British Virgin Islands and the Company is incorporated under the laws of the PRC, an insolvency proceeding relating to the Issuer or the Company would likely involve the insolvency laws of the British Virgin Islands or the PRC, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

Investment in the Bonds may subject investors to foreign exchange related risks.

The Bonds are denominated and payable in Renminbi. An investor who measures investment returns by reference to a currency other than Renminbi would be subject to foreign exchange risks by virtue of an investment in the Bonds, due to, among other things, economic, political and other factors over which we have no control. Depreciation of the Renminbi against such currency could cause a decrease in the effective yield of the Bonds below their stated coupon rates and could result in a loss when the return on the Bonds is translated into such currency. In addition, there may be tax consequences for investors as a result of any foreign currency gains resulting from any investment in the Bonds.

There may be less publicly available information about the Company and PRC corporate disclosure, and our financial statements are prepared according to PRC GAAP, which may differ significantly from generally accepted accounting principles in other jurisdictions.

The Company is a private company not listed on any stock exchange. There may be less publicly available information about the Company and its subsidiaries than is regularly made available by public companies in certain other countries, including the United States. In addition, the financial information in this offering circular has been prepared in accordance with PRC GAAP, which differ in certain respects from generally accepted accounting principles in other jurisdictions, or other GAAPs, which might be material to the financial information contained in this offering circular. We have not prepared a reconciliation of our consolidated financial statements and related footnotes between PRC GAAP and other GAAP. In making an investment decision, you must rely upon your own examination of us, the terms of the offering and our financial information. You should consult your own professional advisers for an understanding of the differences between PRC GAAP and other GAAPs and how those differences might affect the financial information contained in this offering circular.

Certain facts and statistics are derived from publications not independently verified by the Issuer, the Company, the Joint Lead Managers or their respective advisors.

Facts and statistics in this offering circular relating to China's economy and the industries in which the Company and the Issuer operate are derived from publicly available sources. While the Issuer and the Company have taken reasonable care to ensure that the facts and statistics presented are accurately reproduced from such sources, they have not been independently verified by the Issuer, the Company, the Joint Lead Managers or their respective advisors and, therefore, the Issuer, the Company, the Joint Lead Managers or their respective advisors make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside China. Due to ineffective calculation and collection methods and other problems, the facts and statistics herein may be inaccurate or may not be comparable to facts and statistics produced for other economies and should not be unduly relied upon.

We will follow the applicable corporate disclosure standards for debt securities listed on the Hong Kong Stock Exchange, which standards may be different from those applicable to debt securities listed in certain other countries.

For so long as the Bonds are listed on the Hong Kong Stock Exchange, we will be subject to continuing listing obligations in respect of the Bonds. The disclosure standards imposed by the Hong Kong Stock Exchange may be different than those imposed by securities exchanges in other countries or regions such as the United States or Singapore. As a result, the level of information that is available may not correspond to what investors in the Bonds are accustomed to.

The Guarantee may be challenged under applicable insolvency or fraudulent transfer laws, which could impair the enforceability of the Guarantee.

Under bankruptcy laws, fraudulent transfer laws, insolvency or unfair preference or similar laws in the British Virgin Islands, the PRC and other relevant jurisdictions, a guarantee could be voided, or claims in respect of a guarantee could be subordinated to all other debts of that guarantor if, among other things, the guarantor, at the time it incurred the indebtedness evidenced by, or when it gives, its guarantee:

- incurred the debt with the intent to hinder, delay or defraud creditors or was influenced by a desire to put the beneficiary of the guarantee in a position which, in the event of the guarantor's insolvency, would be better than the position the beneficiary would have been in had the guarantee not been given;
- received less than reasonably equivalent value or fair consideration for the incurrence of such guarantee;
- was insolvent or rendered insolvent by reason of the incurrence of such guarantee;
- was engaged in a business or transaction for which the guarantor's remaining assets constituted unreasonably small capital; or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature.

The measure of insolvency for purposes of the foregoing will vary depending on the laws of the applicable jurisdiction. Generally, however, a guarantor would be considered insolvent at a particular time if it were unable to pay its debts as they fell due or if the sum of its debts was then greater than all of its properties at a fair valuation or if the present fair saleable value of its assets was then less than the amount that would be required to pay its probable liabilities in respect of its existing debts as they became absolute and matured.

In addition, a guarantee may be subject to review under applicable insolvency or fraudulent transfer laws in certain jurisdictions or subject to a lawsuit by or on behalf of creditors of the guarantor. In such case, the analysis set forth above would generally apply, except that the guarantee could also be subject to the claim that, since the guarantee was not incurred for the benefit of the guarantor, the obligations of the guarantor thereunder were incurred for less than reasonably equivalent value or fair consideration.

In an attempt to limit the applicability of insolvency and fraudulent transfer laws in certain jurisdictions, the obligations of the Company under the Guarantee will be limited to the maximum amount that can be guaranteed by the Company without rendering the guarantee, as it relates to the Company, voidable under such applicable insolvency or fraudulent transfer laws.

If a court voids the Guarantee, subordinates such Guarantee to other indebtedness of the Company or holds such Guarantee unenforceable for any other reason, holders of the Bonds would cease to have a claim against the Company based upon the Guarantee, would be subject to the prior payment of all liabilities (including trade payables) of the Company. We cannot assure you that, in such an event, after providing for all prior claims, there would be sufficient assets to satisfy the claims of the holders of the Bonds.

TERMS AND CONDITIONS OF THE BONDS

The following other than the words in italics is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of RMB1,000,000,000 2.60 per cent. guaranteed bonds due 2026 (the "**Bonds**", which term shall include, unless the context requires otherwise, any Additional Bonds (as defined below) issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by a resolution of the board of directors of CNPC Global Capital Limited (the "**Issuer**") passed on 6 December 2023. The Bonds are guaranteed by China National Petroleum Corporation (中國石油天然氣集團有限公司) (the "**Company**"). The giving of the Guarantee (as defined in Condition 3(b)) was authorised by a resolutions of the board of directors of the Company on 27 December 2023 and an approval of the General Accountant of the Company dated 19 July 2023. The Bonds are constituted by a trust deed (as amended and supplemented from time to time, the "**Trust Deed**") dated on or about 25 January 2024 (the "**Issue Date**") between the Issuer, the Company and Citicorp International Limited (the "**Trustee**" which expression shall, where the context so permits, include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the Bondholders (as defined below). These terms and conditions (the "**Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. Copies of the Trust Deed and of the agency agreement dated on or about the Issue Date relating to the Bonds (as amended and supplemented from time to time, the "**Agency Agreement**") between the Issuer, the Company, the Trustee, Citicorp International Limited as registrar (the "**Registrar**"), as transfer agent (the "**Transfer Agent**") and as initial CMU lodging and paying agent (the "**CMU Lodging and Paying Agent**"), and any other agents named in it, are available for inspection upon prior written request and proof of holding and identity to the satisfaction of the Trustee or, as the case may be, the CMU Lodging and Paying Agent by Bondholders during usual business hours at the specified office for the time being of the Trustee (being at the Issue Date at 20th Floor, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the CMU Lodging and Paying Agent. The "**Agents**" means the CMU Lodging and Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in the Conditions will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in registered form in specified denominations of RMB1,000,000 and integral multiples of RMB10,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") which will be issued to each Bondholder in respect of its holding or holdings of Bonds and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same Holder (as defined below).

Title to the Bonds shall pass by and upon registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the Holder of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the Holder.

In these Conditions, "**Bondholder**" and "**Holder**" means the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of, and lodged with a sub-custodian for, the Hong Kong Monetary Authority as operator (the "**Operator**") of the Central Moneymarkets Unit Service (the "**CMU**"). These Conditions are modified by certain provisions contained in the Global Certificate while any of the Bonds are represented by the Global Certificate. See "Summary of Provisions relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in the Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds.

2 TRANSFERS OF BONDS

(a) **Transfer**: A holding of Bonds may, subject to Condition 2(d) and Condition 2(e) and the provisions of the Agency Agreement, be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a Holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(b) **Delivery of New Certificates**: Each new Certificate to be issued shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery of such form of transfer and surrender of Certificate, as applicable, shall have been made or, at the option of the Holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the Holder entitled to the new Certificate (but free of charge to the Holder and at the Issuer's expense) to such address as may be so specified, unless such Holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer Free of Charge**: Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Registrar or the relevant Transfer Agent may require); (ii) the Registrar being satisfied in its absolute discretion with the documents of title or identity of the person making the application and (iii) the relevant Agent being satisfied that the regulations concerning transfer of Bonds have been complied with.

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after the exercise of the put option in Condition 6(c) or Condition 6(d), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

(e) **Regulations Concerning Transfer and Registration**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning the transfer of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available by the Registrar to any Bondholder upon prior written request and satisfactory proof of holding.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules and procedures for the time being of the CMU.

3 STATUS AND GUARANTEE

(a) **Status**: The Bonds constitute direct, general, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation that are both mandatory and of general application and subject to Condition 4(a), at all times rank at least *pari passu* in right of payment with all the Issuer's other present and future unsecured and unsubordinated obligations.

(b) **Guarantee**: The Company has unconditionally and irrevocably guaranteed the due and punctual payment of all sums from time to time payable by the Issuer under the Bonds and all other monies payable by the Issuer under or pursuant to the Trust Deed. The Company's obligations in respect of the Bonds and the Trust Deed (the "**Guarantee**") are contained in the Trust Deed (and any supplement thereto). The obligations of the Company under the Guarantee shall, save for such exceptions as may be provided by applicable legislation that are both mandatory and of general application and subject to Condition 4(a), at all times rank at least *pari passu* in right of payment with all its other present and future unsecured and unsubordinated obligations.

4 COVENANTS

(a) **Limitation on Liens**: The Company will not, and will not permit the Issuer or any Principal Subsidiary to, create, incur, assume or permit to exist any Lien upon any of their respective properties or assets, now owned or hereafter acquired, to secure any Relevant Indebtedness of the Company, the Issuer or such Principal Subsidiary (or to secure any guarantees or indemnity in respect thereof) without, in any such case, making effective provision whereby the Bonds and the Guarantee will be secured either at least equally and ratably with such Relevant Indebtedness (or any guarantees or indemnity in respect thereof) or by such other Lien as shall have been approved by the Holders pursuant to the Trust Deed, for so long as such Relevant Indebtedness (or any guarantees or indemnity in respect thereof) will be so secured, unless, after giving effect thereto, the aggregate outstanding principal amount of all such secured Relevant Indebtedness (or any guarantees or indemnity in respect thereof) entered into after the Issue Date does not exceed 20 per cent. of the Company's Adjusted Consolidated Net Worth determined at the time of creation of such Lien.

The foregoing restriction will not apply to:

(i) any Lien existing on or prior to the date of issue of the Bonds;

(ii) any Lien existing on any property or asset prior to the acquisition thereof by the Issuer or the Company or arising after such acquisition pursuant to contractual commitments entered into prior to and not in contemplation of such acquisition;

(iii) any Lien on any property or asset securing Relevant Indebtedness incurred or assumed for the purpose of financing the purchase price thereof or the cost of construction, improvement or repair of all or any part thereof; provided that such Lien attaches to such property concurrently with or within 12 months after the acquisition thereof or completion of construction, improvement or repair thereof;

(iv) any Lien securing Relevant Indebtedness owing to or held by the Issuer or the Company;

(v) any Lien arising or already arisen automatically by operation of law which is promptly discharged or disputed in good faith by appropriate proceedings;

(vi) Liens on money paid to or money or securities deposited with a fiscal agent, trustee or depository to pay or discharge in full the obligations of the Company or the Issuer in respect of Relevant Indebtedness (provided that such money or securities so paid or deposited, and the proceeds therefrom, will be sufficient to pay or discharge such obligations in full); or

(vii) any Lien arising out of the refinancing, extension, renewal or refunding of any Relevant Indebtedness secured by any Lien permitted by any of the foregoing clauses; provided that such Relevant Indebtedness is not increased and is not secured by any additional property or assets.

(b) **Consolidation, Merger and Sale of Assets**: Neither the Company nor the Issuer will consolidate with or merge into any other Person in a transaction in which the Company or the Issuer, as the case may be, is not the surviving entity, or convey, transfer or lease its properties and assets substantially as an entirety to any Person unless:

(i) any Person formed by such consolidation or into which the Company or the Issuer, as the case may be, is merged or to whom the Company or the Issuer, as the case may be, has conveyed, transferred or leased its properties and assets substantially as an entirety is a corporation, partnership, trust or other entity validly existing under the laws of the jurisdiction of its organisation and such Person expressly assumes by a trust deed supplemental to the Trust Deed or other documents or instruments, as applicable, all the obligations of the Company or the Issuer under the Trust Deed, the Bonds or the Guarantee, as the case may be;

(ii) immediately after giving effect to the transaction, no Event of Default, and no event which, after notice or lapse of time or both, would become an Event of Default, shall have occurred and be continuing;

(iii) any such Person not organised and validly existing under the laws of the PRC (in the case of the Company) or the British Virgin Islands (in the case of the Issuer) shall expressly agree in a supplemental trust deed or other documents or instruments, as applicable, that its jurisdiction of organisation (or any political subdivision, territory or possession thereof, any taxing authority therein or any area subject to its jurisdiction) will be added to the list of Relevant Jurisdictions (as defined in Condition 8); and

(iv) if, as a result of the transaction, any property or asset of the Company or any of the Company's Subsidiaries would become subject to a Lien that would not be permitted under Condition 4(a), the Company, the Issuer or such successor Person takes such steps as shall be necessary to secure the Bonds and the Guarantee at least equally and ratably with the Relevant Indebtedness (or any guarantees or indemnity in respect thereof) secured by such Lien or by such other Lien as shall have been approved by the Holders pursuant to the Trust Deed.

(c) **Financial Information**:

For so long as any Bond remains outstanding, the Company will send to the Trustee: (A) as soon as they are available, but in any event within 180 calendar days after the end of the fiscal year of the Company (which ends on 31 December), copies of its financial statements (on a consolidated basis) in English in respect of such fiscal year (including a statement of income, balance sheet and cash flow statement) audited by a member firm of independent accountants; and (B) as soon as they are available, but in any event within 135 calendar days after the end of the first semi-annual fiscal period of the Company, copies of its unaudited financial statements (on a consolidated basis) in Chinese in respect of such semi-annual period (including a statement of income, balance sheet and cash flow statement) prepared on a basis consistent with the audited financial statements of the Company, together with a certificate signed by an authorised accounting officer of the Company, to the effect that such financial statements are true in all material respects and present fairly the financial position of the Company, as at the end of, and the results of its operations for, the relevant semi-annual period, provided that if at any time the Capital Stock of the Company is listed for trading on a recognised stock exchange, the Company will send to the Trustee, as soon as they are available but in any event not more than 10 calendar days after any financial or other reports of the Company are filed with any recognised exchange on which the Company's Capital Stock is at any time listed for trading, true and correct copies of any financial or other report filed with such exchange in lieu of the reports identified in sub-clauses (A) and (B) above.

(d) **Issuer Activities**: For so long as any of the Bonds are outstanding:

(i) the Issuer will not conduct any business or any other activities other than the offering, sale or issuance of Indebtedness and the transfer of the proceeds thereof to any company controlled, directly or indirectly, by the Company and located or incorporated in a jurisdiction outside the PRC and any other activities in connection therewith or related thereto, including any activity (A) undertaken with the purpose of fulfilling any obligations under such Indebtedness or for purposes of consent, solicitation or tender for such Indebtedness or refinancing such Indebtedness and (B) directly related to the establishment and/or maintenance of the Issuer's corporate existence;

(ii) the Company shall procure that the Issuer will not commence or take any action to cause a winding-up or liquidation of the Issuer; and

(iii) the Company will own and control directly or indirectly or in combination (through controlled Subsidiaries) at least 50.1 per cent. of the Voting Shares of the Issuer.

(e) **Undertakings relating to the Guarantee**: The Company undertakes that it will use its best endeavours to complete the Cross-Border Security Registration and obtain a registration record from SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations in relation to the Guarantee. In addition, within five PRC Business Days after receipt of the registration certificate from SAFE (or any other document evidencing completion of registration issued by SAFE), the Issuer shall deliver to the Trustee a certificate in the form attached as Schedule 5 to the Trust Deed confirming the completion of the Cross-Border Security Registration and attaching a notice to be delivered to the Bondholders. The Trustee shall have no obligation to monitor, assist with or ensure the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the Cross-Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(f) **NDRC Registration**: The Company undertakes that it will, within the relevant prescribed timeframes after the Issue Date, file or cause to be filed with the National Development and Reform Commission or its local counterparts (the "**NDRC**") requisite information and documents in respect of the Bonds (the "**NDRC Filings**") in accordance with the Administrative Measures for the Review and Registration of Medium and Long-term Foreign Debt of Enterprises (企業中長期外債審核登記管理辦法(國家發展和改革委員會令第56號)) issued by the NDRC which came into effect on 10 February 2023 and any implementation rules, reports, certificates, approvals or guidelines as issued by the NDRC from time to time, including but not limited to, the filing with the NDRC the requisite information and documents in respect of the issue of the Bonds within ten PRC Business Days after the Issue Date (the "**NDRC Post-Issuance Filing**").

The Trustee shall have no obligation or duty to monitor, assist with or ensure the completion of any NDRC Filings within the relevant timeframe referred to above or to verify the accuracy, validity and/or genuineness of any certificate, confirmation or other documents in relation to or in connection with any NDRC Filings or to give notice to the Bondholders confirming the completion of any such NDRC Filings, and shall not be liable to any Bondholder or any other person for not doing so.

In these Conditions:

"**Adjusted Consolidated Net Worth**" means the sum of the Company's (a) shareholders' equity as determined under PRC GAAP as calculated by reference to the then latest audited financial statements and (b) Subordinated Indebtedness;

"**Capital Stock**" means any and all shares, interests (including joint venture interests), participations or other equivalents (however designated) of capital stock of a corporation or any and all equivalent ownership interests in a Person (other than a corporation);

"**Cross-Border Security Registration**" means the completion of the registration with the Beijing Branch of the State Administration of Foreign Exchange ("**SAFE**") of the Guarantee, in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014;

"**Indebtedness**" of any Person means, at any date, without duplication, (i) any outstanding indebtedness for or in respect of money borrowed (including bonds, debentures, notes or other similar instruments, whether or not listed) that is evidenced by any agreement or instrument, excluding trade payables, (ii) all non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit or similar instrument, and (iii) all Indebtedness of others guaranteed by such Person;

"**Lien**" means any mortgage, charge, pledge, lien, encumbrance, hypothecation, title retention, security interest or security arrangement of any kind;

"**Person**" means any state-owned enterprise, individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company, government or any agency or political subdivision thereof or any other entity;

"**PRC**" means the People's Republic of China, excluding, for the purposes of these Conditions only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which banks in Beijing are not authorised or obligated by law or executive order to be closed;

"**PRC GAAP**" means PRC Accounting Standards and Accounting Regulations for Business Enterprises promulgated by the PRC Ministry of Finance;

"**Principal Subsidiary**" at any time shall mean any one of the Company's Subsidiaries:

(i) as to which the following conditions are satisfied:

(A) its net profit or (in the case of one of the Company's Subsidiaries which has Subsidiaries) consolidated net profit attributable to the Company (in each case before taxation and exceptional items) is at least 10 per cent. of the Company's consolidated net profit (before taxation and exceptional items); and

(B) its net assets or (in the case of one of the Company's Subsidiaries which has Subsidiaries) consolidated net assets attributable to the Company (in each case after deducting minority interests in Subsidiaries) are at least 10 per cent. of the Company's consolidated net assets (after deducting minority interests in Subsidiaries),

all as calculated by reference to the then latest audited financial statements (consolidated or, as the case may be, unconsolidated) of the Company's Subsidiary and the Company's then latest consolidated financial statements, provided that: (1) in the case of a Subsidiary of the Company acquired after the end of the financial period to which the then latest relevant audited accounts relate, the reference to the then latest audited accounts for the purposes of the calculation above shall, until audited accounts for the financial period in which the acquisition is made are published, be deemed to be a reference to the accounts adjusted to consolidate the latest audited accounts of the Subsidiary in such accounts; (2) if, in the case of a Subsidiary of the Company which itself has one or more Subsidiaries, no consolidated accounts are prepared and audited, its consolidated net assets and consolidated net profit shall be determined on the basis of *pro forma* consolidated accounts of the relevant Subsidiary and its Subsidiaries prepared for this purpose and opined on by its auditors; or (3) if the accounts of a Subsidiary of the Company (not being a Subsidiary referred to in (1) above) are not consolidated with those of the Company then the determination of whether or not the Subsidiary is a Principal Subsidiary shall, if the Company requires, be based on a *pro forma* consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts of the Company and its Subsidiaries; or

(ii) to which is transferred all or substantially all of the assets of the Company's Subsidiary which immediately prior to the transfer was a Principal Subsidiary, provided that, with effect from such transfer, the Subsidiary which so transfers its assets and undertakings shall cease to be a Principal Subsidiary (but without prejudice to paragraph (i) above) and the Company's Subsidiary to which the assets are so transferred shall become a Principal Subsidiary.

A certificate of the Company's auditors as to whether or not the Company's Subsidiary is a Principal Subsidiary shall be conclusive and binding on all parties in the absence of manifest error.

"**Registration Deadline**" means the day falling 150 PRC Business Days after the Issue Date or, with respect to further issues pursuant to Condition 15, the issue date of such Additional Bonds;

"**Relevant Indebtedness**" of any Person means, at any date, Indebtedness, (a) that has a final maturity of one year or more from the date of incurrence or issuance of such Indebtedness and (b) is in the form of, is represented or embodied by, bonds, notes, debentures, debenture stock, loan stock or other securities which are, or intended to be, commonly quoted, listed or dealt in or traded on any stock exchange or securities market outside the PRC;

"**Subordinated Indebtedness**" means the Company's Indebtedness (including perpetual debt, which the Company is not required to repay) which (a) has a final maturity and a weighted average life to maturity longer than the remaining life to maturity of the Bonds and (b) is issued or assumed pursuant to, or evidenced by, an indenture or other instrument containing provisions for the subordination of such Indebtedness to the Bonds including (i) a provision that in the event of the Company's bankruptcy, insolvency or other similar proceeding, the Holders of the Bonds shall be entitled to receive payment in full in cash of all principal, Additional Amounts (as defined in Condition 8(a)) and interest on the Bonds (including all interest arising after the commencement of such proceeding whether or not an allowed claim in such proceeding) before the holder or holders of any such Subordinated Indebtedness shall be entitled to receive any payment of principal, interest or premium thereon, (ii) a provision that, if an Event of Default has occurred and is continuing under the Trust Deed, the holder or holders of any such Subordinated Indebtedness shall not be entitled to payment of any principal, interest or premium in respect thereof unless or until such Event of Default shall have been cured or waived or shall have ceased to exist, and (iii) a provision that the holder or holders of such Subordinated Indebtedness may not accelerate the maturity thereof as a result of any default relating thereto so long as any Bond is outstanding;

"**Subsidiary**" means, as applied to any Person, any corporation or other entity of which a majority of the outstanding Voting Shares is, at the time, directly or indirectly, owned by such Person; and

"**Voting Shares**" means, with respect to any Person, the Capital Stock having the general voting power under ordinary circumstances to vote on the election of the members of the board of directors or other governing body of such Person (irrespective of whether or not at the time stock of any other class or classes shall have or might have voting power by reason of the happening of any contingency).

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 2.60 per cent. per annum, payable semi-annually in arrear on 25 January and 25 July in each year (each an "**Interest Payment Date**"), commencing on 25 July 2024. If any Interest Payment Date would otherwise fall on a day which is not a business day (as defined below in this Condition 5), it shall be postponed to the next day which is a business day.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day seven days after the Trustee or the CMU Lodging and Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Holders under these Conditions).

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per RMB10,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall be equal to the product of the rate of interest specified above, the Calculation Amount and the actual number of days in the relevant Interest Period (or such other period) divided by 365, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

In this Condition 5, "**business day**" means a day (other than a Saturday, Sunday or public holiday) upon which commercial banks are generally open for business and settlement of Renminbi payments in Hong Kong.

6 REDEMPTION AND PURCHASE

(a) **Final Redemption**: Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on the Interest Payment Date falling on, or nearest to, 25 January 2026. The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Tax Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part at any time on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount, together with interest accrued (if any) to, but excluding, the date fixed for redemption, if, immediately before giving such notice, the Issuer satisfies the Trustee that as a result of any change in or amendment to the laws of a Relevant Jurisdiction or any regulations or rulings promulgated thereunder, or any change in the official interpretation or official application of such laws, regulations or rulings or the stating of an official position, which change, amendment or statement of official position (A) except as specifically provided in (B), becomes effective, or in the case of a position, is announced, on or after the date of issue of Bonds and (B) in the case of any successor to the Company or the Issuer that is organised or tax resident in a jurisdiction that is not a Relevant Jurisdiction as of the date of issue of the Bonds becomes effective, or in the case of a position, is announced, on or after the date such successor assumes the Company's or the Issuer's obligations, as applicable, under the Bonds and the Trust Deed,

(1) the Issuer is or would be required on the next succeeding due date for a payment with respect to the Bonds to pay Additional Amounts with respect to the Bonds as provided or referred to in Condition 8; or

(2) the Company is or would be unable, after using reasonable measures, on the next succeeding due date for a payment with respect to the Bonds to procure payment by the Issuer, and with respect to a payment due or to become due under the Guarantee, the Company is or would be required on the next succeeding due date for a payment with respect to the Bonds to pay Additional Amounts as provided or referred to in Condition 8 provided that, where any such requirement to pay Additional Amounts is due to taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the PRC, the Company shall only be permitted to redeem the Bonds in accordance with this Condition if such rate of withholding or deduction in respect of which Additional Amounts are required to be paid by the Company is in excess of 10 per cent.

and in each case, such obligation cannot be avoided by the use of reasonable measures available to the Company, the Issuer or any successor Person, as the case may be;

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or the Company, as the case may be, would be obliged to pay such Additional Amounts if a payment in respect of the Bonds were then due or (as the case may be) a demand under the Guarantee were then made.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver or procure that there is delivered to the Trustee (I) an Officer's Certificate (as defined in the Trust Deed) of the Issuer (or, as the case may be, the Company) stating that the circumstances referred to in this Condition 6(b) prevail and setting out the details of such circumstances, and (II) an opinion in form and substance satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that the Issuer or (as the case may be) the Company has or will become obliged to pay such Additional Amounts as a result of such change, amendment or statement of official position. The Trustee shall be entitled to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the circumstances set out in this Condition 6(b), in which event it shall be conclusive and binding on the Bondholders. Upon the expiry of any such notice as is referred to in this Condition 6(b), the Issuer shall be bound to redeem the Bonds in accordance with this Condition 6(b).

(c) **Redemption Upon a No Registration Event**: At any time following the occurrence of a No Registration Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the No Registration Event Put Date at 100 per cent. of their principal amount, together with accrued interest up to, but excluding the No Registration Event Put Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of any Transfer Agent or the Registrar a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Transfer Agent or the Registrar (a "**No Registration Event Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 30 days following a No Registration Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**No Registration Event Put Date**" shall be the fifth day after the expiry of such period of 30 days as referred to above.

A No Registration Event Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the No Registration Event Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than five days following the first day on which it becomes aware of the occurrence of a No Registration Event, which notice shall specify the transaction or transactions that constitute the No Registration Event and the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

In this Condition 6(c):

"**Registration Condition**" means the receipt by the Trustee of a certified true copy of the relevant SAFE registration certificate (or any other document evidencing the completion of registration issued by SAFE) relating to the Cross-Border Security Registration; and

a "**No Registration Event**" occurs when the Registration Condition is not complied with on or before the Registration Deadline.

(d) **Redemption Upon a Change of Control Triggering Event**: At any time following the occurrence of a Change of Control Triggering Event, the Holder of any Bond will have the right, at such Holder's option, to require the Issuer to redeem all but not some only of that Holder's Bonds on the Change of Control Put Date at 100 per cent. of their principal amount, together with accrued interest up to, but excluding the Change of Control Put Date. To exercise such right, the Holder of the relevant Bond must deposit at the specified office of any Transfer Agent or the Registrar a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Transfer Agent or the Registrar (a "**Change of Control Put Exercise Notice**"), together with the Certificates evidencing the Bonds to be redeemed by not later than 60 days following a Change of Control Triggering Event, or, if later, 60 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16. The "**Change of Control Put Date**" shall be the 14th day after the expiry of such period of 60 days as referred to above.

A Change of Control Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Change of Control Put Exercise Notices delivered as aforesaid.

The Issuer shall give notice to Bondholders in accordance with Condition 16 and to the Trustee and the CMU Lodging and Paying Agent in writing by not later than 30 days following the first day on which it becomes aware of the occurrence of a Change of Control Triggering Event, which notice shall specify the transaction or transactions that constitute the Change of Control Triggering Event and the procedure for exercise by Holders of their rights to require redemption of the Bonds pursuant to this Condition 6(d).

In this Condition 6(d):

"**Change of Control**" means at any time, the government of the PRC or Persons controlled by the government of the PRC ceasing to own and control directly or indirectly or in combination (through controlled Subsidiaries) at least 50.1 per cent. of the Voting Shares of the Company;

"**Change of Control Triggering Event**" means a Change of Control, provided that, in the event that the Bonds are, on the Rating Date, rated Investment Grade by one or more Rating Agencies, a Change of Control Triggering Event shall mean the occurrence of both a Change of Control and a Ratings Decline. No Change of Control Triggering Event will be deemed to have occurred in connection with any particular Change of Control unless and until such Change of Control has actually been consummated;

"**Investment Grade**" means a rating of "AAA," "AA," "A" or "BBB," as modified by a "+" or "-" indication, or an equivalent rating representing one of the four highest rating categories, by S&P or any of its successors or assigns; a rating of "Aaa," "Aa," "A" or "Baa," as modified by a "1," "2" or "3" indication, or an equivalent rating representing one of the four highest rating categories, by Moody's or any of its successors or assigns; a rating of "BBB-" or better by Fitch or any of its successors or assigns; or the equivalent ratings of any internationally recognised rating agency or agencies, as the case may be, which shall have been designated by the Company as having been substituted for S&P, Moody's, or Fitch or any combination thereof, as the case may be;

"**Rating Agencies**" means (i) S&P Global Ratings, a division of The McGraw-Hill Companies, Inc., and its successors ("**S&P**"); (ii) Moody's Investors Service, Inc., a subsidiary of Moody's Corporation, and its successors ("**Moody's**"); (iii) Fitch Inc., a subsidiary of Fimalac, S.A., and its successors ("**Fitch**"); and (iv) if one or more of S&P, Moody's or Fitch shall not make a rating of the Bonds publicly available, a United States nationally recognised securities rating agency or agencies, as the case may be, selected by the Company, which shall be substituted for S&P, Moody's or Fitch or any combination thereof, as the case may be;

"**Rating Date**" means, in connection with a Change of Control Triggering Event, that date which is 90 days prior to the earlier of (i) a Change of Control and (ii) a public notice of the occurrence of a Change of Control or of the intention by the Company or any other Person or Persons to effect a Change of Control;

"**Ratings Decline**" means, in connection with a Change of Control, the occurrence on, or within 180 days after, the date, or public notice of the occurrence of, a Change of Control or the intention by the Company or any other person or persons to effect a Change of Control (which period shall be extended (by no more than an additional 90 days after the consummation of the Change of Control) so long as the rating of the Bonds is under publicly announced consideration for possible downgrade by any of the Rating Agencies) of any of the events listed below:

(i) in the event the Bonds (A) are on the Rating Date (1) rated by three Rating Agencies and (2) rated Investment Grade by each such Rating Agency, and (B) cease to be rated Investment Grade by at least two of such Rating Agencies; or

(ii) in the event the Bonds (A) are on the Rating Date (1) rated by two but not more Rating Agencies and (2) rated Investment Grade by each such Rating Agency, and (B) cease to be rated Investment Grade by both such Rating Agencies; or

(iii) in the event the Bonds (A) are on the Rating Date (1) rated by one but not more Rating Agencies and (2) rated Investment Grade by such Rating Agency, and (B) cease to be rated Investment Grade by such Rating Agency.

References to "**principal**" in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(d).

(e) **Notice of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b), any No Registration Event Put Exercise Notice given by a Bondholder pursuant to Condition 6(c) and any Change of Control Put Exercise Notice given by a Bondholder pursuant to Condition 6(d)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(f) **Purchase**: The Issuer, the Company and their respective Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Company or any such Subsidiary, shall not entitle the Holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(g) **Cancellation**: All Bonds purchased by or on behalf of the Issuer, the Company or their respective Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Bonds so purchased may not be held, reissued or resold and the obligations of the Issuer and the Company in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in Renminbi by a transfer to the registered account of the relevant Bondholder. For the purposes of this Condition 7(a)(ii), a Bondholder's "**registered account**" means the Renminbi account maintained by or on behalf of it with a bank in Hong Kong, details of which appear on the Register at the close of business on the Record Date.

*So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, the CMU Lodging and Paying Agent will make payments to the Operator who will make payments to each CMU participant who is for the time being shown in the records of the Operator as the holder of a particular principal amount of Bonds (each an "**accountholder**"). Any payments by the CMU participants to indirect participants will be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants, and the Trustee, the CMU Lodging and Paying Agent and the other Agents shall have no liability to the Bondholders, the Issuer, the Company, the CMU participants, the indirect participants or any other person in respect of any such payment. Save in the case of final payment, no presentation of the Global Certificate shall be required for such purpose.*

(b) **Payments subject to Laws**: All payments are subject in all cases to (i) any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law, regulation or official guidance implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation**: Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, on the due date for payment or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a day on which the CMU Lodging and Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed in the Agency Agreement. The CMU Lodging and Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the CMU Lodging and Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a CMU Lodging and Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed.

Notice of any such termination or appointment or any change of any specified office of an Agent shall as soon as practicable be given by the Issuer to the Bondholders.

(e) **Agency Role**: In acting under the Agency Agreement and in connection with the Bonds, the Agents act solely as agents of the Issuer and (to the extent provided therein) the Trustee and do not assume any obligations towards or relationship of agency or trust for or with any of the Bondholders.

(f) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(g) **Payment not Made in Full**: If the amount of principal and/or premium (if any) being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of, or premium due on, such Certificate, the Registrar will annotate the Register with the amount of principal and/or premium (if any) so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount and/or premium (if any). If the amount of interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of interest so paid.

(h) **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the Holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday or Sunday or a public holiday) on which commercial banks are generally open for business and settlement of Renminbi payments in Beijing and Hong Kong.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, the definition of "Payment Business Day" shall also include a day on which the CMU is operating and open for business.

8 TAXATION

(a) **Gross up**: All payments of principal and interest in respect of the Bonds and/or the Guarantee by or on behalf of the Issuer or the Company shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the British Virgin Islands or the PRC, in each case including any political subdivision, territory or possession thereof, and any authority therein having power to tax (each as applicable, a "**Relevant Jurisdiction**"), unless the withholding or deduction of such taxes, duties, assessments, or governmental charges is required by law. In that event, the Issuer or (as the case may be) the Company shall pay additional amounts (the "**Additional Amounts**") as will result in receipt by the Bondholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such Additional Amounts shall be payable in respect of any Bond:

(i) held by or on behalf of a Holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of its having some connection with the Relevant Jurisdiction other than the mere holding of the Bond; or

(ii) where the relevant Bond or Certificate is presented (where presentation is required) or surrendered for payment more than 30 days after the Relevant Date except to the extent that the Holder of such Bond would have been entitled to such Additional Amounts on presenting or surrendering such Bond or Certificate for payment on the last day of such period of 30 days; or

(iii) with respect to such taxes, duties, assessments or governmental charges in respect of such Bond that would not have been imposed but for the failure of the Holder or beneficial owner to comply with a timely request of the Issuer or the Company addressed to the Holder of such Bond to provide certification or information concerning the nationality, residence or identity of the Holder or beneficial owner of such Bond, if compliance is required as a precondition to relief or exemption from such taxes, duties, assessments or governmental charges; or

(iv) with respect to any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other similar governmental charge; or

(v) with respect to any such taxes, duties, assessments or governmental charges in respect of such Bond payable otherwise than by deduction or withholding from payments under or with respect to any Bond or the Guarantee; or

(vi) any combination of the preceding items (i) through (v) above.

Additional Amounts will not be paid with respect to any payment of the principal of or any interest on any Bond or under the Guarantee, by or on behalf of the Issuer or the Company to any Holder thereof which is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that payment would be required by the laws of the Relevant Jurisdiction to be included in the income of a beneficiary or settlor with respect to the fiduciary, a member of that partnership or a beneficial owner who would not have been entitled to the Additional Amounts had that beneficiary, settlor, member or beneficial owner been the Holder.

Notwithstanding anything herein to the contrary, in no event will the Issuer or the Company (or any successor of the Issuer or the Company) pay any Additional Amounts in respect of any taxes, withholding or deduction imposed pursuant to the provisions of Sections 1471 through 1474 of the Code (including any successor provisions or amendments thereof), any current or future regulations or agreements thereunder, any official interpretations thereof or any law, regulation or official guidance implementing an intergovernmental approach thereto.

(b) **Taxing jurisdiction**: If the Issuer or the Company (or any successor of the Issuer or the Company) becomes subject at any time to any taxing jurisdiction other than the British Virgin Islands or the PRC, references in these Conditions to Relevant Jurisdiction shall be construed to include such other jurisdiction.

In these Conditions:

"**Relevant Date**" in respect of any Bond means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received by the CMU Lodging and Paying Agent or the Trustee on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Bondholders.

Any reference in these Conditions to any payments in respect of the Bonds shall be deemed also to refer to any additional amounts which may be payable under this Condition or under any undertakings given in addition to, or in substitution for, this Condition pursuant to the Trust Deed and any other amount in the nature of principal or interest payable pursuant to these Conditions.

Neither the Trustee nor any Agent shall be responsible for paying any tax, duty, charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and none of them shall be responsible or liable for any failure by the Issuer, the Company, any Bondholder or any third party to pay such tax, duty, charges, withholding for or on account of any tax, duty, charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs and is continuing, then the Trustee at its discretion may (but shall not be obliged) and, if so requested in writing by Holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (subject to the Trustee having been indemnified and/or pre-funded and/or provided with security to its satisfaction), give written notice to the Issuer declaring the Bonds to be immediately due and payable, whereupon they shall become immediately due and payable at their principal amount together with accrued and unpaid interest (if any) without further notice or formality:

(a) **Non-Payment**: there is failure to pay (i) the principal of or any premium on any of the Bonds when due or (ii) any interest on any of the Bonds within 30 days after the due date for such payment;

(b) **Breach of Other Obligations**: the Issuer or the Company does not perform or comply with (i) its obligations under the covenants described under Condition 4(b); (ii) for 45 days after written notice by the Holders of 25 per cent. or more of the aggregate principal amount of the outstanding Bonds, any of its obligations under the covenants described under Condition 6(c) or Condition 6(d) or the covenants described under Condition 4(a) or Condition 4(d) (in each case, other than a failure to purchase Bonds which will constitute an Event of Default under clause (a) above); (iii) any other covenant or agreement of the Company or the Issuer in the Bonds or Trust Deed and such failure continues for 60 days after there has been given, by registered or certified mail, to the Company or the Issuer, as the case may be, by the Trustee or by the Holders of at least 25 per cent. in aggregate principal amount of the Bonds then outstanding (with a copy to the Trustee) a written notice specifying such failure and requiring it to be remedied and stating that such notice is a "Notice of Default" under the Trust Deed;

(c) **Cross-Default**: (i) failure to pay upon final maturity (after giving effect to the expiration of any applicable grace period therefor) the principal of any Indebtedness of the Company, the Issuer or any Principal Subsidiary, (ii) acceleration of the maturity of any Indebtedness of the Company, the Issuer or any Principal Subsidiary following a default by the Company, the Issuer, or such Principal Subsidiary, if such Indebtedness is not discharged, or such acceleration is not annulled, within 10 days after receipt by the Trustee of the written notice from the Company or the Issuer as provided in the Trust Deed, or (iii) failure to pay any amount payable by the Company, the Issuer or any Principal Subsidiary under any guarantee or indemnity in respect of any Indebtedness of any other Person if such obligation is not discharged or otherwise satisfied within 10 days after receipt by the Trustee of written notice from the Company or the Issuer as provided in the Trust Deed; provided, however, that no such event set forth in clause (i), (ii) or (iii) shall constitute an Event of Default unless the aggregate outstanding Indebtedness to which all such events relate exceeds U.S.$200,000,000 (or its equivalent in any other currency);

(d) **Enforcement Proceedings**: failure by the Company, the Issuer or any Principal Subsidiary to pay one or more final judgments from a court of competent jurisdiction in the PRC, the British Virgin Islands or a member country of the Organization for Economic Cooperation and Development, aggregating in excess of U.S.$200,000,000 (or its equivalent in other currencies), which judgments are not paid, discharged or stayed for a period of 60 days;

(e) **Insolvency**: decree or order is entered (i) for relief in respect of the Issuer, the Company or any Principal Subsidiary in an involuntary case of winding up or bankruptcy proceeding under applicable law or (ii) adjudging the Issuer, the Company or any Principal Subsidiary bankrupt or insolvent, or seeking reorganisation, winding up, arrangement, adjustment or composition of or in respect of the Issuer, the Company or any Principal Subsidiary under applicable law, or appointing a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of the Issuer, the Company or any Principal Subsidiary or of any substantial part of any of their respective properties, or ordering the winding up or liquidation of any of their affairs, and any such decree or order remains unstayed and in effect for a period of 60 consecutive days;

(f) **Winding-up**: the Issuer, the Company or any Principal Subsidiary institutes a voluntary case or proceeding under applicable bankruptcy, insolvency, reorganisation or similar law, or any other case or proceedings to be adjudicated bankrupt or insolvent, or the Issuer, the Company or any Principal Subsidiary files a petition or answer or consent seeking reorganisation or relief under applicable bankruptcy, insolvency, reorganisation or similar law, or consents to the filing of any such petition or to the appointment of or taking possession by a custodian, receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of any of the Issuer, the Company or any Principal Subsidiary or of any substantial part of its property, or makes an assignment for the benefit of creditors, or admits in writing its inability to pay its debts generally as they become due or takes corporate action in furtherance of any such action, except for the purpose of and followed by a solvent winding-up, dissolution, reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of any Principal Subsidiary (other than the Issuer), whereby the business, undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer, the Company or another of the Company's Subsidiaries; or

(g) **Unenforceability**: the Guarantee or the Cross-Border Security Registration shall cease to be in full force or effect or (in the case of the Cross-Border Security Registration) revoked, or the Company shall deny or disaffirm its obligations under the Guarantee.

10 PRESCRIPTION

Claims against the Issuer and the Company for payment in respect of the Bonds shall be prescribed and become void unless made within ten years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar and/or such Transfer Agent may require (provided that the requirement is reasonable in light of prevailing market practice). Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER, SUBSTITUTION

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Company or the Trustee and shall be convened by the Trustee if requested to do so by Bondholders holding not less than ten per cent. in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Bondholders at which two or more persons holding or representing not less than 75 per cent. or, at any adjourned meeting, 25 per cent. of the aggregate principal amount of the then outstanding Bonds form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Bondholders, whether present or not. A "**Reserved Matter**" means any proposal to (i) change any date fixed for payment of principal or interest in respect of the Bonds, (ii) reduce or cancel the amount of principal or interest payable on any date in respect of the Bonds, (iii) alter the method of calculating the amount of any payment in respect of the Bonds or the date for any such payment, (iv) change the currency of any payment under the Bonds, (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution or (vi) to cancel, or amend any term of, the Guarantee otherwise than in accordance with Condition 12(b). An "**Extraordinary Resolution**" is defined in the Trust Deed to mean a resolution passed at a duly convened meeting of Bondholders by a majority of not less than 75 per cent. of the votes cast.

In addition, a resolution in writing signed by or on behalf of Holders holding not less than 90 per cent. of the aggregate principal amount of the then outstanding Bonds, who for the time being are entitled to receive notice of a meeting of Bondholders under the Trust Deed will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of two or more Bondholders.

For so long as the Bonds are represented by the Global Certificate, an Extraordinary Resolution includes a consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of all the Bondholders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding.

(b) **Modification and Waiver**: The Trustee may, without the consent of the Bondholders, agree to any modification of these Conditions or the Trust Deed (other than in respect of a Reserved Matter) which is, in the opinion of the Trustee, proper to make if, in the opinion of the Trustee, such modification will not be materially prejudicial to the interests of Bondholders and to any modification of the Bonds or the Trust Deed which is of a formal, minor or technical nature or is to correct a manifest error.

In addition, the Trustee may without the consent of the Bondholders authorise or waive any proposed breach or breach of the Bonds or the Trust Deed (other than a proposed breach or breach relating to the subject of a Reserved Matter) if, in the opinion of the Trustee, the interests of the Bondholders will not be materially prejudiced thereby.

Unless the Trustee agrees otherwise, any such authorisation, waiver or modification shall be notified to the Bondholders as soon as practicable thereafter.

(c) **Substitution**: The Trust Deed contains provisions under which the Company or any Subsidiary of the Company may, without the consent of the Bondholders assume the obligations of the Issuer as principal debtor under the Trust Deed and the Bonds, provided that certain conditions specified in the Trust Deed are fulfilled, including, in the case of a substitution of the Issuer by a company other than the Company, a requirement that the Guarantee is fully effective in relation to the obligations of the new principal debtor under the Trust Deed and the Bonds.

No Bondholder shall, in connection with any substitution, be entitled to claim any indemnification or payment in respect of any tax consequence thereof for such Bondholder except to the extent provided for in Condition 8 (or any undertaking given in addition to or substitution for it pursuant to the provisions of the Trust Deed).

(d) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights, authorities, powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the general interests of the Bondholders as a class and shall not have regard to the interests arising from circumstances particular to individual Bondholders (whatever their number) and, in particular but without limitation, shall not have regard to consequences of such exercise for individual Bondholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof, and the Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Company any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

13 ENFORCEMENT

The Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Company as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer and/or the Company unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction and provisions limiting or excluding its liability in certain circumstances. The Trustee is entitled to enter into business transactions with the Issuer, the Company, any of their Subsidiaries and/or any entity related (directly or indirectly) to the Issuer or the Company without accounting for any profit.

The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst case scenario and (ii) to require that any indemnity or security given to it by the Bondholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Company and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Company to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by Holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation, opinion or certificate or any advice of any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether or not their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, opinion or certificate or advice and, in such event, such report, confirmation, opinion or certificate or advice shall be binding on the Issuer, the Company and the Bondholders.

Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default has occurred.

15 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders and in accordance with the Trust Deed create and issue further securities ("**Additional Bonds**") having the same terms and conditions as the Bonds in all respects (or in all respects except for any one or more of the first payment of interest, the issue date, the timing for the NDRC Post-Issuance Filing and the timing for completion of the Cross-Border Security Registration and, to the extent necessary, certain temporary securities law transfer restrictions) and so that such further issue shall be consolidated and form a single series with the Bonds; provided that the Company shall comply with its undertakings described under Condition 4(e) with respect to the Additional Bonds. The Additional Bonds may not have the same ISIN, Common Code, CMU Instrument Number or other identifying number as the outstanding Bonds (i) unless the Issuer has elected the date of issue of the outstanding Bonds as the issue date of the Additional Bonds for purposes of the undertaking described Condition 4(e) and Condition 6(c), in which case the Cross-Border Security Registration with respect to both the previously outstanding Bonds and such Additional Bonds shall be completed at the same time, (ii) until the Cross-Border Security Registration has occurred with respect to both the previously outstanding Bonds and such Additional Bonds, or (iii) if the No-Registration Event has occurred with respect to both the previously outstanding Bonds and such Additional Bonds, until after the No Registration Event Put Date has passed for both the previously outstanding Bonds and such Additional Bonds.

References in these Conditions to the Bonds include (unless the context requires otherwise) any such other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

16 NOTICES

Notices to the Holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of the Operator, any notice to the Holders of the Bonds shall be validly given by the delivery of the relevant notice to each relevant accountholder via the CMU in substitution for notification as required by these Conditions, and shall be deemed to have been given on the date of delivery to the CMU. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participants.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds or the Trust Deed under the Contracts (Rights of Third Parties) Act 1999.

18 CURRENCY INDEMNITY

To the fullest extent permitted by law, the obligations of the Company or the Issuer to any Holder of Bonds under the Trust Deed or the Bonds, as the case may be, shall, notwithstanding any judgment in a currency (the "**Judgment Currency**") other than Renminbi (the "**Agreement Currency**"), be discharged only to the extent that on the day following receipt by such Holder or the Trustee, as the case may be, of any amount in the Judgment Currency, such Holder or the Trustee, as the case may be, may in accordance with normal banking procedures purchase the Agreement Currency with the Judgment Currency. If the amount of the Agreement Currency so purchased is less than the amount originally to be paid to such Holder or the Trustee, as the case may be, in the Agreement Currency, the Company and the Issuer agree, as a separate obligation and notwithstanding such judgment, to pay the difference and if the amount of the Agreement Currency so purchased exceeds the amount originally to be paid to such Holder, such Holder or the Trustee, as the case may be, agrees to pay to or for the account of the Company or the Issuer, as the case may be, such excess; provided that such Holder or the Trustee, as the case may be, shall not have any obligation to pay any such excess as long as a default by the Company or the Issuer in its obligations under the Trust Deed or the Bonds has occurred and is continuing, in which case such excess may be applied by such Holder or the Trustee, as the case may be, to such obligations.

19 GOVERNING LAW AND JURISDICTION

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Guarantee and the Bonds, and any non-contractual obligations arising out of or in connection with them, are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Guarantee, the Trust Deed and the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Guarantee, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each of the parties has irrevocably submitted to the jurisdiction of the courts of Hong Kong.

(c) **Agent for Service of Process**: Each of the Issuer and the Company has irrevocably designated China Petroleum HongKong (Holding) Limited, to receive service of process in any Proceedings in Hong Kong. If for any reason any of the Issuer or the Company does not have such an agent in Hong Kong, it will appoint a substitute process agent and notify the Trustee and the Bondholders of such appointment. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**: To the extent that the Company or the Issuer has or hereafter may acquire any immunity (sovereign or otherwise) from any legal action, suit or proceeding, from jurisdiction of any court or from set-off or any legal process (including any immunity from jurisdiction or from service of process or, except as provided below, from any execution to satisfy a final judgment or from attachment or in aid of such execution or otherwise) with respect to itself or any of its property, the Company and the Issuer each irrevocably waives, to the fullest extent permitted under applicable law, any such right of immunity or claim thereto which may now or hereafter exist, and agrees not to assert any such right or claim in any Proceeding.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate will contain provisions which apply to the Bonds while they are in global form, some of which will modify the effect of the Terms and Conditions of the Bonds set out in this offering circular. The following is a summary of certain of those provisions.

Terms defined in the Terms and Conditions of the Bonds and set out in this offering circular have the meaning in the paragraphs below.

The Bonds will be represented by a Global Certificate which will be registered in the name of, and deposited with a sub-custodian for the HKMA as operator of the CMU.

Under the Global Certificate, the Issuer, for value received, will promise to pay such principal, interest and premium (if any) on the Bonds to the Registered Holder of the Bonds represented by the Global Certificate (subject to surrender of the Global Certificate if no further payment falls to be made in respect of such Bonds) on 25 January 2026 or on such earlier date or dates as the same may become payable in accordance with the Terms and Conditions.

Notwithstanding the provisions of the preceding paragraph, for so long as the Global Certificate is held by or on behalf of the Operator, payments of interest or principal will be made to the CMU which will credit the same in accordance with the CMU Rules to the person(s) shown in the records of the Operator as the holder of a particular principal amount of the Bonds (each an "**accountholder**") at the close of business on the record date which shall be on the Clearing System Business Day immediately prior to the date for payment. "**Clearing System Business Day**" means a day on which the CMU is operating and open for business. Payment made in accordance with the CMU Rules as set out in the immediately preceding sentence shall discharge the obligations of the Issuer in respect of the payment. Any payments by the CMU participants to indirect participants shall be governed by arrangements agreed between the CMU participants and the indirect participants and will continue to depend on the inter-bank clearing system and traditional payment methods. Such payments will be the sole responsibility of such CMU participants and the Issuer, the Trustee and the CMU Lodging and Paying Agent shall have no obligation or liability in connection therewith. For these purposes, a notification from the Operator shall be conclusive evidence of the records of the CMU (save in the case of manifest error). Save in the case of final payment, no presentation of the Global Certificate shall be required for such purpose.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive certificates if either the CMU or any other clearing system selected by the Issuer and approved in writing by the Trustee, the CMU Lodging and Paying Agent and the Registrar through which the Bonds are held (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which a Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive certificates.

In addition, the Global Certificate will contain provisions that modify the Terms and Conditions of the Bonds, as they apply to the Bonds evidenced by Global Certificate. The following is a summary of certain of those provisions:

Notices: So long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of the Operator or any Alternative Clearing system, notices to holders of the Bonds shall be given by delivery of the relevant notice to the accountholders via the CMU, rather than by mailing to the addresses in the Registrar as required by the Terms and Conditions of the Bonds, and any such notice shall be deemed to have been given to the Bondholders on the day on which such notice is delivered to the CMU. Indirect participants will have to rely on the CMU participants (through whom they hold the Bonds, in the form of interests in the Global Certificate) to deliver the notices to them, subject to the arrangements agreed between the indirect participants and the CMU participant. Except that, so long as the Bonds are listed and/or admitted to trading, notices required to be given to the Bondholders pursuant to the Terms and Conditions shall also be published by the Issuer (if such publication is required) in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are listed and/or admitted to trading.

Meetings: For the purposes of any meeting of holders of the Bonds, the holder of the Bonds represented by a Global Certificate shall be treated as being entitled to one vote in respect of each RMB10,000 in principal amount of Bonds for which the Global Certificate is issued.

Issuer's Redemption: The option of the Issuer provided for in applicable provisions of the Bonds shall be exercised by the Issuer giving notice to the applicable holders of Bonds within the time limits set out in and containing the information required by the applicable Conditions.

Holder of Bonds Redemption: A holder's redemption options in the applicable provisions of the Bonds may be exercised by the holder of the applicable Global Certificate giving notice to the CMU Lodging and Paying Agent, Transfer Agent or the Registrar of the principal amount of Bonds in respect of which the option is exercised within the time limits specified in the applicable Conditions.

Transfers: Transfers of interests in the Bonds will be effected through the records of the CMU (or any Alternative Clearing System) and its respective participants in accordance with the rules and procedures of the CMU (or any Alternative Clearing System) and its respective direct and indirect participants.

Cancellation: Cancellation of any Bond represented by a Global Certificate which is required by the applicable Conditions will be effected by a reduction in the principal amount of the Bonds in the Register and the applicable Global Certificate on its presentation to or to the order of the Registrar for annotations (for information only) in such Global Certificate.

Bondholders: Subject as provided in the Trust Deed, each person who is for the time being shown in the records of the CMU as entitled to a particular principal amount of the Bonds represented by a Global Certificate (in which regard any certificate or other document issued by the CMU as to the principal amount of such Bonds standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the holder of such principal amount of such Bonds for all purposes other than with respect to payments of principal, premium (if any) and interest on the Bonds for which purpose the registered holder of the Global Certificate shall be deemed to be the holder of such principal amount of the Bonds in accordance with and subject to the terms of the Global Certificate and the Trust Deed.

Trustee's Powers: In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

USE OF PROCEEDS

The Issuer estimates that the aggregate proceeds from the issuance of the Bonds, after deducting underwriting commissions and other estimated expenses in connection with this offering, will be approximately RMB999 million. The net proceeds from the issue of the Bonds will be used for general corporate purposes.

CAPITALISATION

The following table sets forth CNPC's short-term debt, long-term debt and owners' equity as of 31 December 2022 as well as adjustments to give effect to the issuance of the Bonds. For additional information, see CNPC's consolidated financial statements and notes thereto included elsewhere in this offering circular.

	As of 31 December 2022[1]	
	Actual	As Adjusted
	RMB	RMB
	(in millions)	
Indebtedness[2]:		
Indebtedness – due within one year	305,250	305,250
Indebtedness – due after one year	196,155	196,155
Bonds offered hereby[3]	–	999
Total indebtedness	**501,405**	**502,404**
Owners' equity		
Paid-up capital	487,055	487,055
Other equity instruments	66,657	66,657
Capital surplus	268,252	268,252
Other comprehensive income	(10,146)	(10,146)
Special reserves	15,743	15,743
Surplus reserves	1,088,939	1,088,939
General risk provision	12,580	12,580
Undistributed profit	189,687	189,687
Minority interest	390,170	390,170
Total owners' equity	**2,508,936**	**2,508,936**
Total capitalisation[4]	**3,010,341**	**3,011,340**

(1) Except as disclosed herein, there have been no material changes in CNPC's consolidated capitalisation since 31 December 2022.

(2) Indebtedness does not include amounts due to CNPC subsidiaries.

(3) Refers to the aggregate principal amount of the Bonds after deducting the underwriting commissions and other estimated expenses payable by us.

(4) Total capitalisation equals total indebtedness plus total owners' equity.

Except as otherwise disclosed in this offering circular, there has been no material change in the consolidated capitalisation and indebtedness of CNPC since 31 December 2022.

HISTORY AND STRUCTURE OF THE GUARANTOR AND THE ISSUER

The predecessor of CNPC was the Ministry of Petroleum Industry of the PRC, which was founded in July 1955 and mandated to supervise the exploration and development of oil and gas resources in China.

On 17 September 1988, the PRC State Council dissolved the Ministry of Petroleum Industry and established China National Petroleum and Natural Gas Corporation, which was then mainly in charge of oil and gas upstream operations and endowed with certain governmental administrative functions.

On 3 December 1997, China Petroleum HongKong (Holding) Limited (中國石油天然氣香港有限公司) was incorporated as a wholly owned subsidiary of CNPC.

On 27 July 1998, China National Petroleum and Natural Gas Corporation was reorganised as CNPC to become an integrated group with businesses covering oil and gas upstream and downstream operations as well as oilfield and engineering services.

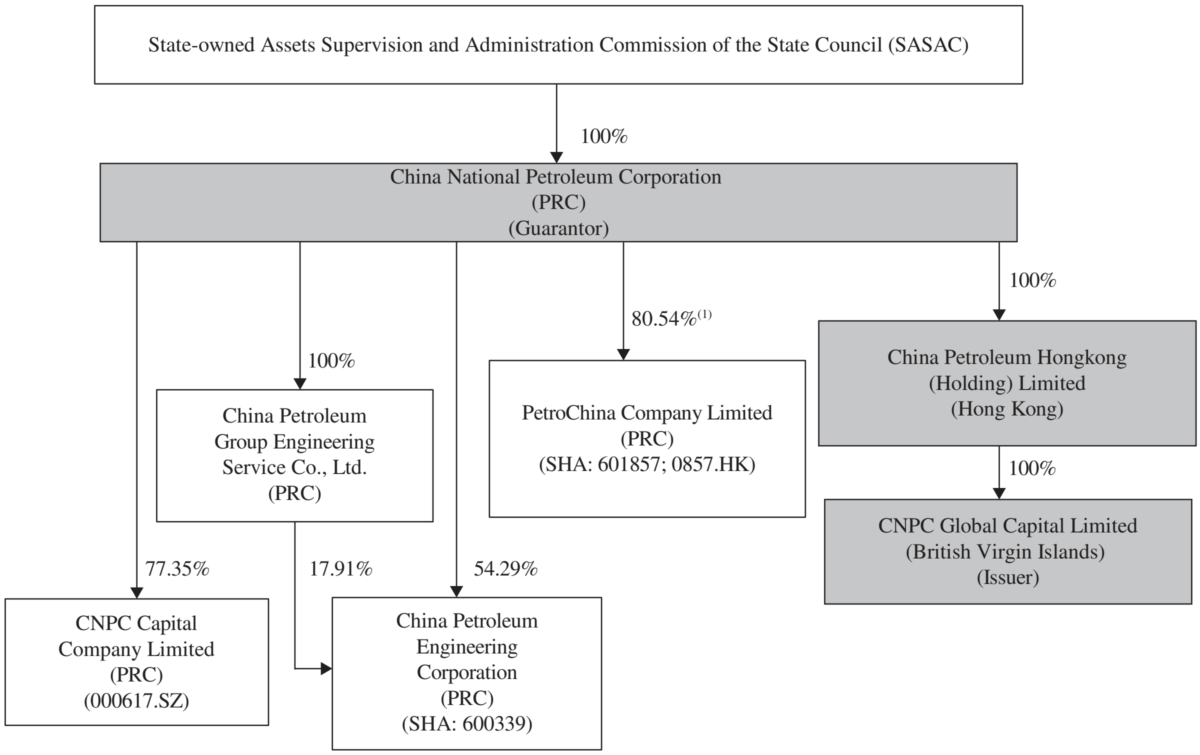
On 5 November 1999, PetroChina was established as a joint stock limited company under the *Company Law of the PRC* as part of a restructuring in which CNPC transferred to PetroChina most of its assets and liabilities relating to its exploration and production, refining & chemicals, marketing, trading and natural gas & pipelines businesses. CNPC retained the assets and liabilities relating to its remaining businesses and operations.

The H shares of PetroChina were listed on the Hong Kong Stock Exchange on 7 April 2000. The A shares of PetroChina were listed on the Shanghai Stock Exchange on 5 November 2007.

On 15 April 2020, as a wholly owned subsidiary of China Petroleum HongKong (Holding) Limited (中國石油天然氣香港有限公司), the Issuer was incorporated in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended).

CORPORATE STRUCTURE

The following chart sets forth the shareholding and group structure of the Issuer, as of 31 December 2022.



Note:

(1) The shareholding includes the 291,518,000 H Shares indirectly held by CNPC as of 31 December 2022 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC.

OVERVIEW

CNPC

CNPC is one of China's key SOEs under the direct supervision of the State-owned Assets Supervision and Administration Commission of the State Council. The predecessor of CNPC was the Ministry of Petroleum Industry of the PRC, which was founded in July 1955 and mandated to supervise the exploration and development of oil and gas resources in China. In 1988, the PRC State Council dissolved the Ministry of Petroleum Industry and established China National Petroleum and Natural Gas Corporation. On 27 July 1998, China National Petroleum and Natural Gas Corporation was reorganised as CNPC to become an integrated group with businesses covering oil and gas upstream and downstream operations as well as oilfield and engineering services.

CNPC is one of China's primary oil and gas producers and suppliers. CNPC is China's largest oil and gas producer in terms of production volumes in 2022 and China's largest natural gas transporter and seller in terms of sales volume in 2022. CNPC is an international energy company integrating production, refining, transportation, reserves and sales, with businesses covering (i) oil, gas and new energies, (ii) refining, chemicals, marketing and new materials, (iii) support and services, and (iv) capital and finance. With oil and gas operations in 32 overseas countries as of 31 December 2022, CNPC is seeking an even greater international role. CNPC ranked fourth in the "Fortune Global 500" in 2022 in terms of revenues and ranked second in the "Fortune China 500" in 2022 in terms of revenues. According to "Petroleum Intelligence Weekly", CNPC ranked third in 2022 among the world's 50 largest oil companies and has ranked as one of the top 10 oil companies for 22 consecutive years. CNPC conducts the following key businesses:

Business Segments of CNPC

Oil, Gas and New Energies

CNPC is China's largest oil and gas producer in terms of production volumes in 2022. In 2022, CNPC's global total production of crude oil and natural gas was 182.0 million tons and 177.2 billion cubic meters, respectively. In 2022, CNPC's production of crude oil and natural gas in China was 105.0 million tons and 145.5 billion cubic meters, respectively, accounting for approximately 51.3% and 66.8% of the total crude oil and natural gas production of China in 2022, respectively. CNPC's overseas exploration and production activities have expanded to Central Asia-Russia, the Middle East, Africa, the Americas and Asia-Pacific. In 2022, CNPC's overseas crude oil and natural gas production accounted for approximately 42.3% and 17.9% of its total crude oil and natural gas production, respectively. CNPC is actively carrying out the exploration of unconventional oil and gas resources, including shale oil and gas, tight gas and coal-bed methane, as a substitute for or supplement to conventional resources.

CNPC has formed a strategic layout in relation to (i) the five major overseas oil and gas cooperation zones, including Central Asia-Russia, the Middle East, Africa, the Americas and Asia-Pacific, and (ii) the four major strategic oil and gas channels. As of 31 December 2022, CNPC has made oil and gas investment in 32 countries around the world, covering oil and gas exploration, oil and gas production, pipeline construction and operation, refining and chemicals, and asset management. In 2022, CNPC promoted the steady operation of overseas oil and gas business, made a number of major discoveries in oil and gas exploration, and maintained an equity production equivalent of 100 million tons for four consecutive years.

Refining, Chemicals, Marketing and New Materials

CNPC currently has many domestic companies engaged in the refining of crude oil and petroleum products, as well as the production and marketing of petrochemical products, derivative chemical products and other chemical products. By the end of 2022, CNPC operated a number of refineries in China (including 14 refineries each with annual processing capacity above 10 million tons) with a total crude oil processing capacity of approximately 224 million tons per annum. In 2022, CNPC's production of refined oil, lubricants and ethylene in China amounted to 106 million tons, 1.7 million tons and 7.4 million tons. CNPC also produces and sells chemical products such as synthetic resin, synthetic fiber, synthetic rubber, urea and synthetic ammonia.

CNPC markets natural gas and a wide range of refined oil products, including gasoline, diesel, kerosene and lubricants, through an extensive network of sales personnel and independent distributors and a broad wholesale and retail distribution system across China. As of 31 December 2022, CNPC marketed its refined products through 22,655 service stations, which were owned and operated by CNPC or third parties, and owned refined products storage facilities with a storage capacity of millions of cubic metres. In 2022, CNPC sold more than 104 million tons of refined oil products in China and its overseas refined oil sales amounted to approximately 68.5 million tons. CNPC is China's largest natural gas transporter and seller in terms of sales volume in 2022. With total external sales volume of 217.8 billion cubic metres in China in 2022, CNPC accounted for over 61.8% of total natural gas sales volume in China in 2022. CNPC sells natural gas primarily to industrial users, such as power generation companies, fertiliser and chemical companies, and to commercial users and municipal utilities. By the end of 2022, CNPC had two LNG terminals in Jiangsu and Tangshan with a total annual gasification and loading volume of 15.83 billion cubic meters, and had 15 LNG plants in operation, with a total LNG processing volume of 2.78 billion cubic meters.

CNPC trades many kinds of commodities, comprising crude oil, natural gas, refined oil and chemical products, with many countries and regions by way of import and export, re-export, overseas commissioned product processing, product mixture operations, warehousing, transportation, and retail and wholesale operations, among others. CNPC operates three major oil and gas operation hubs in Singapore, London and New York.

Support and Services

CNPC's support and services include engineering technology services, engineering and construction, petroleum equipment manufacturing, and capital and financial services, covering both domestic and overseas markets. As of 31 December 2022, CNPC's engineering technical service crews provided services in more than 80 countries and regions and participated in the design and construction of large-scale oil and petrochemical projects in many countries, and the petroleum equipment products manufactured by CNPC have been exported to more than 80 countries and regions around the world.

Capital and Finance

CNPC has a complete set of financial licenses, with business operations covering in-house banking, financial leasing, trust, insurance, insurance brokerage etc. Centered on industry finance services and anchored to an industry-leading position, CNPC's capital & finance business follows a problem-solving, disciplined and innovative approach to bringing the alignment of financial services with production needs and the collaboration between financial institutions to the next level. As green finance gained a strong momentum, CNPC advanced on all fronts, especially in new energies, new materials and new technologies.

PetroChina

PetroChina is an integral and significant part of CNPC. It was established as a joint stock limited company under the Company Law of the PRC on 5 November 1999 as part of a restructuring in which CNPC transferred to PetroChina most of its assets and liabilities relating to its oil and gas exploration and production, refining and chemicals, marketing, trading and natural gas and pipelines businesses. CNPC retained the assets and liabilities relating to its remaining businesses and operations. The H shares of PetroChina were listed on the Hong Kong Stock Exchange on 7 April 2000 (stock code: 857). The A shares of PetroChina were listed on the Shanghai Stock Exchange on 5 November 2007 (stock code: 601857). As of 31 December 2022, CNPC was the beneficial owner of 80.54% of the share capital of PetroChina, including the 291,518,000 H Shares indirectly held by CNPC as of 31 December 2022 through Fairy King Investments Limited, a wholly owned overseas subsidiary of CNPC. PetroChina accounted for approximately 60.8% of CNPC's total assets as of 31 December 2022 and 95.3% of CNPC's revenues for the year ended 31 December 2022, according to the audited consolidated financial statements of CNPC and PetroChina prepared in accordance with PRC GAAP. In 2022, PetroChina ranked fourth in the "Oil & Gas Operations" of the Global 2000 list (the world's 2,000 largest public companies) by Forbes Magazine, and in 2022, PetroChina ranked 12th in the S&P Global Platts Top 250 Global Energy Company Rankings. For more information on PetroChina, see PetroChina's announcements on the Hong Kong Stock Exchange. PetroChina's announcements on the Hong Kong Stock Exchange do not constitute part of this offering circular.

The Issuer

The Issuer is a wholly owned subsidiary of China Petroleum HongKong (Holding) Limited (中國石油天然氣香港有限公司) and was incorporated with limited liability on 15 April 2020 in the British Virgin Islands under the BVI Business Companies Act, 2004 (as amended). The Issuer will not conduct business or any other activities other than the offering, sale or issuance of Indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by CNPC and any other activities in connection therewith or related thereto. As of the date of this offering circular, the Issuer has no material assets or revenues and has no outstanding borrowings or contingent liabilities other than the issuance of 1.350 per cent. bonds due 2025 and 2.000 per cent. bonds due 2030 with an outstanding principal amount of US$900,000,000 and US$500,000,000 as of the date of this offering circular, respectively. The registered address of the Issuer is at Ritter House, Wickhams Cay II, PO Box 3170, Road Town, Tortola VG1110, British Virgin Islands.

COMPETITIVE STRENGTHS

CNPC believes that the following strengths have contributed to its strong competitive position:

CNPC is one of the world's largest energy companies and one of the cornerstones of economic development in China and beyond

CNPC is a leading integrated international energy company. In 2022, CNPC ranked the fourth in the "Fortune Global 500" and the first place among all the oil companies in terms of revenues. It also ranked third in Petroleum Intelligence Weekly's 2022 list of the world's 50 largest oil companies, and has ranked as one of the top 10 oil companies for 22 consecutive years.

CNPC was the largest producer of oil and natural gas in China in terms of production volumes in 2022. In 2022, CNPC's production of crude oil and natural gas in China was 105.0 million tons and 145.5 billion cubic meters, respectively, accounting for approximately 51.3% and 66.8% of the total crude oil and natural gas production of China in 2022, respectively. CNPC has the largest proven reserves of crude oil and natural gas in China. As of 2022, CNPC's domestic newly proven recoverable oil and gas reserves have exceeded 600 million tons for 17 consecutive years and 400 billion cubic meters for 16 consecutive years, respectively; CNPC's domestic oil and gas exploration and development made new progress in 2022 with nine hundred-million-ton-level and nine hundred-billion-cubic-meter reserve areas discovered and implemented, and 139.2 million tons of technically recoverable oil reserves and 335.4 billion cubic meters of technically recoverable natural gas reserves were proven throughout the year. Crude oil production has remained above 100 million tons for 25 consecutive years, and oil and gas equivalent production has reached a record high. The development of CNPC's overseas oil and gas business has achieved new results, with an equity production equivalent of 102.3 million tons in 2022, stabilising production at more than 100 million tons for the fourth consecutive year. In 2022, CNPC's annual crude oil processing capacity was 250 million tons, and its annual crude oil processing volume was 200 million tons.

CNPC supports a significant part of China's national economy and plays an irreplaceable role in the economic development of China. In 2022, CNPC's revenue accounted for 2.7% of China's GDP of RMB121,021 billion, and the total tax amount paid by CNPC in China accounted for RMB530.5 billion.

CNPC is of strategic significance to safeguard China's national energy security

CNPC is a wholly state-owned enterprise, and is also one of the 98 super-large-scale enterprises directly controlled by SASAC. CNPC has obtained approval from the State Council to engage in the state-authorised investments.

As an implementer of China's energy strategy, CNPC has made continuous efforts in strengthening its main oil and gas businesses and increasing investment in exploration and development in an effort to enhance its ability to safeguard national energy security. Meanwhile, considering potential emergencies and oil supply risks, CNPC has been entrusted by the PRC government to establish strategic petroleum reserves, natural gas and product oil storages in coastal areas, so as to ensure oil supply and maintain the market stability. Besides, CNPC is also solidly promoting reforms in key areas and deepening market-oriented reforms of pricing mechanisms for refined oil products and natural gas as required by the State. CNPC is also an active participant in China's Belt and Road initiative, operating 51 oil and gas cooperation projects in 19 countries along the Belt and Road route by the end of 2022 and achieving an equity production equivalent of 84.9 million tons in 2022, which accounts for 83% of overseas oil and gas equity production equivalent.

CNPC has an integrated business model, diversified sources of revenue and strong resilience

The strengths and overall benefits of CNPC's four business segments in coordination, resource sharing and integrated planning continued to build up. Oil and gas operations were running smoothly and efficiently across the value chain. Main production indicators improved steadily, highlighting a number of major breakthroughs and discoveries in oil and gas exploration, record-high domestic production, significant breakthroughs in strategic planning, transformation and upgrading of the refining, chemicals and new materials segment, an effective role of the support and services segment and in-depth industry-finance integration.

Through full participation in the industry value chain, CNPC has realised synergies between different segments, optimised management efficiency, reduced costs and improved profitability. By adopting an upstream-downstream integration model, CNPC has secured a stable and sustainable market for its upstream exploration and production segment and a stable source of raw materials for the downstream refining and chemicals segment, so as to mitigate the supply and demand risk and the price fluctuations risk and enhance CNPC's overall resilience.

Leveraging the dominance in the domestic market, CNPC has actively explored overseas markets, and achieved an overall coordinated development in the areas of overseas oil and gas investment, international engineering and technical services, and international trade. Following the trend of globalisation in the energy sector, CNPC's international footprint provides it with access to sustainable oil and gas resources and stable markets, and improves its long-term competitiveness and resilience, securing a sustainable development.

CNPC carries out an innovation-driven development strategy to enhance its core competitiveness

Striving for technology-based corporate growth, CNPC gives more prominence to research and development, and put innovation on the top of our "Five Strategies". In line with the national strategy of innovation-driven development, CNPC has built up its innovative capacity on all fronts and fostered new growth engines for high-quality development, focusing on technological independence and taking innovation as the core driver of growth. CNPC continues to deepen the reform of the framework for innovation governance, strengthen top-level design and overall planning and improve the technological innovation management system to enhance the ability of independent innovation.

As of 31 December 2022, CNPC operated a total of 95 scientific research institutions, 14 scientific and technological innovation platforms at the national level and 56 key laboratories and experimental bases at the enterprise level, and it has approximately 30,000 research and development staff and 23 research and development centers. In 2022, CNPC invested RMB27.5 billion in research and development, accounting for 0.8% of its revenue.

In 2022, CNPC made important progress in major theories, key core technologies, independent research and development of equipment, construction of demonstration projects and other aspects. In particular, CNPC led the formulation of six international standards and the revision of two international standards, applied for 6,862 domestic and foreign patents, obtained 2,625 authorised patents and received three silver prizes and five excellence prizes in the 23rd China Patent Awards. CNPC has deeply integrated information technologies with its production and operation, actively promoting the informatisation in respect of digital oil fields, intelligent refineries, and intelligent pipelines. These technologies provide great support for CNPC's sustained, effective, rapid and coordinated development, and have further enhanced its leading advantage in the oil and gas exploration and development.

CNPC takes an active approach to bring about digitalization and intelligent development, with a special focus on smart technologies and product innovation. CNPC has embedded digital technology into our products, services and processes along the oil and gas value chains and integrated the Internet, cloud computing, big data and artificial intelligence with our business operations. CNPC strives to promote intelligent oil and gas fields, intelligent refining and petrochemical production, intelligent marketing and intelligent oilfield services, to create new businesses, new operations and new business models that are an integral part of a "Digital CNPC". In various areas, 34 technical research achievements and more than 90 business algorithm models have been made, along with 105 software and hardware products developed and applied in 9 pilot companies and a total of 64 patent applications filed.

CNPC accelerates green transformation and low-carbon strategies to promote sustainable development

CNPC has incorporated green and low-carbon development into the Company's strategy, mapped out a three-step approach of "clean alternative, strategic replacement and green transition", and set out the timetable and roadmap for carbon peak and carbon neutrality with a strong commitment to green development. The Company has embarked on the CNPC green development path to support the development of fossil fuels and new energies in a coordinated way, bolster clean production and environmental protection, and promote green finance and green trade.

CNPC adheres to the mission of "pursuing green development and providing reliable energy to fuel our customers' growth and power people's happy life", and from a strategic viewpoint, CNPC has committed to providing high quality, clean and efficient energy, protecting the environment, conserving energy and reducing emission so as to achieve a sustainable development. CNPC has also committed to the principle of "people-oriented, quality-utmost, safety-first, environment-prioritised" to achieve the goal of "zero accident, zero injury, zero pollution and zero defect" and conducts responsible production operations. CNPC maintains a strong commitment to aligning its business growth with the sustainable development of the local communities where it operates, with a focus on bolstering people's livelihood and social progress, reaching out to the local communities in various forms. CNPC pays attention to people's livelihood and social progress, and strives for harmonious relationship between energy and the environment, as well as enterprise and the community.

CNPC has established experienced management team to promote the modernization of corporate governance system and capabilities

CNPC has a good corporate governance structure featuring clear authority and liabilities, distinct functions, and separation of powers between the board of directors and the management. CNPC has also established an effective internal control and risk management system comprised of the board of directors, the audit and risk management committee, the legal and corporate reform department, and other functional departments, business segments and affiliated enterprises and institutions. Based on the actual operation situation, CNPC is continuously optimising the corporate governance structure and the control model, adjusting and improving the business management system, promoting and perfecting its modern enterprise system and actively creating a good business environment.

CNPC continues to modernise governance system and capabilities, and has fulfilled all tasks in the three-year action plan for SOE reform, which brought its efficiency and performance to a new level. Four major business segments maintain efficient and coordinated operations. Overseas business concludes optimisation and adjustment of management mechanism. New entities for new energies, new materials, and equipment manufacturing have been established in succession. Emphasising value creation as well as efficiency and quality improvement, CNPC enjoys a notable elevation in development quality.

The members of CNPC's senior management team have over 30 years' experience in relevant industries on average. CNPC is committed to build a management team with rich experience, innovative spirit and international vision.

CNPC maintains low leverage, sufficient liquidity and achieved continued improvement in profitability

When confronted with the complex and severe situation of fluctuations in oil prices, intensified competition in the domestic oil and gas market and rise of risks and challenges, CNPC has proactively initiated campaigns of expanding income sources, cutting expense, lowering costs and improving efficiency. CNPC also strengthens its investment control and structure optimisation, innovate its capital operation, enhance its organisational management of production and operation, and effectively controls costs and expenses. CNPC has a good financial management and debt management system. Despite the backdrop of drastic market changes, it maintains good financial performance and various debt-related indicators remain healthy.

In 2022, CNPC has strengthened source control of investment costs and refined production and operation management. Its financial situation is generally stable, its main production indicators have grown steadily, it has achieved significant results in improving quality and efficiency and managing losses, and it has made substantial progress in corporate reform and technological innovation. CNPC achieved operating revenues of RMB3.4 trillion, total profit of RMB266.9 billion, and net profit of RMB180.4 billion in 2022. The total debt/EBITDA ratio is 0.9, the total debt/total capitalisation ratio is 16.7%, and the interest coverage ratio is 24.2, and CNPC continues to maintain good performance of low leverage, sufficient liquidity and continued improvement in profitability.

STRATEGIES

CNPC's goal is to become a leading world class integrated energy corporation. To achieve this goal, CNPC has five major strategies: innovation-driven development, sustainable acquisition and supply of resources, enhancement of market competitiveness, internationalisation and globalisation, and green transformation and low-carbon development.

Innovation-driven development strategy: Based on self-reliance of high-level science and technology, CNPC takes innovation as the first driving force for development, promote comprehensive innovation with scientific and technological innovation as the core, deploy innovation chains around the industrial chain, rely on innovation chains to enhance the value chain, and comprehensively enhance independent innovation capabilities, accelerate the breakthrough of bottleneck constraints, seize the commanding heights of future competition, and build national strategic scientific and technological strength and energy and chemical innovation highlands.

Sustainable acquisition and supply of resources: CNPC puts more emphasis on low-cost, diversified and sustainable acquisition and supply of resources. CNPC efficiently develops domestic oil and gas resources, introduces overseas resources through multiple channels, actively deploys non-fossil energy. CNPC insists on talents as the first resource, and coordinates land, capital, technology, data and other resources used to enhance the value of resources and consolidate the material foundation for development.

Enhancement of market competitiveness: CNPC gives full play to the decisive role of the market in resource allocation, adheres to market orientation and customer first, investigates the market in advance, actively responds to the market, vigorously develops the market, actively leads the market, coordinates both domestic and international markets, accelerates the construction of a modern marketing system, and always grasps the initiative in market competition.

Internationalisation and globalisation strategy: CNPC optimises and adjusts the strategic layout of international cooperation in the main business, strengthens international business operations, capital operations and global resource allocation, accelerates the internationalisation of concepts, management, technology, standards and talents, deeply participates in global energy governance, continuously improves international operating capabilities and industry influence, and promote the construction of a community of interests in energy cooperation.

Green transformation and low-carbon development: CNPC continues to increase the proportion of low-carbon and zero-carbon energy, accelerate the development of clean production and green environmental protection industries, build a low-carbon energy supply system, regard energy conservation as the first energy source, strengthen the conservation and utilisation of energy resources and efficiency improvement, and actively Explore new low-carbon business models, form green competitive advantages, and promote green and low-carbon transformation.

RECENT DEVELOPMENTS

On 31 October 2023, CNPC announced its unaudited consolidated financial results for the nine months ended 30 September 2023 on the website of Shanghai Clearing House (上海清算所). According to CNPC's announcement, CNPC's consolidated operating revenue was RMB2,352.8 billion for the nine months ended 30 September 2023, representing a decrease of 8.1% as compared to the same period in 2022. CNPC reported a net profit of RMB146.2 billion for the nine months ended 30 September 2023, as compared to a net profit of RMB135.7 billion for the same period in 2022. The decrease in operating revenue was primarily due to the decrease of sales revenues as a result of the decline in prices of crude oil, natural gas and related products.

On 31 October 2023, PetroChina announced its unaudited financial results for the nine months ended 30 September 2023. According to PetroChina's announcement, when published, PetroChina witnessed a decrease of 7.1% in operating revenue from RMB2,455.4 billion to RMB2,282.1 billion, and an increase of 9.8% in net profit attributable to shareholders of PetroChina from RMB119.9 billion to RMB131.7 billion, for the nine months ended 30 September 2023 as compared to the same period in 2022, due to the combined impact of the decline in prices of crude oil, natural gas and related products and the increase in their sales volume.

The September 2023 Unaudited Financial Information has not been subject to an audit or review and should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or review. Such financial information, similar to any previously published unaudited and unreviewed financial information, could be adjusted if audited or reviewed. Accordingly, other than the discussion contained herein, the September 2023 Unaudited Financial Information is not part of this offering circular. Furthermore, the September 2023 Unaudited Financial Information should not be taken as an indication of the expected financial condition, results of operations and results of CNPC for the full year ending 31 December 2023. Potential investors are advised to exercise caution when using such data to evaluate CNPC's financial condition and results of operations, and should not place undue reliance upon such data.

OUR BUSINESS

Oil, Gas and New Energies

CNPC is China's largest oil and gas producer in terms of production volumes in 2022. The predecessor of CNPC started exploration and production operations in China in the 1950s. CNPC is authorised to cooperate with foreign oil companies to jointly explore and develop certain oil and gas fields in China. In 2022, CNPC's production of crude oil and natural gas in China accounted for approximately 51.3% and 66.8% of the total crude oil and natural gas production of China in 2022, respectively.

A substantial majority of CNPC's total estimated proved crude oil and natural gas reserves are located in China, principally in northeastern, northern, northwestern and southwestern China. CNPC's main proved crude oil reserves are in the Songliao basin, which is located in Heilongjiang and Jilin provinces in northeastern China, the Bohai Bay, which is located in northern China, and the Erdos basin, which is located in northern and northwestern China. CNPC's main proved natural gas reserves are generally concentrated in northwestern and southwestern China, specifically in the Erdos, Tarim and Sichuan basins. CNPC's key oil regions in the Songliao basin include the Daqing and Jilin oil regions. The crude oil production in the Daqing oil region accounted for approximately 28.6% of CNPC's total domestic crude oil production in 2022. CNPC's key oil regions in the Bohai Bay basin include the Liaohe, Dagang, Huabei and Jidong oil regions. CNPC's key oil and gas region in the Erdos basin is the Changqing oil and gas region. In 2022, CNPC's production of crude oil and natural gas in China was 105.0 million tons and 145.5 billion cubic meters, respectively.

In 2022, CNPC posted four strategic breakthroughs and 15 major discoveries and identified nine hundred-million-ton and nine hundred-billion-cubic-meter reserve areas. Domestically, newly proven oil in place totaled 862.2 million tons and newly proven gas in place stood at 684.5 billion cubic meters.

CNPC's overseas exploration and production activities have expanded to Central Asia-Russia, the Middle East, Africa, the Americas and Asia-Pacific. In 2022, CNPC's overseas crude oil and natural gas production amounted to 77.0 million tons and 31.8 billion cubic meters, respectively, accounting for approximately 42.3% and 17.9% of CNPC's total crude oil and natural gas production, respectively.

Domestic Exploration and Production

Since 1950s, the predecessor of CNPC has adopted exploration and recovery technologies and customized methodologies for the specific geological conditions in China. CNPC currently conducts exploration and development in both China and overseas regions. CNPC believes that it has more extensive experience in the exploration and development of onshore crude oil and natural gas than any of its major competitors in China.

As of 2022, CNPC's domestic newly proven recoverable oil and gas reserves have exceeded 600 million tons for 17 consecutive years and 400 billion cubic meters for 16 consecutive years, respectively. The following table sets forth CNPC's reserves and operating data (domestic) as of 31 December 2020, 2021 and 2022.

	Year Ended 31 December		
	2020	2021	2022
Newly proven oil in place (mmt)	872.5	1,045.3	862.2
Newly proven gas in place (bcm)	648.3	1,095.1	684.5
2D seismic (km)	7,431	7,264	8,618
3D seismic (sq km)	15,815	14,379	20,236
Exploratory wells	1,658	1,496	1,325
Preliminary prospecting wells	882	776	658
Appraisal wells	776	720	667

The following table sets forth CNPC's historical crude oil and natural gas production for the periods indicated.

	Year Ended 31 December		
	2020	2021	2022
Crude oil production			
Total production (million tons)	178.6	179.4	182.0
Domestic production (million tons)	102.3	103.1	105.0
Overseas production (million tons)	76.4	76.3	77.0
Natural gas production			
Total production (billion cubic meters)	160.4	169.2	177.2
Domestic production (billion cubic meters)	130.6	137.8	145.5
Overseas production (billion cubic meters)	29.8	31.5	31.8

The following are brief descriptions of CNPC's several key oil and gas regions located in China.

Daqing Oil Region

The Daqing oil region, CNPC's largest oil and gas producing field, is located in the Songliao basin and covers an area of approximately one million acres. In 2022, CNPC's daily average crude oil production in the Daqing oil region was 30.0 million tons, achieving stable production of 30 million tons for eight consecutive years. Daqing oil region has maintained a good development trend of stable oil and gas growth in 2022, with oil and gas production equivalents remaining above 40 million tons for 20 consecutive years and natural gas production in 2022 exceeding 5.5 billion cubic meters.

Crude oil in the Daqing oil region has low sulphur and high paraffin content. As many refineries in China, particularly those in northeastern China, are configured to refine Daqing crude oil, CNPC has a stable market for the crude oil it produces in the Daqing oil region.

Changqing Oil and Gas Region

In the early 1990s, CNPC discovered the Changqing oil and gas region. The Changqing oil and gas region straddles across Shaanxi, Gansu, Ningxia, Inner Mongolia and Shanxi provinces. In 2022, CNPC's crude oil production in the Changqing oil and gas region was 25.7 million tons, and 50.7 billion cubic meters of natural gas was produced in the Changqing oil and gas region, and the annual oil and gas production equivalent exceeded 65 million tons.

The pace of resource conversion has been accelerated in Changqing oil and gas region. In 2022, four billion-ton-level and four trillion-cubic-meter-scale oil and gas areas have been discovered. The cumulative proven oil and gas reserves account for one third of China's total reserves. CNPC has developed original geological theories for rapid acquisition of oil and gas resources through independent innovation, as well as key core technologies such as three-dimensional seismic in the Loess Plateau, ultra-fast drilling of horizontal wells, and factory-scale volume fracturing, CNPC have created a miracle in the efficient development of unconventional oil and gas fields in China.

The Sulige gas field in the Changqing oil and gas region, which was discovered by CNPC in January 2001, is a large gas field with proven reserves of over one trillion cubic meters, an exploration area of 60,000 square kilometers and total resources of 5.5 trillion cubic meters. The natural gas production volume of the Sulige gas field in 2022 has exceeded 30 billion cubic meters, accounting for approximately 58% of China's total onshore tight gas production.

Xinjiang Oil Region

The Xinjiang oil region is one of CNPC's four largest domestic crude oil producing fields and is located in the Junggar basin in northwestern China. CNPC commenced its operations in the Xinjiang oil region in 1951. The Xinjiang oil region covers a total area of approximately 900,000 acres.

In 2022, CNPC's Xinjiang oil region produced 14.4 million tons of crude oil and 3.8 billion cubic meters of natural gas. The oil and gas production equivalent reached 17.5 million tons, a year-on-year increase of one million tons, achieving million-level leap for four consecutive years.

Tarim Oil and Gas Region

The Tarim oil and gas region is located in the Tarim basin in northwestern China with a total area of approximately 590,000 acres. In 1998, CNPC discovered the Kela 2 natural gas field in the Tarim oil and gas region. In 2022, the oil and gas production in the Tarim oil and gas region reached 3.1 million tons, and natural gas production was 32.3 billion cubic meters. The annual oil and gas production equivalent reached 33.1 million tons, increasing by more than one million tons for six consecutive years. CNPC has delivered natural gas in the Tarim oil and gas region to the central and eastern regions of China where there is strong demand for natural gas.

Chuanyu Gas Region

CNPC began natural gas exploration and production in the Chuanyu gas region in the 1950s. The Chuanyu gas region covers a total area of approximately 2.3 million acres.

In 2022, CNPC produced 38.3 billion cubic meters of natural gas in the Chuanyu gas region, reaching a new level of oil and gas equivalent production of 30 million tons.

Overseas Oil and Gas Operations

CNPC started its overseas oil and gas operations in 1993 by participating in the cooperation project in Peru, Block 6/7 of Talara. In 1999, CNPC started its overseas oil and gas operations under the "Go Out Policy". CNPC's international operation is an integral and strategic part of its overall business. After decades of development, CNPC has formed a strategic layout of the five major overseas oil and gas cooperation zones (including Central Asia-Russia, the Middle East, Africa, the Americas and Asia-Pacific), the four major strategic oil and gas channels and the three major oil and gas operation hubs, establishing a complete industrial chain with oil and gas exploration and development as the core and refining and chemical industry and oil product sales integrated for a diversified oil and gas supply pattern. CNPC's oil and gas business operation outside China is focused on oil and gas exploration, oil and gas production, pipeline construction and operation, refining and chemicals, and assets management.

In 2022, CNPC continued to bolster its global operations and a number of major breakthroughs in exploration and production activities were achieved with overseas equity oil and gas outputs staying at 100 million tons of oil equivalent for four consecutive years. By the end of 2022, CNPC's global oil and gas business covered 32 countries and regions around the world. In 2022, a world-class giant oilfield was taking shape in Alam, Brazil; two 100-million-ton hydrocarbon accumulations were identified in Chad and Niger, and CNPC's overseas equity production reached 102.3 million tons of oil equivalent, including 77.0 million tons of crude oil and 31.8 billion cubic meters of natural gas, accounting for approximately 42.3% and 17.9% of CNPC's total crude oil and natural gas production, respectively.

CNPC's overseas pipelines maintained safe and stable operation in 2022. The transnational routes in northwest and southwest delivered 21.3 million tons of crude oil and 51 billion cubic meters of natural gas throughout the year. The Niger-Benin Crude Pipeline construction progressed well with the laying of its undersea pipelines completed. The 15-billion-cubic-meter expansion project of the Kazakhstan South Natural Gas Pipeline was put into operation ahead of schedule, and the Chad Phase II debottlenecking project became operational as scheduled.

The production and operation of CNPC's overseas refining and chemicals projects remained steady and orderly, processing 38.6 million tons of crude oil throughout the year. The refinery in Niger completed an overhaul, and the Shymkent refinery in Kazakhstan streamlined its governance structure to ensure smooth operation.

Natural Gas Sales

CNPC is China's largest natural gas seller in terms of sales volume. CNPC sells natural gas primarily to industrial users, such as power generation companies, fertiliser and chemical companies, and to commercial users and municipal utilities. In 2022, 196 new projects were put into operation, and marketing efforts targeting end users were stepped up, adding about 0.87 million new end users throughout the year. As of 31 December 2022, CNPC supplied natural gas to customers in 31 provinces, municipalities and autonomous regions in China and Hong Kong, with the full-year terminal sales totaled 49.6 billion cubic meters. With total external sales volume of 217.8 billion cubic metres in China in 2022, CNPC accounted for over 61.8% of total natural gas sales volume in China. The proportion of CNPC's domestic natural gas production in its domestic oil and gas production equivalent increased from 36.6% in 2012 to 52.5% in 2022

New Energies

CNPC has incorporated green and low-carbon development into its development strategy, formulated a roadmap for achieving carbon peak and carbon neutrality, and set out a three-step approach to "Clean Alternative, Strategic Replacement and Green Development", making new energies part of its core operations. The business plans for new energies have been developed to facilitate the shift to an integrated energy company across oil, gas, thermal energy, electricity and hydrogen.

Hydrogen energy: Tapping into the hydrogen energy business, CNPC's high-purity hydrogen capacity increased by 1,500 tons per year in 2022, with the total high-purity hydrogen capacity reaching 3,000 tons per year. In 2022, 23 hydrogen refueling stations and integrated energy service stations were completed.

Geothermal energy: In 2022, the coverage of geothermal heating increased by 10.1 million square meters, with the total area of geothermal heating reaching 25 million square meters, replacing 570,000 tons of standard coal annually.

Wind and solar power generation: In 2022, CNPC received a 10.2 million-kilowatt approval for clean power generation as the total installed capacity exceeded 1.4 million kw. A 300,000-kw grid-connected photovoltaic power plant in Yumen Oilfield was near completion and the Xinghuo Floating Photovoltaic Demonstration Project in Daqing Oilfield was connected to the grid. CNPC also worked with State Power Investment Corporation in signing a 900,000-kw offshore wind power project in Guangxi.

Oilfield Services

With well-trained service teams equipped with sophisticated and specialised techniques and skills, CNPC provides a number of oilfield services including geophysical prospecting, drilling, well logging, mud logging, downhole operation and offshore engineering services. CNPC's oilfield services provided a strong support for adding reserves and bolstering production under the guidance on safety, compliance, efficiency and profitability and in line with the strategy of "innovation, market orientation, cost-effectiveness and integration". As of 31 December 2022, CNPC had engineering technical service crews providing services in more than 80 countries and regions. In 2022, CNPC obtained 38,000 kilometres of two-dimensional seismic data and 80,000 square kilometres of three-dimensional seismic data. For the same period, CNPC's well logging amounted to approximately 99,460 well-times and its downhole operations amounted to approximately 106,844 well-times.

The table below sets forth the information regarding oilfield services operations.

	Year Ended 31 December		
	2020	2021	2022
Geophysical prospecting			
2D seismic data acquired (kilometres)	18,027	34,565	37,837
3D seismic data acquired (square kilometres)	85,443	86,496	80,376
Drilling			
Wells completed	11,117	12,019	12,440
Drilling footage (ten thousand metres)	2,595	2,860	3,147
Well logging			
Well logging operations (well-time)	81,702	88,017	99,460
Mud logging			
Mud logging operations	10,359	10,334	11,241
Downhole operations			
Downhole operations (well-time)	114,185	121,330	106,844
Formation test (layers)	9,805	11,291	12,256
Offshore engineering			
Offshore drilling footage (meters)	301,100	217,000	309,000

Refining, Chemicals, Marketing and New Materials

CNPC currently has many domestic companies engaged in the refining of crude oil and petroleum products, as well as the production and marketing of basic petrochemical products, derivative chemical products and other chemical products. CNPC currently operates a number of refineries in China (including eight large-scale refining and chemical integrated enterprises and 14 refineries with an annual processing capacity above 10 million tons each) with a total crude oil processing capacity of approximately 224 million tons per annum. CNPC launched a number of key projects under its transformation and upgrading initiatives for refining and chemicals operations and achieved significant progress in recent years.

Refining and Chemicals

CNPC produces a wide range of refined products at its refineries. Some of the refined products are for its internal consumption and used as feedstock for its petrochemical production.

Most of CNPC's domestic refineries are strategically located close to its crude oil production and storage bases, along its crude oil and refined oil products pipelines and/or railways, which provide its refineries with secure supplies of crude oil and facilitate its distribution of refined products to the domestic markets. In 2022, CNPC further improved its production processes and increased its refinery capacity. In 2022, CNPC's refinery yield was 64.1%, with a year-on-year decrease of 1.2 percentage points. Sixteen of the 28 key technical and economic indicators for CNPC's refineries improved from a year earlier.

The table below sets forth CNPC's certain refining and chemicals operating data (domestic).

Refining and chemicals operating data (Domestic)	Year Ended 31 December 2020	2021	2022
Refined products output (million tons)	107.2	108.9	105.7
Gasoline (million tons)	46.3	49.4	43.5
Kerosene (million tons)	10.2	11.3	8.6
Diesel (million tons)	50.7	48.3	53.7

Most of CNPC's chemical plants are in close proximity to its refineries and are also connected with the refineries by pipelines, providing additional production flexibility and opportunities for cost competitiveness. CNPC's exploration and production supply substantially all of the hydrocarbon feedstock requirements for its chemicals operations. CNPC believes that the proximity of its refineries to its chemical plants promotes efficiency in production, secures feedstock supply and minimises the risk of production interruption. CNPC's production capacity and its market share in China for chemical products allow it to solidify its dominant position in the northern and western regions of China. In addition, its stable customer base in the eastern and southern regions of China provides it with the opportunity to expand its market share in these regions.

The table below sets forth the production volumes of CNPC's principal chemical products for the periods indicated.

Products	Year Ended 31 December 2020	2021	2022
		(thousand tons)	
Ethylene	6,345	6,713	7,419
Synthetic resin	10,287	10,903	11,620
Synthetic fibre	25	22	33
Synthetic rubber	1,001	1,044	1,044
Urea	2,163	2,422	2,549

CNPC's chemical products are distributed to a number of industries that manufacture components used in a wide range of applications, including automotive, construction, electronics, medical manufacturing, printing, electrical appliances, household products, insulation, packaging, paper, textile, paint, footwear, agriculture and furniture industries.

Development and Application of New Materials

CNPC continues to increase its efforts in the planning, research and development and capacity ramp-up for new materials. CNPC's full-year production of new materials in 2022 was 855,000 tons, with a year-on-year increase of 56.3%. Medical-grade polyolefin, solution styrene-butadiene rubber (SSBR) and cathode coke etc. are ready for commercial production, marking significant progress in CNPC's new materials business.

Fast-paced construction of new materials bases for CNPC has been witnessed by the construction of an ethylene plant with a capacity of 1.2 million tons/year in 2022 as part of CNPC's transformation and upgrading process to increase the production of high-value chemical products and new materials such as ABS and ethylene-propylene rubber. Moreover, the construction of an integrated refining-petrochemical complex kicked off in 2022 to facilitate the upgrading of CNPC's SSBR products.

Marketing and Sales

CNPC engages in the marketing of refined oil and chemical products through regional sales and distribution branches in China. These operations include the transportation and storage of the refined products, and the wholesale, retail and export of gasoline, diesel, kerosene, lubricant, paraffin, asphalt and other refined products. As of 31 December 2022, CNPC marketed its refined products through 22,655 service stations, which were owned and operated by CNPC or third parties, and owned refined products storage with a great storage capacity. In 2022, a total of 177 service stations were built throughout the year; 204 new service stations, 23 hydrogen refueling stations (integrated energy service stations) were completed and 280 battery swap station became operational.

In order to adapt to changes in market condition and customer demand, CNPC has enhanced integrated marketing for refined products, fuel cards, non-fuel business, lubricants and gas, and enhanced marketing through internet and carried out various promotion activities. CNPC's non-fuel business is centred on a targeted, professional and refined approach to the management of convenience stores. By the end of 2022, there were 20,600 uSmile convenience stores, and more than 200 million real name Kunlun refueling cards were issued. CNPC improved customer engagement in a "product + service + refueling card + fuel" model, and achieved sales revenue from non-fuel products totaled RMB27.8 billion from convenience stores in 2022.

As internet, big data and cloud computing technologies evolve rapidly, CNPC has pushed ahead with the Service Station 3.0 initiative which is aimed at creating the "People + Car + Lifestyle" ecosystem based on the concept of "Service Station + Internet + N". In 2022, CNPC continued to strengthen the integration of online and offline businesses and launched its mobile payment of fuel cards. CNPC established its first "People + Car + Lifestyle" one-stop service station, which is intended to provide better services to customers. CNPC also gave full play to the CNPC e-Chemicals platform to promote digital marketing.

In the Brand Ranking of China Customer Satisfaction Index published by Chnbrand, CNPC has been leading for many consecutive years in terms of the customer loyalty, the overall satisfaction and the satisfaction with respect to products, services and brands.

International Trade

CNPC is an active player in the global oil market through building a relatively competitive trading mechanism. CNPC trades many kinds of commodities, comprising crude oil, natural gas, refined oil and chemical products across many countries and regions by way of import and export, re-export, overseas commissioned product processing, product mixture operations, warehousing, transportation, and retail and wholesale operations, among others. CNPC's three international operation hubs in Singapore, London and New York continued to improve operation management and enjoyed an increased presence in the international markets. In 2022, CNPC posted a trade volume of 430 million tons and sales revenue of US$323.9 billion, covering more than 120 countries and regions around the world.

Support and Services

Engineering and Construction

CNPC's engineering and construction businesses consist of oil and gas field surface engineering, storage and transportation, refining and chemicals engineering, new energies and new materials, and overseas market development. With a large number of oil engineering and construction team members, CNPC is capable of carrying out construction operations under extreme geological and climate conditions in swamps, jungles and deserts. CNPC provides full value chain services to domestic and overseas customers, including engineering consulting, project management, survey, design, procurement, construction, installation, test operation, start-up, production services, operation and maintenance, non-destructive testing services as well as engineering technology development and research in connection with engineering projects of oil and gas field development, oil and gas transportation, refining and chemical engineering, environment, textiles and chemical fibres, etc. By the end of 2022, CNPC performed 81 major projects in oil and gas field surface engineering, refining and petrochemicals and storage & transportation at home and abroad. China Petroleum Engineering Corporation ranked No. 3 on the Engineering News-Record's Top 10 Global Oil and Gas Contractors list, No. 30 on the Engineering News-Record's Top 250 Global Contractors (measured by revenue generated globally) in 2022.

Petroleum Equipment Manufacturing

CNPC has many specialised equipment manufacturing companies with well-established quality control systems and ISO 9000, ISO14000 and ISO10012 certifications. Its petroleum equipment manufacturing business covers geophysical prospecting, drilling, well logging, oil recovery, steel tubing, refining and chemical processing, and offshore petroleum production, with eight categories of products certified by American Petroleum Institute. In 2009, CNPC launched its proprietary "CNPC Equipment" brand.

CNPC adheres to the direction of "high-end, intelligent and green" development, deepens the reform of the system and mechanism, established the equipment manufacturing department, strengthens the professional management and integrated planning of equipment manufacturing, promotes the key core technology research and intelligent development of digital transformation, and promotes the construction of a "domestically leading and internationally top-rated" service provider in equipment manufacturing. CNPC's supply chain and marketing network continued to grow with overseas branches in Central Asia, Latin America, the Middle East, Africa, Asia Pacific and other international oil and gas productions regions. By the end of 2022, CNPC sold petroleum equipment to more than 80 countries and regions around the world.

Capital and Finance

CNPC has a complete set of financial licenses, with business operations covering in-house banking, financial leasing, trust, insurance, insurance brokerage etc. Centered on industry finance services and anchored to an industry-leading position, CNPC's capital & finance business follows a problem-solving, disciplined and innovative approach to bringing the alignment of financial services with production needs and the collaboration between financial institutions to the next level. As green finance gained a strong momentum, CNPC advanced on all fronts, especially in new energies, new materials and new technologies.

CNPC's capital and financial service arm, CNPC Capital, provides services of settlement and cash management, loan and credit, funding and financing, foreign exchange and derivatives transactions, and securities investment and other related services. CNPC Capital, a subsidiary of CNPC that is listed on Shanghai Stock Exchange is crucial to CNPC's financial services segment. CNPC Capital is a non-bank financial institution approved by the People's Bank of China to provide financial management and diversified financial services for CNPC and its group companies. CNPC engages in financial leasing, trust, insurance, insurance brokerage and securities business through various subsidiaries or affiliates. In 2022, CNPC Capital leveraged its full set of financial licenses to push for ever stronger industry-finance integration. A number of new businesses were launched as a result, such as green financial leasing and specialty insurance products for new energies.

CNPC has adopted a regional coordination mechanism to align financial services with production needs in innovative forms and at a deeper level. Green financing has remained a priority for CNPC. Financial resources were directed into the green industry to boost the development of cleaner energy sources.

CNPC has maintained excellent control and management of financial risks. CNPC Capital's non-performing asset ratio stands at a very low level and no significant risk events were reported in 2022.

PRICING MECHANISM

For information about the pricing mechanism of CNPC's crude oil, refined and chemical products and natural gas, see "*Summary of Relevant PRC Laws and Regulations.*"

PROPERTY

CNPC owns land use rights, buildings, service stations and other properties across China. CNPC's corporate headquarters are located at 9 Dongzhimen North Street, Dongcheng District, Beijing, 100007, PRC.

EMPLOYEES

As of 31 December 2022, CNPC had approximately 1.1 million employees. Its employees participate in various basic social insurance plans organised by municipal and provincial governments whereby CNPC is required to make monthly contributions to these plans at certain rates of the employees' salary as stipulated by relevant local regulations.

As a result of CNPC's continuous efforts to focus on its employees, ensure a fair working environment and comply with various labour and social welfare laws and regulations, CNPC and its subsidiaries have not experienced any strikes, work stoppages, labour disputes or actions that have had a material adverse effect on the operation of any of their respective businesses as of 31 December 2022. CNPC believes that it and its subsidiaries maintain good relationships with their respective employees.

RISK MANAGEMENT

CNPC is exposed to a variety of risks as it is engaged in the oil and gas, financial and other business operations. CNPC's goal in risk management is to ensure that it understands, measures, monitors and mitigates the various risks that arise in connection with its operations.

Prices of crude oil and natural gas products are affected by a wide range of global and domestic factors which are beyond the control of CNPC. As a result, the market prices of a number of petrochemical products tend to vary along with crude oil prices. The fluctuations in such prices may have favourable or unfavourable impacts on CNPC. CNPC uses derivative financial instruments, including commodity futures, commodity swaps and commodity options, to hedge some price risks efficiently.

In addition to financial instruments for managing price risks, CNPC has established an integrated risk management system through which it seeks to manage its risks. Policies and guidelines have been developed to identify, analyse, appraise and monitor the changing risks that CNPC faces. CNPC has established a Risk Management Committee to supervise the overall risk management work. Under the Risk Management Committee, there is an Internal Control and Risk Management Department to formulate key internal control and risk management policies, design risk management systems, organise risk assessment work, provide training on risk control and management as well as oversee the implementation of the risk management policy of each of CNPC's departments and its subsidiaries.

Debt Management Policy: CNPC centrally manages domestic and foreign debt financing, coordinates domestic and foreign, different currencies, direct and indirect financing and other financing channels, continues to improve the financing structure, maintains comparable and optimal financing costs, and provides timely and adequate financial support for the construction of a world-class enterprise. CNPC's asset-liability ratio and gearing ratio (total debt/total capitalisation) have remained at approximately 40% and 20%, respectively. In the future, CNPC will continue to leverage its industry position and credit rating advantages, scientifically match financing channels, terms and types, and maintain a reasonable level of asset-liability ratio and gearing ratio (total debt/total capitalisation).

Working Capital Policy: CNPC maintains sufficient cash flow to meet its payment needs. It also maintains a centralised management of funds in order to operate the cash pools of its affiliates and subsidiaries in an efficient manner.

Investment Policy: The key factors CNPC takes into consideration when making investment decisions include investment return, resource acquisition, synergy and integration with its existing key businesses, improvement of service and technical capabilities as well as the various investment risks involved. In addition, CNPC has internal guidelines that specify the minimum return rates for each type of investment.

Health, Safety and Environmental Policy: CNPC has developed a Health, Safety and Environmental ("**HSE**") management system to strengthen accountability and adopt measures to target root causes rather than symptoms. In accordance with CNPC's HSE guideline and strategic goals, it provides HSE training throughout the entire organisation. It has also issued Nine Principles of HSE Management, outlining the basic requirements and behaviour codes for all managers.

INSURANCE

CNPC has insurance coverage for its vehicles and certain assets that are subject to significant operating risks, third-party liability insurance against claims relating to personal injury, property and environmental damages that result from accidents, and employer liability insurance. CNPC believes that its insurance coverage is comparable to that of other companies engaged in similar businesses. CNPC's oil and gas operations are subject to hazards and risks inherent in exploration and development, oil and gas transportation, refining, and production of petroleum products. As a measure of transferring risks, CNPC maintains insurance coverage against most potential losses, including the loss of wells, as well as liabilities related to costs of pollution control and environmental compliance. Additionally, CNPC purchases insurance to cover credit and guarantee risks relating to its international trading business.

INTELLECTUAL PROPERTY AND RESEARCH AND DEVELOPMENT

CNPC relies on a variety of patents, copyrights, trade secrets, trademarks and proprietary information to maintain and enhance its competitive position. The logo “ ” is jointly owned by CNPC and PetroChina. In 2022, CNPC applied for 6,862 domestic and foreign patents and obtained 2,625 authorised patents and received three silver prizes and five excellence prizes in the 23rd China Patent Awards. From 2012 to 2022, CNPC won 26 prizes of the National Science and Technology Progress Award and seven prizes of the National Technological Invention Award, and ranked first among central SOEs in the number of authorised patents. CNPC led the formulation of 262 national and 29 international standards, and CNPC was honored “Enterprise with Outstanding Contribution to Scientific and Technological Innovation” by SASAC. CNPC does not believe that any individual property right or related group of intellectual property rights is of such importance that its expiration or termination would materially affect the business of CNPC.

LEGAL PROCEEDINGS

CNPC and its subsidiaries are involved in certain legal proceedings concerning matters arising in the ordinary course of their business. CNPC believes, based on currently available information, that these proceedings, individually or in the aggregate, will not have a material adverse effect on its results of operations or financial condition.

REGULATORY

CNPC’s businesses are subject to numerous international, national, regional and local governmental regulations. See “*Summary of Relevant PRC Laws and Regulations*.”

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Social Responsibility

CNPC attaches great importance to Environment, Social and Governance (“ESG”) issues, and integrates the concept of social responsibility into corporate strategies and daily operations. Since 2001, CNPC has issued the “CNPC Environmental Protection Bulletin” for 24 consecutive years. In 2006, CNPC published the first Corporate Social Responsibility Report, and has continued this effort in the past 17 years consecutively. Since the publication of CNPC in Kazakhstan: Sustainability Report in 2009, CNPC has released its overseas corporate social responsibility reports in Indonesia, Latin America, Iraq, Myanmar and some other countries and regions.

CNPC issued its 2022 CNPC Environmental Protection Bulletin and 2022 Corporate Social Responsibility Report in June 2022 and September 2022, respectively. We have successfully achieved the following goals in 2022:

- Chemical oxygen demand, ammonia nitrogen, nitrogen oxide (NOx) emissions and volatile organic compounds (VOCs) emissions in refining and chemical business decreased by 7.0%, 21%, 7.1% and 3.5% year-on-year, respectively.

- The greenhouse gas emission intensity per unit of domestic oil and gas production fell by 4% year-on-year, and the methane emission intensity of CNPC decreased by 9.76% year-on-year.

- Two newly formulated green enterprise certification standards for natural gas sales (Kunlun Energy) and CNPC technical services, and 20 new green enterprises were recognised.

We will be continually devoting ourselves to fulfil the following commitments:

- CNPC Action Plan for Ozone Pollution Prevention and Control (2022-2025).

- The proportion of domestic natural gas production in CNPC's domestic oil and gas production equivalent will increase to about 55% by 2025.

Corporate Governance

We give great importance to CNPC's internal governance. CNPC is a major wholly state-owned oil and gas producer and supplier directly controlled by the central government through the SASAC, who fulfils the investor's duties on behalf of the State Council. CNPC has put in place an integral governance structure with defined roles and responsibilities performed by the board of directors and its special committees, the supervisory committee and the management team through close collaboration, in order to enable CNPC to make effective decisions in respect of energy supply, environmental protection, safe operation, social supply and other aspects in compliance with relevant laws and regulations.

We integrate the concept of sustainable development into our corporate governance structure and effectively manage environmental, security and social risks in support of the United Nations Sustainable Development Goals 2030 (SDGs). The board of directors of CNPC has established a health, safety and environment committee (the "HSE Committee"). The chairman of CNPC serves as director of the HSE Committee and supervises the implementation of CNPC's HSE programs. The chairman will advise the board of directors or the president on important decisions and matters relating to CNPC's HSE issues, raise inquiries about major incidents and responsibilities, and monitor and urge the handling of such incidents. The Environmental, Social and Governance Reports are submitted to the board of directors each year for due consideration and discussion.

CNPC has taken steps to ensure compliance with laws and regulations as the basic guarantee for achieving high-quality development, and its internal control system has achieved zero defect for 18 consecutive years in external audits. CNPC keeps close communication with stakeholders. Besides statutory disclosures, CNPC holds "Company Day" in which foreign and domestic institutional investors, analysts and media representatives are invited to have extensive communication about key issues in capital markets. CNPC has consolidated and improved the anti-corruption risk prevention and control system, carried out anti-corruption training, issued the PetroChina Anti-commercial Bribery Manual, completed the execution of confirmation letters regarding business ethics, and strengthened the due diligence and monitoring of third parties and agents. Furthermore, we adopt a zero-tolerance posture against corruption across CNPC.

Energy and Environment

The board of directors of CNPC attaches great importance to the risks and opportunities relating to climate change, and has taken them into consideration when making CNPC's development plan, with the aim of accelerating the low-carbon transformation of CNPC, controlling carbon emissions, vigorously developing clean and renewable energy, optimising oil quality and leading the international cooperation. In 2022, CNPC's chemical oxygen demand, ammonia nitrogen, nitrogen oxide (NOx) emissions and volatile organic compounds (VOCs) emissions in refining and chemical business decreased by 7.0%, 21%, 7.1% and 3.5% year-on-year, respectively, and no major or serious environmental pollution or ecological damage incidents occurred throughout the year.

Improving the modern environmental governance system: According to the guiding ideology of the 20th National Congress of the Communist Party of China and the 14th Five-Year Plan of China, CNPC adheres to the mission of "pursuing green development and providing reliable energy to fuel our customers' growth and power people's happy life", actively implement the green and low-carbon development strategy and the environmental protection concept of "development and protection going hand in hand, and environmental protection first". CNPC formulated and released "CNPC's Action Plan 3.0 for Green and Low-carbon Development", which advocates for a "circular carbon economy", and three action plans (i.e. Green Business Leader Initiative, Clean and Low-carbon Energy Contributor Initiative, and Circular Carbon Economy Pioneer Initiative) along with ten energy-saving and carbon reduction projects were developed to facilitate the green and low-carbon transition. At the same time, CNPC actively responds to the global initiatives and various requirements of the Chinese government on environmental protection, continues to improve HSE management and implements a comprehensive ancillary governance improvement scheme with respect of water resources, land resources and air pollution.

Accelerating the implementation of green and low-carbon strategies: We integrate the concept of low-carbon development into our corporate strategies, management and scientific and technological innovation. We hold "green and low-carbon" as one of our five major strategies, clarify the green transformation and low-carbon development path oriented by the hard constraints of carbon peak and carbon neutrality, implement stable oil and gas growth, accelerate the layout of new energy and new businesses, and strive to build a green and low-carbon version of CNPC. We've introduced the carbon cost assessment mechanism and reduced the allocation to and investment in high-carbon emission businesses. CNPC has established a special low-carbon management division to manage and control the emission of greenhouse gases, develop a greenhouse gas emission calculation system and disclose the information about greenhouse gas emission. CNPC is also actively carrying out rigorous control over carbon dioxide emissions by way of implementing carbon capture, utilisation and storage, focusing on the development of the Carbon Capture, Utilisation, and Storage (CCUS) technology, and completing the oil field demonstration projects. CNPC supports and participates in a number of reduction and control plans and initiatives for greenhouse gases emissions. The management system for carbon emissions was further improved in 2022 and a series of measures to reduce emissions and carbon intensity were launched. CNPC was in charge of formulating China's Action Plan for Methane Emission Control and overseeing the pilot project of the Ministry of Ecology and Environment for methane monitoring. Meanwhile, CNPC continued to promote cooperation under the framework of China Oil and Gas Methane Alliance and leveraged its industry-leading expertise and influence in reducing greenhouse gas emissions to implement the Action Plan for Methane Emission Control and achieve a year-on-year reduction in methane emissions intensity.

Calling for energy transformation and development: In 2022, CNPC took solid steps in its three-step approach of "clean alternative, strategic replacement and green transition". The "New Energy and New Materials Business Development Leading Group" was established to promote the layout of wind, solar and geothermal new energy, and fully promote the integrated development of oil and gas business and new energy, as well as the coordinated transformation and upgrading of refining and chemicals and new materials segments.

Development of new energies and renewable energies: We've developed geothermal energy on a large scale, actively developed new energy and alternative energy technologies such as biological fuels, solar energy, wind energy, uranium mines, as well as charging (replacing) power stations, etc., promoted the utilisation of residual heat from water extracted from oil fields, accelerated the promotion of integrated development and popularisation and application of geothermal energy, underground coal gasification and other technologies, and conducted research on the layout of hydrogen energy business. In 2022, CNPC's new energies capacity reached eight million tons of coal equivalent (TCE) per annum, and new materials production marked 855,000 tons, up by 56.3% year-on-year. The development of new energies, new materials and new business has veered into a fast lane.

Promoting natural gas business: We take natural gas as a strategic business to promote the green development of CNPC. In 2022, the proportion of natural gas in China's primary energy consumption reached as high as 8.4%. Being farsighted, CNPC has raised its proportion of domestic natural gas production to 52.5% of the domestic oil and gas production, which accounts for 66.8% of China's total national gas production and 56.5% of the national gas supply. We've also made active efforts to promote the alternative utilisation of natural gas. In 2022, CNPC's domestic natural gas production was 145.5 billion cubic meters, a year-on-year increase of 5.6%, of which domestic marketable natural gas production will be 126.6 billion cubic meters, a year-on-year increase of 5.9%. CNPC will increase the introduction of overseas natural gas and LNG, and continue to improve the natural gas marketing network currently covering 31 provinces, municipalities and autonomous regions in China and Hong Kong.

Actively participating in international cooperation: As the only Chinese member of OGCI, CNPC is involved in international cooperation actively to address climate change. CNPC was fully involved in the research of the Paris Agreement mechanisms, joined the ISO TC265 working group on CCUS industry chain, participated in the formulation of international CCUS standards, and pushed ahead with Daqing, Changqing and Northwest CCUS Industry Promotion Centers under the framework of OGCI. In March 2022, CNPC signed the Aiming for Zero Methane Emissions Initiative to encourage full engagement of oil and gas companies and a systematic approach to methane emission reduction.

CNPC pays high attention to health, safety and environment protection (HSE) and has always made HSE work a prerequisite for the development of our business. We've established an incentive mechanism for environmental protection, and involved the environmental protection outcome in the performance appraisal of the management of CNPC and the senior managers of regional branches. An accountability mechanism for environmental protection and lifelong accountability for ecological and environmental damage has also been implemented. As a "Low Carbon Model in China" enterprise for the 11th consecutive year, CNPC saw 2022 energy savings totaling 740,000 TCE, and water savings 9.23 million cubic meters.

We strictly comply with the environmental laws and regulations of China and the countries and regions where we carry out businesses, including emission control, treatment and discharge to surface water and groundwater, and generation, handling, storage, transportation, treatment and disposal of solid waste materials, etc. A whole-process environmental management and multi-level risk prevention and control is strictly implemented to each new or upgrading project.

We operate in compliance in all respects with existing requirements of applicable national, local and foreign environmental laws and regulations. As of 31 December 2022, CNPC was free of any major oil leakage or any other environmental incident, and there is no circumstance under which CNPC is subject to any administrative penalty due to its violation of laws and regulations on ecological environment protection.

Safe Operations

We always adhere to the concept of "people-oriented", respect and equally treat each employee, and protect employees' legitimate rights and interests. We treat our employees equally in accordance with the law, fully pay social insurances, enterprise annuity, and supplementary medical insurance for our employees on a timely basis, and establish special guarantees for all employees and retirees.

As of 31 December 2022, we and our subsidiaries did not have any strikes, labour disputes or actions that caused a significant negative impact on our business.

CNPC's health and safety management covers all staff including supply chain companies. CNPC conducts occupational health and QHSE safety standard review annually, implements the "Occupational Disease Prevention Law of the PRC," and 100% establishes the employee occupational health record. CNPC takes the workplace safety as its core value to all aspects of its production and operation. In 2022, the safety production of CNPC remained stable.

CNPC optimises the safety management process of its supply chain, and strengthens the safety production management from the four aspects: strict screening of contractors and suppliers; safety performance evaluation and assessment; qualified contractor managers with certificates and strict implementation of contractor safety supervision responsibility mechanism. CNPC carries out training for contractors in key positions and strictly implements the "zero tolerance for unqualified contractors" measure.

Social Contributions

CNPC actively gives back to the society, participates in donations and school subsidies, serves community construction, improves regional development capability, and strives to promote common and harmonious development of economy and society.

Targeted poverty alleviation. In 2022, RMB666 million were invested by CNPC for rural revitalisation and social welfare with 1,080 assistance projects implemented and 694 assistance cadres involved.

Community development. CNPC cultivates local suppliers and contractors during construction and operation, creates local jobs, drives the development of related industries, and gives back to local people. CNPC strengthens its overseas communication mechanism with host country governments, NGOs and business partners; actively participates in community public services such as education subsidies and medical services, and lives in harmony with local communities.

Honorary Awards

CNPC has won various honours and awards in relation to environmental protection, social responsibility and governance. As of 31 December 2022, these honours and awards include:

- "Low Carbon Model in China" title for the 11th consecutive year;

- "Watershed Rehabilitation Award" issued by the Indonesian Upstream Oil and Gas Management Committee (SKK Migas);

- A certificate of outstanding contribution to environmental protection issued by the Ministry of Environment of Chad;

- 2022 Chinese Enterprise ESG "Golden Responsibility Award" for the Best Corporate Governance Responsibility Award, and was among the first batch of China's top 100 listed companies in ESG; and

- "National Greening Model Company" awarded to Daqing Oilfield Ecological Environment Management and Protection Company and Changqing Oilfield No. 2 Oil Production Plant, and "National Greening Model Worker" awarded to two individuals.

MANAGEMENT

The following table sets forth information on the directors and management of CNPC and their concurrent positions in PetroChina.

Name	Age	Position
DAI Houliang.	60	Chairman and Secretary of the CPC Committee of CNPC, Chairman of PetroChina
HOU Qijun	56	Director and President of CNPC, Deputy Secretary of the CPC Committee of CNBC, Vice Chairman of PetroChina
DUAN Liangwei.	55	Director of CNPC, Deputy Secretary of the CPC Committee of CNBC, Non-executive Director of PetroChina
HUANG Yongzhang	56	Chief Security Officer, Vice President and Member of the CPC Committee of CNPC, Executive Director and President of PetroChina
QIAN Chaoyang	53	Chairman of Discipline & Inspection Group and Member of the CPC Committee of CNPC
REN Lixin	56	Vice President and Member of the CPC Committee of CNPC, Executive Director and Senior Vice President of PetroChina
XIE Jun	55	Vice President and Member of the CPC Committee of CNPC, Director of PetroChina
ZHANG Daowei.	50	Vice President and Member of the CPC Committee of CNPC, Senior Vice President of PetroChina
YANG Hua	60	Employee Director, President Assistant, General Manager of Human Resources Department of CNPC
LI Jianhong	67	External Director of CNPC
SHI Yan.	63	External Director of CNPC
YANG Ya.	61	External Director of CNPC
GAO Yunhu	62	External Director of CNPC

DAI Houliang, aged 60, is the chairman of CNPC and PetroChina. Mr. Dai is an academician of the Chinese Academy of Engineering and has nearly 40 years of working experience in China's petroleum and petrochemical industry. In December 1997, Mr. Dai was appointed vice president of Sinopec Yangzi Petrochemical Company, and served as director and vice president of Yangzi Petrochemical Co., Ltd. in April 1998. From July 2002, he became vice chairman and president of Yangzi Petrochemical Co., Ltd., and director of Yangzi Petrochemical Company. In December 2003, he served as the chairman and president of Yangzi Petrochemical Co., Ltd. and concurrently as chairman of Yangzi Petrochemical Company. Starting from November 2004, he also worked as chairman of BASF-YPC Company Limited. From September 2005, Mr. Dai served as deputy CFO of Sinopec Corp. and in November 2005 as vice president and deputy CFO of Sinopec Corp. He became director, senior vice president and CFO of Sinopec Corp. in May 2006. From May 2016, Mr. Dai served as president and director of Sinopec Group and concurrently as vice chairman and president of Sinopec Corp. in August 2016. In May 2018, he worked concurrently as chairman and president of Sinopec Corp. In July 2018, he was appointed chairman of Sinopec Group. Mr. Dai was appointed chairman of CNPC in January 2020.

HOU Qijun, aged 56, currently serves as the director and president of CNPC. He is also a deputy secretary of the CPC committee at CNBC and holds the position of vice chairman at PetroChina. Mr. Hou is a senior engineer. Previously, he held various roles, including director and deputy general manager at Daqing Oilfield Co., Ltd., as well as general manager and deputy secretary of the CPC committee at PetroChina Jilin Oilfield Branch. He also served as the secretary of the CPC committee and deputy general manager at China Petroleum Natural Gas and Pipeline Co., Ltd. Simultaneously, he took on the responsibilities of being the director and deputy secretary of the CPC committee at Beijing Oil and Gas Control Center. Mr. Hou also worked as the general manager of the Planning and Development Department at CNPC and held the position of vice president at CNPC. In addition, he concurrently served as the general manager and deputy secretary of the CPC committee at the Exploration and Production Branch. He gradually climbed the ranks from being a director to vice president and eventually becoming the president at PetroChina. His experience also includes roles as a director, general manager, and deputy secretary of the CPC committee at China Oil & Gas Pipeline Network Corporation.

DUAN Liangwei, aged 55, currently serves as a director of CNPC, deputy secretary of the CPC committee of CNBC, and a non-executive director of PetroChina. Mr. Duan is a senior engineer. Mr. Duan Liangwei has nearly 30 years of working experience in China's petrochemical industry. In February 2006, Mr. Duan became vice president and chief safety director of Jilin Petrochemical Company, and served concurrently as president of Jilin Fuel Ethanol Company Limited starting from March 2010. He was appointed president of Dagang Petrochemical Company in September 2011 and became president of Dalian Petrochemical Company in July 2013. In March 2017, Mr. Duan was appointed vice president of CNPC, and concurrently as the Chief HSE Supervisor of CNPC from April 2017. Mr. Duan was appointed as a non-executive director of PetroChina in June 2017.

HUANG Yongzhang, age 56, currently serves as the chief security officer, vice president and member of the CPC Committee of CNPC, and an executive director and president of PetroChina. Mr. Huang is a professor-level senior engineer and has around 30 years of working experience in China's petroleum industry. Before 2018, he consecutively served as a vice president of CNPC International (Nile) Ltd., a vice president and chief safety director of China National Oil Exploration and Development Corporation, and an executive vice president of CNPC Middle East Corporation. In January 2018, he was appointed as president of CNPC Middle East Corporation. In April 2020, Mr. Huang was appointed as vice president of CNPC.

QIAN Chaoyang, aged 53, currently serves as the Chairman of the Discipline & Inspection Group and is a member of the CPC Committee at CNPC. Mr. Qian holds the title of senior engineer. In his previous roles, he served as the Deputy Director of the Safety Inspection Department at State Grid Corporation of China. He was also a member of the CPC Committee and Deputy General Manager at Jiangsu Provincial Electric Power Company, as well as a member of the CPC Committee and Deputy General Manager at State Grid Jiangsu Provincial Electric Power Company. Additionally, he held positions as the General Manager, Deputy Secretary of the CPC Committee, Chairman, and CPC Committee Secretary at State Grid Tianjin Municipal Electric Power Company, as well as the Chairman and CPC Committee Secretary at State Grid Shanghai Municipal Electric Power Company. Furthermore, he served as a member of the CPC Committee and Deputy General Manager at China Southern Power Grid Co., Ltd.

REN Lixin, aged 56, currently serves as vice president and member of the CPC committee of CNPC, and an executive director and senior vice president of PetroChina. Mr. Ren holds the title of senior engineer. He previously served as a member of the CPC committee, deputy general manager, general manager, deputy secretary of the CPC committee, and chief safety officer at PetroChina Dushanzi Petrochemical Branch. He also held positions as general manager and deputy secretary of the CPC committee at PetroChina Refining and Chemicals Company.

XIE Jun, aged 55, currently serves as vice president and is a member of the CPC committee at CNPC. He is also a director at PetroChina. Mr. Xie holds the title of senior engineer. In his previous roles, he held positions as deputy general manager, executive deputy general manager, secretary of the CPC committee, and general manager at PetroChina Southwest Oil and Gas Field Branch. Additionally, he served as the general manager of the Planning and Development Department at CNPC, and as the general manager (director) of the Development Planning Department (Office for Foreign Cooperation and Office for New Energy and New Materials Development) at CNPC.

ZHANG Daowei, aged 50, currently serves as vice president and member of the CPC committee of CNPC, and a senior vice president of PetroChina. Mr. Zhang holds the title of senior engineer. He served as deputy general manager and executive deputy general manager at PetroChina Qinghai Oilfield Branch. He also held the position of general manager and executive director at PetroChina Southwest Oil and Gas Field Branch, as well as general manager at the PetroChina Exploration and Production Branch. In June 2022, he was appointed as vice president of PetroChina. In August 2022, he assumed the role of executive director at the Oil and Gas and New Energy Division of PetroChina.

YANG Hua, aged 60, currently serves as an employee director, the president assistant and the general manager of the Human Resources Department of CNPC. Mr. Yang holds the title of senior engineer. Previously, Mr. Yang held various positions, including serving as a member of the CPC committee, deputy general manager, executive deputy general manager, secretary of the CPC committee, and general manager at PetroChina Changqing Oilfield Branch. He also served as the general manager of CNPC and held positions as the general manager of the Planning and Development Department and the Human Resources Department at CNPC.

LI Jianhong, aged 67, currently serves as an external director at CNPC. Mr. Li was a member of the 13th National Committee of the Chinese People's Political Consultative Conference. He held various positions, including factory director at COSCO Shipping (Nantong) Shipyard. He also served as the former president's assistant at COSCO Group and held the role of general manager at COSCO Industry Corporation. Additionally, he served as general manager at COSCO Real Estate Company, held the position of former chief economist, and was vice president and a member of the CPC committee at COSCO Group. Moreover, Mr. Li held roles as director, president, and chairman at China Merchants Group.

SHI Yan, aged 63, currently serves as external director of CNPC. Mr. Shi has previously served as the director of Discipline Construction and Degree Office at Beijing Institute of Technology. He also held positions as the deputy dean, and dean and the secretary of the CPC Committee, concurrently, at the Planning and Research Institute of China Ordnance Industry. Additionally, he was the executive deputy director (in charge of work) and director of the Planning Department at China North Industries Group Corporation Limited ("**NORINCO Group**"). He served as the deputy general manager and the member of the CPC Committee at NORINCO Group, as well as deputy general manager and deputy secretary of the CPC Committee. Furthermore, he held positions as a director and deputy secretary of the CPC Committee at NORINCO Group.

YANG Ya, aged 61, currently serves as external director of CNPC. Mr. Yang has previously held various positions, including deputy director and director of the Asset and Finance Department at China Three Gorges Corporation. He also served as deputy chief accountant and chief accountant at China Three Gorges Corporation, as well as chief accountant and a member of the CPC Committee at China Three Gorges Group. Furthermore, he served as deputy general manager, chief accountant, and a member of the CPC Committee at State Power Investment Corporation Limited.

GAO Yunhu, aged 62, currently serves as an external director at CNPC. Mr. Gao has previously held various positions, including serving as the director of the Special Planning Division at the State Development Planning Commission, director of the Special Planning Division at the Development Planning Department of the National Development and Reform Commission, director of the Comprehensive Division, and deputy director at the Raw Materials Industry Department of the Ministry of Industry and Information Technology. Concurrently, he also held the position of deputy director of the Rare Earth Office and director of the Energy Conservation and Comprehensive Utilisation Department.

OVERVIEW

China's oil and gas industry is subject to extensive regulation by the PRC government with respect to a number of aspects of exploration, production, transmission and marketing of crude oil and natural gas as well as the production, transportation and marketing of refined products and chemical products. The following central government authorities exercise control over various aspects of China's oil and gas industry:

- The Ministry of Natural Resources (the "MNR", formerly the Ministry of Land and Resources, the "MLR") has the authority for granting, examining and approving oil and gas exploration and production licences as well as the administration of registration and transfer of exploration and production licences.

- The Ministry of Commerce:

    - sets the import and export volume quota for crude oil and refined products according to the overall supply and demand for crude oil and refined products in China as well as the World Trade Organisation (WTO) requirements for China;

    - issues import and export licences for crude oil and refined products to oil and gas companies that have obtained import and export quota; and

    - examines and approves production sharing contracts in relation to oil and CSG and Sino-foreign equity and cooperative joint venture contracts.

- The NDRC:

    - has the industry administration and policy coordination authority over China's oil and gas industry;

    - determines mandatory minimum volumes and applicable prices of natural gas to be supplied to certain fertiliser producers;

    - publishes guidance prices for natural gas and retail median guidance prices for certain refined products, including gasoline and diesel;

    - approves significant petroleum, natural gas, oil refinery and chemical projects set forth under the Catalogues of Investment Projects Approved by the central government; and

    - approves Sino-foreign equity and cooperative projects exceeding certain capital amounts.

EXPLORATION & PRODUCTION

The PRC Constitution provides that all mineral and oil resources belong to the state. *The Mineral Resources Law* promulgated in 1986 by the Standing Committee of the National People's Congress and amended in 1996 and 2009 and its supplementary regulations provide the basic legal framework under which exploration licenses and production licenses are granted. The MNR has administrative authority over the exploration and production of the mineral and oil resources within the PRC. Companies must acquire approval by the State Council to engage in oil and gas exploration and production activities and apply to the MNR for exploration licenses and production licenses.

MARKETING

Pursuant to *Opinions on Accelerating the Development of Circulation Industry and Promoting Consumer Spending* issued by the General Office of State Council on 16 August 2019, the approval of qualification for wholesale, storage and operation of refined oil products shall be abolished, and the approval of qualification for retail and operation of refined oil products shall be delegated to the prefectural (municipal) people's governments.

Pursuant to *Notice on Accomplish the Reform of "Decentralisation, Management and Service" of Petroleum Product Circulation Management* promulgated by the Ministry of Commerce on 3 December 2019, the people's governments at the prefectural and municipal levels are responsible for the approval of qualifications for retail operation of refined oil products in their regions. After the abolition of the approval of qualifications for wholesale storage and operation, the enterprises engaged in the business activities shall still comply with the requirements of laws and regulations on safety, environmental protection, fire safety, quality, taxation, transportation, meteorology, metrology and other aspects.

PRICING

Pursuant to *the Notice on Implementing Reforms on Prices of Refined Oil* Products and Tax promulgated by the State Council on 18 December 2008 and the Measures for Administration of Petroleum Price issued by the NDRC on 13 January 2016, the sale price for refined oil products in the PRC market shall be adjusted with reference to international crude oil price fluctuations, subject to governmental control. The NDRC will set the maximum retail price of standard products and the provincial price bureaus have the authority to set the maximum wholesale prices and the highest retail prices of standard and non-standard products in the region.

On 26 December 2011, the NDRC issued *the Circular on the Pilot Reform of Natural Gas Price Formation Mechanism in Guangdong Province and Guangxi Zhuang Autonomous Region*. This pilot reform aims to establish a dynamic price adjustment mechanism for the promotion of nationwide natural gas price reform. The NDRC's objective is to relax control of the ex-factory price of natural gas and promote price formation by market competition, wherein the government will only manage pipeline transportation tariffs.

On 28 June 2013, the NDRC issued *the Notice on Adjustment of the Price of Natural Gas*. The ex-factory-price-controlled pricing mechanism of natural gas shall be changed to citygate-price-controlled. A reference ceiling price is set by the government, and gas suppliers and users may negotiate specific prices between themselves below the price ceiling. The new programme consists of (i) changing the mechanism administering the price of natural gas from ex-factory controlled to city-gate controlled, and no longer differentiating the prices payable by the users in different provinces by reference to the difference in gas sources and transportation routes; (ii) establishing a mechanism whereby the city-gate price of natural gas is linked to the price of alternative energy thereby achieving a completely market-driven pricing for natural gas; and (iii) adopting differential pricing approaches towards existing usage and incremental usage of natural gas so as to establish as soon as practicable a new pricing mechanism for natural gas while reducing the impact that the pricing reform will have on existing gas users.

The Circular on *Rationalising the Price of Non-Residential Natural Gas (Fa Gai Jia Ge [2015] No. 351)* released by the NDRC on 26 February 2015 calls for rationalising the price of non-residential natural gas, implementing pilot programs for price liberalisation of directly supplied gas for end-users, decreasing ceiling city-gate prices for incremental non-residential natural gas and increasing the ceiling city-gate prices for stock gas.

The Circular on Reducing the City-Gate Price of Non-Residential Natural Gas and Further Promoting Market-oriented Pricing Reform (Fa Gai Jia Ge [2015] No. 2688) released by the NDRC on 18 November 2015 calls for further liberalisation of pricing of natural gas, setting a reference base rate for city-gate prices of non-residential natural gas. Suppliers and buyers may determine the specific prices through negotiations below 120% of the reference base rate.

In August 2017, pursuant to the reform of the supply side and the adjustment of value-added tax, the NDRC released *the Circular on Adjustment of the Benchmark Price of Non-Residential Natural Gas (Fa Gai Jia Ge Gui [2017] No. 1582)*, in order to implement the requirements of the supply side reform and with reference to the decrease of value-added tax, non-residential gas benchmark price was lowered by RMB0.1 per cubic meter, effective from 1 September 2017.

On 27 March 2019, the NDRC announced that the gas benchmark price was adjusted accordingly to the adjustment of the value-added tax rate for natural gas sales, effective from 1 April 2019.

On 22 February 2020, the NDRC announced that, non-residential gas benchmark price shall be applied to the off-season policy ahead of schedule and be lowered to support enterprises to resume work and production.

On 3 March 2020, the NDRC released the Catalogue of Pricing by the Central Government, the city-gate prices of natural gas is deleted from the Catalogue and will not be set by the central government in some competitive provinces and cities.

CROSS-BORDER INVESTMENT & SECURITY

The Regulations of the People's Republic of China on Sino-foreign Cooperation in Exploitation of Onshore Petroleum Resources promulgated by the State Council in 1993 and last amended in 2013 provides for qualifications of enterprises to enter into joint cooperation arrangements with foreign oil and gas companies for onshore crude oil and natural gas exploration and production.

Under *the Decision of the State Council on Reform of the Investment System (Guo Fa [2004] No. 20)*, investments without the use of government funds are only subject to a licensing system or a registration system, as the case may be. Under the current system, only significant projects involved in *the Catalogue of Investment Projects Subject to Governmental Approval (Version 2016)* are subject to approval so as to maintain social and public interests. The scope to which the government approval system is applicable shall be observed and adjusted where necessary. All other projects of any investment scale are only subject to a registration system.

Pursuant to *the Measures for the Administration of Overseas Investment of Enterprises* issued by the NDRC on 26 December 2017 and effective as of 1 March 2018, projects subject to approval are sensitive projects to be carried out by investors either directly or through overseas enterprises controlled thereby and the approval authority is NDRC. Projects subject to filing are non-sensitive projects directly carried out by investors, namely the non-sensitive projects involving the direct investment of assets and equities or the provision of financing or guarantees. For a project requiring filing, the authority in charge of filing is (i) NDRC, if the investor is a centrally administered enterprise (a centrally administered financial enterprise or an enterprise directly subordinate to the administration by the State Council or its subordinate organ, the same below); (ii) NDRC, if the investor is a local enterprise and the amount of Chinese investment is US$0.3 billion or above; and (iii) the provincial development and reform authority at the place where the investor is registered, if the investor is a local enterprise and the amount of Chinese investment is less than US$0.3 billion.

The *Catalogue of Investment Projects Subject to Governmental Approval (Version 2016)* promulgated by the State Council relaxed the Chinese approval requirements for overseas investment projects by Chinese investors. Projects involving sensitive countries and regions or sensitive sectors shall be approved by the competent investment department under the State Council. Other projects invested by central-administered enterprises and projects with the investment of US$0.3 billion or above from local businesses shall be only subject to filing.

The Administrative Measures on Overseas Investments (Ministry of Commerce Order [2014] No. 3) promulgated by the Ministry of Commerce provide that overseas investments of enterprises involving sensitive countries and regions and sensitive industries shall be subject to examination and approval, and other overseas investments of enterprises shall be subject to filing with the Ministry of Commerce.

The Anti-monopoly Law of the People's Republic of China (2022 revision) (Presidential Decree No. 116 of the People's Republic of China) promulgated by the Standing Committee of the National People's Congress requires declaration in advance to the anti-monopoly enforcement agency of the State Council when market concentration by business reaches a threshold of declaration level prescribed by the State Council; otherwise, the business carriers shall not implement such market concentration.

The Notice of the State Administration of Foreign Exchange on Promulgation of the Administrative Provisions on the Foreign Exchange for Cross-border Guarantee (Hui Fa [2014] No. 29) issued by the State Administration of Foreign Exchange classifies cross-border security into three types: overseas Loans under domestic guarantee, domestic loans under overseas guarantee, and other forms of cross-border guarantee, and provides for registration and approval procedures for aforementioned overseas loans under domestic guarantee and domestic loans under overseas guarantee.

FOREIGN DEBT

On 14 September 2015, the NDRC published *the National Development and Reform Commission on Pushing Forth Administrative Reform for Filing and Registration for Issuance of Foreign Debt by Enterprises (Fai Gai Wai Zi [2015] No. 2044)* ("**Circular 2044**"), which came into effect on the same date. On 5 January 2023, the NDRC published the NDRC Administrative Measures, which came into effect on 10 February 2023 and repealed the Circular 2044 on the same date. The NDRC Administrative Measures applies to medium and long-term foreign debts with a maturity of more than one year that are borrowed from overseas by enterprises within the territory of the PRC and by overseas enterprises or branches controlled by aforementioned PRC enterprises, denominated in local or foreign currency, and of which principal is repaid with payment of interest as agreed. For the purpose of the NDRC Administrative Measures, the forms of foreign debts include but are not limited to senior bonds, perpetual bonds, capital bonds, medium-term notes, convertible bonds, exchangeable bonds, financial leasing, and commercial loans.

Before borrowing any foreign debt, the Certificate of Examination and Registration of Foreign Debts Borrowed by Enterprises (企業借用外債審核登記證明) ("**Examination and Registration Certificate**") shall be obtained from the NDRC, and such certificate shall be valid for one year from the date of issuance and be automatically invalidated upon expiry. Apart from the foregoing pre-issuance requirement, the NDRC Administrative Measures stipulates post-issuance filing requirements as follows: (i) filing with the NDRC the requisite information and documents within ten PRC business days after each foreign debt issuance and the expiration of the Certificate with respect to the bonds in accordance with the NDRC Administrative Measures, (ii) filing with the NDRC the requisite information and documents within five PRC business days before the end of January and the end of July each year, and (iii) filing the requisite information and documents upon the occurrence of any material event that may affect the enterprise's due performance of its debt obligations. With respect to conducts in violation of the NDRC Administrative Measures, legal liabilities and consequences to enterprises borrowing foreign debts have been stipulated in the NDRC Administrative Measures. If any enterprise borrows foreign debts in violation of the NDRC Administrative Measures, the NDRC will take disciplinary actions such as holding an interview and giving a public warning against the relevant enterprise and its principal liable person. If any application documents to apply for foreign debt approval submitted by enterprises contain concealing, false record, misleading statement, or material omission, the NDRC will give a warning to relevant enterprise and its principal liable person. If the approval is obtained by concealment, deception, bribery, or any other improper means, such approval will be revoked. For any enterprise failing to comply with filing and reporting requirements under the NDRC Administrative Measures, the NDRC will order such enterprise to take rectification actions within a prescribed time limit; and if the circumstances are severe or the enterprise fails to take rectification action within the prescribed time limit, give a warning to the relevant enterprise and its principal liable person. Furthermore, conducts in violation of the NDRC Administrative Measures committed by enterprises will be publicised on, among others, the Credit China (信用中國) website and the National Enterprise Credit Information Publicity System (國家企業信用信息公示系統).

TAXATION

Pursuant to *the Notice on Implementing Reforms on Prices of Refined Oil Products and Tax* promulgated by the State Council on 18 December 2008, the PRC government ceased to create and impose a new kind of fuel tax. Instead, as part of the reform of the refined oil product pricing, the government used the existing system of taxation, methods of tax collection and means of taxation administration to further improve the refined oil product pricing mechanism. As a result, the unit tax amount of the consumption tax for refined oil products was increased.

Effective from 1 December 2014, the rate of mineral resource compensation charges on crude oil and natural gas is reduced to zero, and the applicable resource tax rate is correspondingly increased from 5% to 6%.

Effective from 1 January 2015, the threshold of the special oil income levy is increased from US$55 to US$65 per barrel, and a five-level progressive rate is applied to special oil income levy collection based on the sale prices.

From 29 November 2014 to 12 January 2015, the unit tax amount of consumption tax on gasoline, naphtha, solvent and lubricant have been adjusted three times and the current applicable consumption tax rates are set forth in the table below.

Circular 36 provides that value-added tax completely replaced business tax to cover all the business sectors that used to fall under the business tax regime.

The Environmental Protection Tax Law was promulgated on 25 December 2016 and effective as of 1 January 2018, and was further revised on 26 October 2018. According to *Environmental Protection Tax Law*, the enterprises, public institutions and other producers/operators that discharge taxable pollutants directly to the environment within the territorial areas of the PRC and other sea areas under the jurisdiction of the PRC are the taxpayers of environmental protection tax and shall pay such tax in accordance with the provisions of this Law, and the air pollutants, water pollutants, solid wastes and noise stipulated in the *Table of Items and Amounts of Environmental Protection Tax and the Table of Taxable Pollutants and Equivalent Values* annexed to *the Environmental Protection Tax Law* are the taxable pollutants.

TAXATION

TAXATION IN THE BRITISH VIRGIN ISLANDS

The Issuer is exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

Payments of principal, premium or interest in respect of the Bonds to persons who are not resident in the British Virgin Islands are not subject to British Virgin Islands tax or withholding tax.

Capital gains realised with respect to the Bonds by persons who are not persons resident in the British Virgin Islands are also exempt from all provisions of the Income Tax Ordinance of the British Virgin Islands.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not resident in the British Virgin Islands with respect to the Bonds.

All instruments relating to transactions in respect of the Bonds are exempt from payment of stamp duty in the British Virgin Islands. This assumes that the Issuer does not hold an interest in real estate in the British Virgin Islands.

TAXATION IN HONG KONG

Withholding tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**IRO**")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In addition, the Inland Revenue (Amendment) (Taxation on Specified Foreign-sourced Income) Ordinance 2022 of Hong Kong (the "**Amendment Ordinance**") came into effect on 1 January 2023. Under the Amendment Ordinance, certain foreign-sourced interest on the Bonds accrued to an MNE entity (as defined in the Amendment Ordinance) carrying on a trade, profession or business in Hong Kong is regarded as arising in or derived from Hong Kong and subject to Hong Kong profits tax when it is received in Hong Kong. The Amendment Ordinance also provides for relief against double taxation in respect of certain foreign-sourced income and transitional matters.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisers to ascertain the applicability of any exemptions to their individual position.

Stamp duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of the Bonds.

TAXATION IN THE PRC

The following summary of certain PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, rules and regulations in effect as of the date of this offering circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds, including such possible consequences under the laws of their country of citizenship, residence or domicile.

Taxation on Interest and Capital Gains

Under the EIT Law, an enterprise established outside of China with a "de facto management body" within China is deemed a "resident enterprise," meaning that it can be treated as a PRC enterprise for enterprise income tax purposes, although dividends paid from one resident enterprise to another may qualify as "tax-exempt income." The implementation regulations of the EIT Law define "de facto management" as "substantial and overall management and control over the production and operations, personnel, accounting, and properties" of the enterprise. *Notice of the State Administration of Taxation on Issues about the Determination of Chinese-Controlled Enterprises Registered Abroad as Resident Enterprises on the Basis of Their Body of Actual Management* ("**Circular 82**") provides that a foreign enterprise controlled by a PRC company or a PRC company group will be treated as a "resident enterprise" with a "de facto management body" located within China if all of the following requirements are satisfied at the same time: (i) the senior management and core management departments in charge of daily operations are located mainly within China; (ii) financial and human resources decisions are subject to determination or approval by persons or bodies in China; (iii) major assets, accounting books, company seals and minutes and files of board and shareholders' meetings are located or kept within China; and (iv) at least half of the enterprise's directors with voting rights or senior management reside within China. On 1 September 2011, the State Administration implemented Circular 45, to further prescribe the rules concerning the recognition, administration and taxation of a foreign enterprise "controlled by a PRC enterprise or PRC enterprise group." Circular 45 provides two ways for a foreign enterprise "controlled by a PRC enterprise or a PRC enterprise group" to be treated as a resident enterprise. First, the foreign enterprise may decide on its own whether its de facto management body is located in China based on the criteria set forth in Circular 82, and, if it makes such determination, it shall apply to the competent tax bureau to be treated as a resident enterprise. Second, the tax authority may determine that the foreign enterprise is a resident enterprise after its active investigation.

The Issuer believes that it is currently not a PRC resident enterprise. However, since substantially all of the Issuer's management is currently based in China, the Issuer cannot assure investors that it will not be deemed a "resident enterprise" under the EIT Law. If the Issuer is not considered to be a PRC resident enterprise for EIT Law purposes, payment of interest or premium (if any) on the Bonds to non-PRC resident Bondholders will not be deemed as sourced from the PRC and will not be subject to PRC withholding tax.

Under the EIT Law and the implementation regulations thereunder, PRC withholding tax at a rate of 10% is generally applicable to PRC-source income derived by non-resident enterprises, subject to adjustment by an applicable treaty. The EIT Law's implementation regulations further set forth that interest income is viewed as PRC-source income if the enterprise or the establishment that pays or bears the interest is situated in China. If the Issuer is deemed a PRC resident enterprise for tax purposes, interest or premium (if any) paid to non-PRC Bondholders may be regarded as PRC-source and therefore be subject to PRC withholding tax of at a rate of 10% for enterprise Bondholders and 20% for individual Bondholders. Any gains realised on the transfer of the Bonds by such investors will also be subject to PRC income tax at a rate of 10% for enterprise Bondholders or 20% for individual Bondholders, if such gains are regarded as PRC-sourced.

In addition, in the event that the Guarantor, as a PRC resident enterprise, is required to discharge its obligations under the Guarantee of the Bonds, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate of 10% on the payments of interest or premium (if any) made by it under the Guarantee of the Bonds to non-PRC resident enterprise Bondholders or 20% for individual Bondholders as such payments of interest will be regarded as being derived from sources within the PRC. Repayment of the principal will not be subject to PRC withholding tax.

To the extent that the PRC has entered into arrangements relating to the avoidance of double taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of PRC income taxes, such lower rate may apply to qualified non-PRC resident enterprise Bondholders or individual Bondholders. However, it is unclear whether in practice non-PRC resident Bondholders might be able to obtain the benefit of income tax treaties entered into between PRC and their countries.

Stamp duty

No PRC stamp tax will be chargeable upon the issue or transfer (for so long as the register of holders of the Bonds is maintained outside the PRC, as is expected to be the case) of a Bond.

VAT

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued Circular 36 which provides for that the VAT pilot programme will cover construction industry, real estate industry, finance industry and life service industry on a nation-wide basis from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, entities and individuals providing services within China are subject to VAT. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of "loans" under Circular 36, the issuance of Bonds may be regarded as financial services by Bondholders to the Issuer and the Guarantor and the payments under the Bonds may be subject to VAT if the PRC tax authorities take the view that the holders of the Bonds are providing loans within the PRC. Any taxable activities of taxpayers providing finance services shall be subject to a tax rate of 6 per cent.

Where a Bondholder who is an entity located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since the services is not provided in China, Circular 36 should not apply and the Issuer does not have the obligation to withhold the VAT. However, where a Bondholder who is an entity resells the Bonds, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

In the event that the Guarantor is required to fulfill its obligations under the Guarantee by making interest payments on behalf of the Issuer, the interest received by a non-PRC resident Bondholder from the Guarantor will be subject to a tax rate of 6 per cent. if the tax authorities deem this to be taxable item within the scope of Circular 36.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

SUBSCRIPTION AND SALE

The Issuer and the Company have entered into a subscription agreement with the Joint Lead Managers dated 18 January 2024 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained therein, the Issuer agreed to sell to the Joint Lead Managers, and the Joint Lead Managers severally and not jointly agreed to subscribe for, or procure the subscription for, the Bonds in the following principal amounts set out opposite their names, respectively:

Joint Lead Managers	Amount of the Bonds to be Subscribed
	RMB
Bank of China Limited and Bank of China (Hong Kong) Limited	150,000,000
Citigroup Global Markets Limited	150,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	150,000,000
The Hongkong and Shanghai Banking Corporation Limited	150,000,000
Industrial and Commercial Bank of China (Asia) Limited	150,000,000
China Construction Bank (Asia) Corporation Limited	150,000,000
China Securities (International) Corporate Finance Company Limited	20,000,000
Standard Chartered Bank	20,000,000
ABCI Capital Limited	20,000,000
China International Capital Corporation Hong Kong Securities Limited	20,000,000
CLSA Limited	20,000,000
Total	1,000,000,000

The Issuer and the Company have agreed to indemnify the Joint Lead Managers against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent, and entitles the Joint Lead Managers to terminate it in certain circumstances at any time prior to the payment of the net proceeds of the issue of the Bonds, as applicable, to the Issuer on the closing date of this offering (the "**Closing Date**"). The Joint Lead Managers and certain of their respective affiliates may have performed certain investment banking and advisory services for the Issuer, the Company and/or their respective affiliates from time to time for which they have received customary fees and expenses and may, from time to time, engage in transactions with and perform services for the Issuer, the Company and/or their respective affiliates in the ordinary course of their business. The Joint Lead Managers or certain of their respective affiliates may purchase the Bonds and be allocated the Bonds for asset management and/or proprietary purposes but not with a view to distribution.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investments and securities activities may involve securities and instruments of the Issuer, the Company and/or the Company's other subsidiaries, including the Bonds.

The Joint Lead Managers or their respective affiliates may place order, be allocated or purchase the Bonds for its or their own account (and such order, allocation or purchase may be material) and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Bonds and/or other securities of the Issuer, the Company or the Company's other subsidiaries or associates at the same time as the offer and sale of the Bonds or in secondary market transactions. Such transactions would be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Bonds to which this offering circular relates (notwithstanding that such selected counterparties may also be purchasers of the Bonds).

Notice to capital market intermediaries and prospective investors pursuant to paragraph 21 of the Hong Kong SFC Code of Conduct – Important Notice to CMIs (including private banks)

This notice to CMIs (including private banks) is a summary of certain obligations the SFC Code imposed on CMIs, which requires the attention and cooperation of other CMIs (including private banks). Certain CMIs may also be acting as OCs for this offering and are subject to additional requirements under the SFC Code.

Prospective investors who are the directors, employees or major shareholders of the Issuer, the Guarantor, a CMI or its group companies would be considered under the SFC Code as having an Association with the Issuer, the Guarantor, the CMI or the relevant group company. CMIs should specifically disclose whether their investor clients have any Association when submitting orders for the Bonds. In addition, private banks should take all reasonable steps to identify whether their investor clients may have any Associations with the Issuer, the Guarantor, or any CMI (including its group companies) and inform the Joint Lead Managers accordingly.

CMIs are informed that, unless otherwise notified, the marketing and investor targeting strategy for this offering includes institutional investors, sovereign wealth funds, pension funds, hedge funds, family offices and high net worth individuals, in each case, subject to the selling restrictions set out elsewhere in this offering circular.

CMIs should ensure that orders placed are bona fide, are not inflated and do not constitute duplicated orders (i.e., two or more corresponding or identical orders placed via two or more CMIs). CMIs should enquire with their investor clients regarding any orders which appear unusual or irregular. CMIs should disclose the identities of all investors when submitting orders for the Bonds (except for omnibus orders where underlying investor information may need to be provided to any OCs when submitting orders). Failure to provide underlying investor information for omnibus orders, where required to do so, may result in that order being rejected. CMIs should not place "X-orders" into the order book.

CMIs should segregate and clearly identify their own proprietary orders (and those of their group companies, including private banks as the case may be) in the order book and book messages.

CMIs (including private banks) should not offer any rebates to prospective investors or pass on any rebates provided by the Issuer or the Guarantor. In addition, CMIs (including private banks) should not enter into arrangements which may result in prospective investors paying different prices for the Bonds.

The SFC Code requires that a CMI disclose complete and accurate information in a timely manner on the status of the order book and other relevant information it receives to targeted investors for them to make an informed decision. In order to do this, those Joint Lead Managers in control of the order book should consider disclosing order book updates to all CMIs.

When placing an order for the Bonds, private banks should disclose, at the same time, if such order is placed other than on a "principal" basis (whereby it is deploying its own balance sheet for onward selling to investors). Private banks who do not provide such disclosure are hereby deemed to be placing their order on such a "principal" basis. Otherwise, such order may be considered to be an omnibus order pursuant to the SFC Code.

In relation to omnibus orders, when submitting such orders, CMIs (including private banks) that are subject to the SFC Code should disclose underlying investor information in respect of each order constituting the relevant omnibus order (failure to provide such information may result in that order being rejected). Underlying investor information in relation to omnibus orders should consist of:

- the name of each underlying investor;
- a unique identification number for each investor;
- whether an underlying investor has any "Associations" (as used in the SFC Code);
- whether any underlying investor order is a "Proprietary Order" (as used in the SFC Code); and
- whether any underlying investor order is a duplicate order.

Underlying investor information in relation to omnibus order should be sent to: dcmhk@bocgroup.com; projectseagull@bochk.com; DCM.Omnibus@citi.com; dcm@bankcomm.com.hk; vincent.y.fang@icbcaisa.com; liguige.isabelle@icbcasia.com; linziying.lavinia@icbcasia.com; qiruixiao.tracy@icbcasia.com; ccba_dcm@asia.ccb.com; SYNHK@sc.com; abcic.dcm@abci.com.hk; ProjectSeagull@clsa.com.

To the extent information being disclosed by CMIs and investors is personal and/or confidential in nature, CMIs (including private banks) agree and warrant: (A) to take appropriate steps to safeguard the transmission of such information to any OCs; and (B) that they have obtained the necessary consents from the underlying investors to disclose such information to any OCs. By submitting an order and providing such information to any OCs, each CMI (including private banks) further warrants that they and the underlying investors have understood and consented to the collection, disclosure, use and transfer of such information by any OCs and/or any other third parties as may be required by the SFC Code, including to the Issuer, the Guarantor, relevant regulators and/or any other third parties as may be required by the SFC Code, for the purpose of complying with the SFC Code, during the bookbuilding process for this offering. CMIs that receive such underlying investor information are reminded that such information should be used only for submitting orders in this offering. The Joint Lead Managers may be asked to demonstrate compliance with their obligations under the SFC Code, and may request other CMIs (including private banks) to provide evidence showing compliance with the obligations above (in particular, that the necessary consents have been obtained). In such event, other CMIs (including private banks) are required to provide the relevant Joint Lead Manager with such evidence within the timeline requested.

In connection with the issue of the Bonds, any of the Stabilisation Managers (or any person acting on behalf of any Stabilisation Manager) may over-allot Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail. However, there is no assurance that any of the Stabilisation Managers (or any person acting on behalf of any Stabilisation Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Bonds is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the Bonds and 60 days after the date of the allotment of the Bonds. Any stabilisation action or over-allotment must be conducted by the relevant Stabilisation Manager (or any person acting on behalf of any Stabilisation Manager) in accordance with all applicable laws and rules.

Each of the Issuer and the Company has agreed that it will not, for a period of 30 days after the date of the Subscription Agreement, without the prior written consent of the Joint Lead Managers, offer, sell, contract to sell, pledge or otherwise dispose of, or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to cash settlement or otherwise) by the Issuer, the Company or any Covered Subsidiaries (as defined in the Subscription Agreement) of the Company, directly or indirectly, or announce the offering, of any debt securities issued or guaranteed by the Issuer or the Company having a tenor of more than one year (other than (i) the Bonds, (ii) any loans, including bilateral or syndicated loans or club deals, (iii) any short-term notes having a tenor of 400 days or shorter) and (iv) any debt securities offered solely in the PRC).

SELLING RESTRICTIONS

General

The distribution of this offering circular or any offering material and the offering, sale or delivery of the Bonds are subject to restrictions and may not be made except pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. Therefore, persons who may come into possession of this offering circular or any offering material are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This offering circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction by the Issuer, the Company, or the Joint Lead Managers that would, or is intended to permit a public offering, or any other offering under circumstances not permitted by applicable law, of the Bonds, or possession or distribution of this offering circular, any amendment or supplement thereto issued in connection with the proposed resale of the Bonds or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this offering circular comes are required by the Issuer, the Company, and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver the Bonds or have in their possession, distribute or publish this offering circular or any other offering material relating to the Bonds, in all cases at their own expense.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers or any affiliate of them is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or such affiliate on behalf of the Issuer in such jurisdiction.

United States

The Bonds and the Guarantee have not been and will not be registered under the U.S. Securities Act of 1933 (the "**Securities Act**") and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of the Bonds or the Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

United Kingdom

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (as amended, the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Company; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

Hong Kong

Each of the Joint Lead Managers has represented, warranted and agreed that:

(i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the "**SFO**") and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

Singapore

Each of the Joint Lead Managers has acknowledged that this offering circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented, warranted and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase, and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this offering circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act 2001 of Singapore, as modified or amended from time to time (the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

PRC

Each Joint Lead Manager has represented, warranted and undertaken that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC, and the Bonds may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC, except as permitted by the applicable laws and regulations of the PRC.

British Virgin Islands

Each Joint Lead Manager has represented, warranted and agreed that no invitation has been made or will be made, directly or indirectly, to any person in the British Virgin Islands or to the public in the British Virgin Islands to purchase the Bonds and the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the British Virgin Islands, except as otherwise permitted by the British Virgin Islands laws.

This offering circular does not constitute, and there will not be, an offering of the Bonds to any person in the British Virgin Islands.

RATINGS

The Bonds are expected to be assigned a rating of "A+" by S&P upon issuance. Additionally, the Guarantor has been assigned a corporate credit rating of "A1" with negative outlook by Moody's, "A+" with stable outlook by S&P and "A+" with stable outlook by Fitch. The sovereign rating of the PRC is "A1" with negative outlook by Moody's, "A+" with stable outlook by S&P and "A+" with stable outlook by Fitch. The credit ratings accorded the Bonds are not a recommendation to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. We cannot assure you that the ratings will remain in effect for any given period or that the ratings will not be revised by the rating agencies in the future if, in their judgement, circumstances so warrant.

INDEPENDENT AUDITOR

The consolidated statements of financial position of CNPC and its subsidiaries as at 31 December 2022 and the consolidated statements of comprehensive income of CNPC and its subsidiaries for each of the year ended 31 December 2022 included elsewhere in this offering circular have been audited by Baker Tilly China, the independent auditor of the Company. The consolidated statements of financial position of CNPC and its subsidiaries as at 31 December 2021 and the consolidated statements of comprehensive income of CNPC and its subsidiaries for the year ended 31 December 2021 included elsewhere in this offering circular have been audited by Da Hua Certified Public Accountants (Special General Partnership), the former independent auditor of the Company.

GENERAL INFORMATION

1. Listing: Application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 26 January 2024.

2. Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the execution, issue and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issue of the Bonds was authorised by resolutions of the board of directors of the Issuer on 6 December 2023. Save for (i) the Cross-border Security Registration and (ii) the NDRC Post-Issuance Filing, the Company has obtained all necessary consents, approvals and authorisations in connection with the giving and performance of the Guarantee, the execution of the Trust Deed and the Agency Agreement. The giving of the Guarantee was authorised by resolutions of the board of directors of the Company on 27 December 2023 and an approval of the General Accountant of the Company dated 19 July 2023.

3. No Material Adverse Change: Save as disclosed in this offering circular, there has been no material adverse change in the financial or trading position or prospects of the Company since 31 December 2022 and there has been no material adverse change in the financial or trading position or prospects of the Issuer since the date of its incorporation.

4. Litigation: Save as disclosed in this offering circular, neither of the Issuer or the Company is involved in any litigation or arbitration proceedings that the Issuer or the Company, as the case may be, believes are material in the context of the Bonds, nor is any of the Issuer or the Company aware that any such proceedings are pending or threatened.

5. Available Documents: Copies of the following documents will be available for inspection from the Issue Date at 9 Dongzhimen North Street, Dongcheng District, Beijing, PRC:

   (a) copies of the financial reports on the financial information of the Guarantor for the years ended 31 December 2021 and 2022;

   (b) the Trust Deed;

   (c) the Agency Agreement;

   (d) the memorandum and articles of association of the Issuer; and

   (e) the Articles of Association of the Guarantor.

6. Reporting Accountants: The consolidated financial statements of CNPC as of and for the year ended 31 December 2022 set out in this offering circular have been audited by Baker Tilly China, as stated in their reports appearing therein. The consolidated financial statements of CNPC as of and for the year ended 31 December 2021 set out in this offering circular have been audited by Da Hua Certified Public Accountants (Special General Partnership), as stated in their reports appearing therein.

7. Clearing Systems and Settlement: The Bonds will be lodged and cleared through the CMU.

CMU Instrument Number:	CILHFB24001
ISIN:	HK0000980174
Common Code:	274403829

ANNEX A – GLOSSARY OF OIL AND GAS INDUSTRY TERMS

“barrel” – approximately 42 U.S. gallons.

“bbl” – barrel of oil.

“bcf” – billion cubic feet, which is equivalent to approximately 28.32 million cubic metres.

“boe” – barrels of oil equivalent. Conversion of gas reserves to barrels of oil equivalent is at the ratio of 6 billion standard cubic feet of gas to 1 million barrels of crude oil.

“bpd” – barrels per day.

“crude oil” – crude oil including condensate and natural gas liquids. Condensate means light hydrocarbon substances produced with natural gas that condense into liquid at normal temperatures and pressures associated with surface production equipment. Natural gas liquids mean hydrocarbons that can be extracted in liquid form together with natural gas production. Ethane and pentanes are the predominant components of natural gas liquids, with other heavier hydrocarbons also present in limited quantities.

“CBM” – coal bed methane.

“CSG” – coal seam gas.

“gas” – natural gas.

“LNG” – liquefied natural gas.

“mcf” – thousand cubic feet.

“mmcf” – million cubic feet.

“mmbbl” – million barrels of oil.

“mmboe” – million barrels of oil equivalent.

“natural gas” – a mixture of hydrocarbons that originally exist in gaseous phase in natural underground reservoirs and is classified as either associated gas or non-associated gas.

“NGL” – natural gas liquids.

“oil” – crude oil, condensate and natural gas liquids.

“primary distillation capacity” – at a given point in time, the maximum volume of crude oil a refinery is able to process in its basic distilling units.

Conversion Table

1 barrel-of-oil equivalent	= 1 barrel of crude oil	= 6,000 cubic feet of natural gas
1 cubic meter	= 35.315 cubic feet	
1 ton of crude oil	= 1 metric ton of crude oil	= 7.389 barrels of crude oil (assuming an API gravity of 34 degrees)

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AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2022

China National Petroleum Corporation

Auditor's Report

D.H.S.Z.[2022]0011379

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Da Hua Certified Public Accountants（Special General Partnership）

China National Petroleum Corporation

Auditor's Report and Financial Statements

(1 January 2021 to 31 December 2021)

MOORE 大华国际 | 大華會計師事務所

Da Hua Certified Public Accountants (Special General Partnership)
12th Floor, Building 7, Yard 16, Middle West Fourth Ring Road, Haidian District, Beijing [100039]
Tel: 86 (10) 5835 0011 Fax: 86 (10) 5835 0006
www.dahua-cpa.com

Auditor's Report

D.H.S.Z.[2022]0011379

To the Owners of China National Petroleum Corporation:

I. Audit Opinion

We have audited the accompanying financial statements of China National Petroleum Corporation (Herein after "CNPC"), Which comprise the consolidated and the parent company's balance sheet as at 31 December 2021, the consolidated and the parent company's statement of comprehensive income, cash flows statements , statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with provisions on the basis for the preparation of financial statements and fairly reflect China Petroleum's financial position at 31 December 2021 and the financial performance and cash flows for the year then ended.

II.Basis for Audit Opinion

We conducted our audit in accordance with CICPA Standards on Auditing ("CSAs"). In 'Certified Public Accountant's Responsibilities for the Audit of Financial Statements' of this report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from CNPC and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of for our opinion.

III.Other information

Management of CNPC is responsible for other information which includes the information covered in CNPC 's 2021 annual report, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements do not cover any other information, and we do not publish any form of forensic conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information while considering whether other information is materially inconsistent with the financial statements or what we learned during the audit or that there is a material misstatement.

Based on the work we have performed, we should report the fact if we determine that there is a material misstatement of other information. In this respect, we have no need to report any item.

IV.Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management of CNPC is responsible for the preparation and present these financial statements fairly in accordance with the requirements of Accounting Standards for Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Management of CNPC is also responsible for assessing CNPC's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and using going concern assumption, unless the management either intends to liquidate the Company or to cease operations or has no realistic option to comply.

Those charged with governance are responsible for overseeing the CNPC's financial reporting process.

V.Certified Public Accountant's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 the users taken on the basis of these Financial Statements.

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

1.Identify and assess the risks of material misstatements of the 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 of 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, intentional omissions, misrepresentations, or the override of internal control.

2.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 such internal control.

3.Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management.

4.Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on CNPC'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 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 CNPC to cease to continue as a going concern.

5.Evaluate the overall presentation, structure and content of the Financial Statements, and evaluate whether Financial Statements fairly reflected the underlying transactions and events.

6.Obtain sufficient appropriate audit evidence regarding CNPC's financial information of the entities or business activities within the Group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

VI.Use Restriction

This audit report is only for the issuance of bonds by CNPC and may not be used for other purposes.

Da Hua Certified Public Accountants
(Special General Partnership)

CICPA: 中国注册会计师 颜新才

Xincai Yan

Beijing, China

CICPA: 中国注册会计师 费强

Qiang Fei

April 25 ,2022

Consolidated Balance Sheet

Enterprise finance table 01

Prepared by: China National Petroleum Corporation | As at 31 December 2021 | Amount unit:: Ten thousand yuan

Item	Note VIII	Closing Balance	Opening Balance	Item	Note VIII	Closing Balance	Opening Balance
Current assets:		—	—	**Current liabilities:**		—	—
Cash and bank	(I)	27,139,144	22,980,682	Short term loans	(XXVIII)	6,903,711	7,162,321
△ Settlement reserve				△loans from central bank		788,749	262,423
△Placements with banks and other financial institutions	(II)	23,106,205	18,573,505	△Deposit funds	(XXIX)	4,905,504	5,039,282
☆Held for trading financial assets	(III)	10,679,143	9,033,679	☆Held for trading financial liabilities			
Financial assets at fair value through profit and loss				Financial liabilities at fair value through profit and loss			
Financial derivative assets		39,849	151,735	Financial Derivative liabilities		364,025	469,808
Notes receivable	(IV)	45,216	70,598	Notes payable	(XXX)	6,856,299	6,039,770
Accounts receivable	(V)	8,414,957	8,143,609	Accounts payable	(XXXI)	36,229,511	33,121,503
☆Receivables financing	(VI)	254,043	826,193	Advances from customers	(XXXII)	271,861	593,295
Prepayments	(VII)	15,338,354	20,272,345	☆Contract Liabilites	(XXXIII)	10,558,380	11,444,918
△Premiums receivable		10,122	6,962	△ Sale of repurchase financial assets		3,274,893	2,667,198
△Reinsurance receivables		79,739	84,591	△ Absorption of deposits and interbank deposits	(XXXIV)	20,424,440	20,008,354
△Provision of cession receivable		177,100	164,282	△ Dealing in securities		1	1
Other receivables	(VIII)	5,757,958	3,625,801	△ Underwriting of securities			
△Buying back the sale of financial assets	(IX)	6,205,909	2,470,022	Employee benefits payable	(XXXV)	4,620,338	3,893,223
Inventories	(X)	18,900,494	17,712,697	Taxes payable	(XXXVI)	8,812,336	7,240,652
☆Contract assets	(XI)	7,425,889	5,972,040	Other payables	(XXXVII)	7,873,086	8,427,316
Assets held for sale			4,261,274	△ Handling fees and commissions payable		2,759	4,006
Non-current assets due within one year	(XII)	19,717,016	14,014,528	△ Payable for reinsurance		59,240	71,983
Other current assets	(XIII)	11,185,778	14,417,036	Liabilities held for sale			226,152
Total current assets		154,476,916	142,781,579	Non-current liabilities due within one year	(XXXVIII)	9,487,138	6,337,789
Non-current assets:		—	—	Other current liabilities	(XXXIX)	5,487,537	5,794,662
△Loans and advances to customers	(XIV)	10,145,452	11,626,245	**Total current liabilities**		126,919,808	118,804,656
☆Debt investments	(XV)	7,067,625	9,543,955	**Non-current liabilities:**		—	—
Available-for-sale financial investments				△ Insurance contract reserve		565,165	446,150
☆Other debt investments	(XVI)	2,116,119	4,222,444	Long-term loans	(XL)	9,147,365	5,410,405
Held-to-maturity investments				Bonds payable	(XLI)	24,429,740	33,318,851
Long-term receivables	(XVII)	4,757,943	5,232,915	Including: Preferred stock			
Long-term equity investments	(XVIII)	31,794,569	29,218,080	Perpetual bond			
☆Other equity instrument investments		821,347	908,159	☆ Lease liabilities		2,832,154	2,858,703
☆Other non-current financial assets	(XIX)	3,366,227	5,352,819	Long-term payables		1,261,161	502,167
Investment properties		246,783	247,544	Long-term employee benefits payable		148,184	151,578
Fixed assets	(XX)	58,333,640	58,532,947	Accrued liabilities	(XLII)	15,009 181	13,934 840
Construction in progress	(XXI)	25,981,994	25,221,709	Deferred income		1,050,030	1,280,810
Productive biological assets				Deferred tax liabilities		4,428,511	3,131,022
Oil and gas assets	(XXII)	95,259,650	94,418,874	Other non-current liabilities	(XLIII)	280,828	314,416
☆ Right-of-use assets	(XXIII)	4,583,409	4,981,865	**Total non-current liabilities**		59,152,319	61,348,942
Intangible assets	(XXIV)	10,597,960	10,147,457	**Total liabilities**		186,072,127	180,153,598
Development expenditure		114,553	96,368	**Shareholdings' Equity:**		—	—
Goodwill	(XXV)	807,795	821,811	Paid-in capital (or Share capital)		48,685,500	48,685,500
Long-term deferred expenses		3,575,612	3,317,369	State-owned capital		10,299,408	14,770,214
Deferred tax assets	(XXVI)	2,169,434	2,054,286	Capital reserve	(XLIV)	26,902,334	25,544,143
Other non-current assets	(XXVII)	3,026,390	3,212,471	Less: Treasury stock			
Of which: special reserve materials		1,909,901	2,296,787	Other comprehensive income		-5,365,865	-4,349,233
Total non-current assets		264,766,502	269,157,318	Including: Exchange differences arising from foreign currency translation		-6,056,751	-4,991,406
				Special reserve		1,624,369	1,769,080
				Surplus reserve	(XLV)	108,531,185	108,437,123
				△General reserve		1,258,514	1,185,750
				Retained earnings		7,081,245	1,677,287
				Equity attributable to owners of the parent		199,016,690	197,719,864
				Non-controlling interests		34,154,601	34,065,435
				Total shareholders' equity		233,171,291	231,785,299
Total assets		419,243,418	411,938,897	**Total liabilities and owners' equity**		419,243,418	411,938,897

Note: The accounts with * in the table are special for consolidated accounting statements; △is for financial enterprises; # is for foreign-invested enterprises; ☆ is applicable to enterprises implementing the new income/new lease/new financial instrument standards.

Legal Representative: Chief Accountant: Head of Accounting:

Consolidated Statement of Comprehensive Income

Enterprise finance table 02

Prepared by: China National Petroleum Corporation | For the year ended 31 December 2021 | Amount unit::Ten thousand yuan

Item	Note VIII	Current Period	Prior Period	Item	Note VIII	Current Period	Prior Period
I.Gross revenues		280,727,507	208,714,680	Less: Non-operating expenses	(LVII)	4,646,681	2,597,838
Including: Revenue	(XLVII)	278,139,949	206,448,805	**IV. Profit before tax ("-"for loss)**		16,647,674	8,751,973
△Interest income		2,274,006	2,021,508	Less: Income tax expense	(LVIII)	6,621,342	3,724,811
△Premiums earned		152,017	69,623	**V. Net profit ("-"for loss)**		10,026,332	5,027,162
△Fee and commission income		161,535	174,744	(I) Categorized by ownership			
II.Total operating cost		262,972,810	202,923,985	Net profit attributable to owners of the parent		6,216,526	3,156,874
Including: Cost of sales	(XLVII)	214,220,438	158,769,390	* Net profit attributable to non-controlling interests		3,809,806	1,870,288
△Interest expense		839,894	888,492	(II) Categorized by operation continuity			
△Fee and commission expense		156,651	27,862	Net profit from continuing operations		10,026,332	5,027,162
△Surrenders		-	-	Net profit from discontinued operations		-	-
△Net policyholders' claims		57,728	50,507	**VI. Other comprehensive income, net of tax**		-1,332,168	-3,903,683
△Net change in reserves of insurance contract		101,195	30,526	Other comprehensive income attributable to owners of the parent, net of tax	(LIX)	-1,011,349	-2,858,118
△Policyholder dividends		-	-	(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods		15,045	-19,229
△Premiums ceded to reinsurers		15,854	18,061	1.Changes in remeasured defined benefit obligations		175	3,392
Taxes and surcharges		23,968,339	20,524,912	2.Equity-accounted investees share of other comprehensive income		-	-
Selling expenses	(XLVIII)	7,940,447	7,936,675	☆ 3.Changes in fair value of other equity instrument investments		14,870	-22,621
General and administrative expenses	(XLIX)	8,440,640	7,901,852	☆ 4.Changes in fair value of enterprise's credit risk		-	-
Research and development expenses		2,529,179	2,275,934	5.Others		-	-
Financial expenses	(L)	2,244,215	2,540,103	(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		-1,026,394	-2,838,889
Including: Interest expenses	(L)	2,120,179	2,330,755	1.Equity-accounted investees share of other comprehensive income		32,825	2,928
Interest income	(L)	711,569	742,350	☆ 2.Changes in fair value of other debt investments		6,709	-13,514
Exchange gain	(L)	737,613	841,588	3.Changes in fair value of available-for-sale financial investments			
Others		2,458,230	1,959,671	☆ 4.Reclassification of Financial Assets into other comprehensive income			
Plus: other income	(LI)	1,558,558	1,153,091	5.Reclassification of Holding to maturity investments to available-for-sale financial investments			
Investment income (losses are listed with "-")	(LII)	4,622,307	5,241,883	☆ 6.Net changes in expected credit losses of other debt investments		-584	303
Of which: investment income from associates and joint ventures	(LII)	1,911,695	-448,769	7.Cash flow hedge (Effective part of cash-flow hedge profit and losses)			
☆ Financial asset derecognition income measured at amortized cost			-50	8.Exchange differences arising from foreign currency translation		-1,065,344	-2,831,539
△ Exchange gains (losses are listed with "-")		4,695	10,556	9.Others			2,933
☆ Hedging gains on net exposure (losses are listed with "-")		-	-	*Other comprehensive income attributable to non-controlling interests, net of tax		-320,819	-1,045,565
Gains from changes in fair value (losses are listed with "-")		639,771	352,343	**VII.Total comprehensive income**		8,694,164	1,123,479
☆ Credit impairment losses (losses are listed with "-")	(LIII)	-577,376	-79,691	Attributable to equity shareholders of the bank		5,205,177	298,756
Asset impairment losses (losses are listed with "-")	(LIV)	-3,656,129	-2,962,536	Attributable to non-controlling interests		3,488,987	824,723
Gains from asset disposal (losses are listed with "-")	(LV)	150,147	182,943	**VIII.Earnings per share**			
III.Operating profit ("-"for loss)		20,496,670	9,689,284	Basic earnings per share			
Add: Non-operating income	(LVI)	797,685	1,660,527	Diluted earnings per share			
Including: government subsidy	(LVI)	402,928	1,124,997				

Note: The accounts with * in the table are special for consolidated accounting statements; △is for financial enterprises; ☆ is applicable to enterprises implementing the new income/new lease/new financial instrument standards

Attached notes to statements are part of the financial statments.

Consolidated Cash Flows Statement

Enterprise finance table 03

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Amount unit::Ten thousand yuan

Item	Note VIII	Current Period	Prior Period	Item	Note VIII	Current Period	Prior Period
I. Cash flows from operating activities		—	—	Cash received from withdrawal of investments		18,199,275	15,992,517
Cash received from sale of goods and rendering of services		272,122,815	241,035,576	Cash received from returns on investments		2,555,836	2,580,637
△Net increase in deposits from customers and due from banks and other financial institutions		105,965	-121,323	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		56,782	42,780
△Net increase in borrowings from central bank		522,767	129,308	Net cash received from disposal of subsidiaries and other business units	(LXI)	3,215,756	8,276,703
△Net increase in loans from other financial institutions		-634,648	-4,456,217	Cash received from other investing activities		601,109	128,106
△Cash received from receiving insurance premiums of original insurance contracts		86,158	100,580	**Sub-total of cash inflows from investment activities**		24,628,758	27,020,743
△Net cash received from reinsurance business		80,723	4,068	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		30,076,436	28,296,480
△Net increase in deposits and investments from policyholders		-	-	Cash paid for investments		14,730,275	18,524,512
△Net increase in disposal of financial assets at fair value through profit and loss		991,315	-3,037,139	△Net increase in pledge loans		-	-
△Cash received from interest, fees and commission		2,211,569	2,058,821	Net cash paid to acquire subsidiaries and other business units		272,193	219,947
△Net increase in placements from banks and other financial institutions		-	-	Cash paid for other investing activities		29,734	4,259
△Net increase in repurchase business funds		560,418	-1,075,844	**Sub-total of cash outflows from investing activities**		45,108,638	47,045,198
△ Net Cash Received from Agent Trading of Securities		-	-	**Net cash flows from investing activities**		-20,479,879	-20,024,455
Refunds of taxes and surcharges		383,553	554,523	**III. Cash flows from financing activities**		-	-
Cash received from other operating activities		14,852,470	4,340,230	Cash from absorption of investments		67,300	61,445
Sub-total of cash inflows from operating activities		291,283,105	239,532,583	Including: cash received by subsidiaries from investments by minority shareholders		67,300	61,445
Cash paid for goods purchased and services received		177,199,300	150,958,032	Cash received from borrowings		75,773,030	99,041,886
△Net increase in loans and advances to customers		2,486,928	-2,694,165	Cash received from other financing activities		696	11,108,801
△Net increase in deposits with central bank and with banks and other financial institutions		166,428	1,180,237	**Subtotal of cash inflow from financing activities**		75,841,026	110,212,132
△Cash paid for original insurance contract claims		59,861	50,812	Cash paid for debt repayments		77,446,618	98,699,864
△ Net increase in disbursed funds		-	-	Cash paid for distribution of dividends and profit or payment of interest		4,820,041	4,889,344
△Cash paid for interests, handling charges and commissions		755,270	655,638	Including: Dividends and profits paid to minority shareholders by subsidiaries		2,874,609	1,918,288
△Cash paid for policy dividends		-	-	Cash paid for other financing activities		7,665,013	8,079,590
Cash paid to and on behalf of employees		26,032,471	25,226,409	**Sub-total of cash outflows from financing activities**		89,931,672	111,668,798
Cash paid for taxes and surcharges		35,354,701	30,854,604	**Net cash flows from financing activities**		-14,090,646	-1,456,666
Cash paid for other operating activities		8,991,870	14,389,769	**IV. Effect of fluctuation in exchange rate on cash and cash equivalents**		-534,443	-1,345,840
Sub-total of cash outflows from operating activities		251,046,829	220,621,336	**V. Net increase in cash and cash equivalents**		5,131,308	-3,915,714
Net cash flows from operating activities	(LXI)	40,236,276	18,911,247	Add: Beginning balance of cash and cash equivalents		26,990,810	30,906,524
II. Cash flows from investing activities		—	—	**VI. Ending balance of cash and cash equivalents**	(LXI)	32,122,118	26,990,810

Note: The accounts with △is for financial enterprises;

Attached notes to statements are part of the financial statments.

Consolidated Statement of Changes in Equity

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Enterprise finance table 04

Amount unit: Ten thousand yuan

Item	Note VIII	Current Period													
		Equity attributable to parent company												Non-controlling interests	Total owners' equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Subtotal		
			preferred stock	Perpetual debt	Others										
Column		1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance as at December 31, 2020		48,685,500	14,806,759	-	-36,545	25,544,143	-	-4,345,199	1,769,080	108,437,123	1,185,750	1,812,174	197,858,785	34,065,442	231,924,227
Add: Adjustments for changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors		—	—	—	—	—	—		—	—	—	—	—	—	—
Others		-	-	-	-	-	-	-4,034	-	-	-	-134,887	-138,921	-7	-138,928
II. Balance as at January 1, 2021		48,685,500	14,806,759	-	-36,545	25,544,143	-	-4,349,233	1,769,080	108,437,123	1,185,750	1,677,287	197,719,864	34,065,435	231,785,299
III. Increases/decreases in 2021 ("-" for decreases)		-	-4,493,536	-	22,730	1,358,191	-	-1,016,632	-144,711	94,062	72,764	5,403,958	1,286,826	89,166	1,385,992
(I) Total comprehensive income		-	-	-	-	-	-	-1,011,349	-	-	-	6,216,526	5,205,177	3 488,987	8,694,164
(II) Capital contributed or reduced by owners		-	-4,493,536	-	22,730	1,358,191	-	-591	262	-	-	-	-3,112,944	-541,243	-3,654,187
1. Common shares contributed by shareholders		-	-	-	-	-	-	-	-	-	-	-	-	99,260	99,260
2. Capital contributed by the holders of other equity instruments		-	-4,493,536	-	22,730	-	-	-	-	-	-	-	-4,470,806	-	-4,470,806
3. Amounts of share-based payments recognized in owners' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others		-	-	-	-	1,358,191	-	-591	262	-	-	-	1,357,862	-640,503	717,359
(III) Special reserves								-	-144,973				-144,973	-42,502	-187,475
1. Amount withdrawn in 2021								-	699,133				699,133	106,182	805,315
2. Amount used in 2021								-	-844,106				-844,106	-148,684	-992,790
(IV) Profit distribution		-	-	-	-	-	-	-	-	94,062	72,764	-817,260	-650,434	-2,816,076	-3,466,510
1 Withdrawal of surplus reserves		-	-	-	-	-	-	-	-	94,062	-	-94,062	-	-	-
Including: Statutory reserve		-	-	-	-	-	-	-	-	94,062	-	-94,062	-	-	-
Discretionary surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Reserve fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Return investment by profit		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of general reserves		-	-	-	-	-	-	-	-	-	72,764	-72,764	-	-	-
3. Profit distributed to owners (or shareholders)		-	-	-	-	-	-	-	-	-	-	-650,434	-650,434	-2,815,485	-3,465,919
4. Others		-	-	-	-	-	-	-	-	-	-	-	-	-591	-591
(V) Internal carry-forward of owners' equity		-	-	-	-	-	-	-4,692	-	-	-	4,692	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2 Conversion of surplus reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in setting benefit plan transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
☆5. Other comprehensive income transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others		-	-	-	-	-	-	-4,692	-	-	-	4,692	-	-	-
IV. Balance as at December 31, 2021		48,685,500	10,313,223	-	-13,815	26,902,334	-	-5,365,865	1,624,369	108,531,185	1,258,514	7,081,245	199,016,690	34,154,601	233,171,291

Note: The accounts with △is for financial enterprises; # is for foreign-invested enterprises; ☆ is applicable to enterprises implementing the new financial instrument standards.

Attached notes to statements are part of the financial statments.

Consolidated Statement of Changes in Equity

Enterprise finance table 04

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Amount unit: Ten thousand yuan

Item	Note VIII	Prior Period													
		Equity attributable to parent company												Non-controlling interests	Total owners' equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Subtotal		
			preferred stock	Perpetual debt	Others										
Column		1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance as at December 31, 2019		48,685,500	10,453,384	-	19,325	27,543,562	-	-1,487,081	3,243,907	108,435,466	1,166,396	-1,099,623	196,960,836	40,401,142	237,361,978
Add: Adjustments for changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-1,672,264	-	-	-	-	-	-17,440	-1,689,704	-1,968	-1,691,672
II. Balance as at January 1, 2020		48,685,500	10,453,384	-	19,325	25,871,298	-	-1,487,081	3,243,907	108,435,466	1,166,396	-1,117,063	195,271,132	40,399,174	235,670,306
III. Increases/decreases in 2020 ("-" for decreases)		-	4,353,375	-	-55,870	-327,155	-	-2,858,118	-1,474,827	1,657	19,354	2,929,237	2,587,653	-6,333,732	-3,746,079
(I) Total comprehensive income		-	-	-	-	-	-	-2,858,118	-	-	-	3,156,874	298,756	824,723	1,123,479
(II) Capital contributed or reduced by owners		-	4,353,375	-	-55,870	-327,155	-	-	-	-	-	-	3,970,350	-4,908,273	-937,923
1. Common shares contributed by shareholders		-	-	-	-	-	-	-	-	-	-	-	-	93,745	93,745
2. Capital contributed by the holders of other equity instruments		-	4,353,375	-	-55,870	-	-	-	-	-	-	-	4,297,505	-	4,297,505
3. Amounts of share-based payments recognized in owners' equity		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others		-	-	-	-	-327,155	-	-	-	-	-	-	-327,155	-5,002,018	-5,329,173
(III) Special reserves								-	-1,257,292				-1,257,292	21,458	-1,235,834
1. Amount withdrawn in 2020								-	277,520				277,520	50,089	327,609
2. Amount used in 2020								-	-1 534,812				-1,534,812	-28,631	-1,563,443
(IV) Profit distribution		-	-	-	-	-	-	-	-	1,657	19,354	-445,172	-424,161	-2,271,640	-2,695,801
1. Withdrawal of surplus reserves		-	-	-	-	-	-	-	-	1,657	-	-1,657	-	-	-
Including: Statutory reserve		-	-	-	-	-	-	-	-	1,657	-	-1,657	-	-	-
Discretionary surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Reserve fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund		-	-	-	-	-	-	-	-	-	-	-	-	-	-
#Return investment by profit		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of general reserves		-	-	-	-	-	-	-	-	-	19,354	-19,354	-	-	-
3. Profit distributed to owners (or shareholders)		-	-	-	-	-	-	-	-	-	-	-424,940	-424,940	-2,239,219	-2,664,159
4. Others		-	-	-	-	-	-	-	-	-	-	779	779	-32,421	-31,642
(V) Internal carry-forward of owners' equity		-	-	-	-	-	-	-	-217,535	-	-	217,535	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses		-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in setting benefit plan transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
☆5. Other comprehensive income transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-	-	-
6. Others		-	-	-	-	-	-	-	-217,535	-	-	217,535	-	-	-
IV. Balance as at December 31, 2020		48,685,500	14,806,759	-	-36,545	25,544,143	-	-4,345,199	1,769,080	108,437,123	1,185,750	1,812,174	197,858,785	34,065,442	231,924,227

Note. The accounts with △is for financial enterprises; # is for foreign-invested enterprises; ☆ is applicable to enterprises implementing the new financial instrument standards.

Attached notes to statements are part of the financial statments.

Parent Company's Balance Sheet

Enterprise finance table 01

Prepared by: China National Petroleum Corporation — As at 31 December 2021 — Amount unit::Ten thousand yuan

Item	NoteⅫ	Closing Balance	Opening Balance	Item	NoteⅫ	Closing Balance	Opening Balance
Current assets:		—	—	**Current liabilities:**		—	—
Cash and bank		32,099,323	28,070,572	Short term loans		407,029	711,450
△Settlement reserve		-	-	△loans from central bank		-	-
△Placements with banks and other financial institutions		-	-	△Deposit funds		-	-
☆Held for trading financial assets		5,048,056	4,595,119	☆Held for trading financial liabilities		-	-
Financial assets at fair value through profit and loss		-	-	Financial liabilities at fair value through profit and loss		-	-
Financial derivative assets		13,815	36,545	Financial Derivative liabilities		-	-
Notes receivable		103	-	Notes payable		-	-
Accounts receivable		16,711	1,650	Accounts payable		7,669	121,229
☆Receivables financing		36,589	28,005	Advances from customers		-	-
Prepayments		11,645,260	16,566,804	☆Contract Liabilities		5,872	266
△Premiums receivable		-	-	△ Sale of repurchase financial assets		-	-
△Reinsurance receivables		-	-	△ Absorption of deposits and interbank deposits		-	-
△Provision of cession receivable		-	-	△ Dealing in securities		-	-
Other receivables		2,466,617	3,595,971	△ Underwriting of securities		-	-
△Buying back the sale of financial assets		-	-	Employee benefits payable		2,955,872	2,204,686
Inventories		4,674	21	Taxes payable		2,082	2,837
☆Contract assets		-	-	Other payables		13,242,332	11,784,974
Assets held for sale		-	-	△ Handling fees and commissions payable		-	-
Non-current assets due within one year		1,434,879	909,312	△ Payable for reinsurance		-	-
Other current assets		495,668	545,953	Liabilities held for sale		-	-
Total current assets		53,283,695	54,349,952	Non-current liabilities due within one year		8,554,426	500,000
Non-current assets:		—	—	Other current liabilities		-	-
△Loans and advances to customers		-	-	**Total current liabilities**		25,175,302	15,325,442
☆Debt investments		1,869,879	4,355,828	**Non-current liabilities:**		—	—
Available-for-sale financial investments		-	-	△ Insurance contract reserve		-	-
☆Other debt investments		51,982	61,117	Long-term loans		540,000	1,300,000
Held-to-maturity investments		-	-	Bonds payable		12,993,446	20,875,227
Long-term receivables		-	-	Including: Preferred stock		-	-
Long-term equity investments		96,953,777	96,169,663	Perpetual bond		-	-
☆Other equity instrument investments		157,869	157,869	☆ Lease liabilities		90,967	18,956
☆Other non-current financial assets		-	-	Long-term payables		3,007	-
Investment properties		-	-	Long-term employee benefits payable		-	-
Fixed assets		368,476	387,871	Accrued liabilities		197,021	449,389
Construction in progress		49,146	19,872	Deferred income		453	57
Productive biological assets		-	-	Deferred tax liabilities		338,770	213,985
Oil and gas assets		-	-	Other non-current liabilities		-	-
☆ Right-of-use assets		92,647	18,956				
Intangible assets		78,242	64,234	**Total non-current liabilities**		14,163,664	22,857,614
Development expenditure		-	-	**Total liabilities**		39,338,966	38,183,056
Goodwill		-	-	**Shareholdings' Equity:**		—	—
Long-term deferred expenses		72	-	Paid-in capital (or Share capital)		48,664,169	48,664,169
Deferred tax assets		-	-	State-owned capital		10,313,223	14,806,759
Other non-current assets		1,909,901	2,296,787	Capital reserve		16,522,757	16,542,010
Of which: special reserve materials		1,909,901	2,296,787	Less: Treasury stock		-	-
Total non-current assets		101,531,991	103,532,197	Other comprehensive income		1,514	927
				Including: Exchange differences arising from foreign currency translation		11	62
				Special reserve		495,370	495,725
				Surplus reserve		39,502,035	39,407,973
				△General reserve		-	-
				Retained earnings		-22,348	-218,470
				Total shareholders' equity		115,476,720	119,699,093
Total assets		154,815,686	157 882,149	**Total liabilities and owners' equity**		154,815,686	157,882,149

Note: The accounts with * in the table are special for consolidated accounting statements; △is for financial enterprises; # is for foreign-invested enterprises;☆ is applicable to enterprises implementing the new income/new lease/new financial instrument standards.

Attached notes to statements are part of the financial statments.

Parent Company's Statement of Comprehensive Income

Enterprise finance table 02

Prepared by: China National Petroleum Corporation | For the year ended 31 December 2021 | Amount unit: Ten thousand yuan

Item	NoteXII	Current Period	Prior Period	Item	NoteXII	Current Period	Prior Period
I.Gross revenues		974,813	584,962	III.Operating profit ("-"for loss)		2,490,291	2,582,868
Including: Revenue		974,813	584,962	Add: Non-operating income		295,773	932,408
△Interest income		-	-	Including: government subsidy		272,951	917,711
△Premiums earned		-	-	Less: Non-operating expenses		1,720,810	734,958
△Fee and commission income		-	-	IV. Profit before tax ("-"for loss)		1,065,254	2,780,318
II.Total operating cost		3,127,899	1,194,913	Less: Income tax expense		124,636	105,625
Including: Cost of sales		790,779	550,196	V. Net profit ("-"for loss)		940,618	2,674,693
△Interest expense		-	-	Net profit from continuing operations		940,618	2,674,693
△Fee and commission expense		-	-	Net profit from discontinued operations			
△Surrenders		-	-	VI. Other comprehensive income, net of tax		587	119
△Net policyholders' claims		-	-	(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods		-	-
△Net change in reserves of insurance contract		-	-	1.Changes in remeasured defined benefit obligations		-	-
△Policyholder dividends		-	-	2.Equity-accounted investees share of other comprehensive income		-	-
△Premiums ceded to reinsurers		-	-	☆ 3.Changes in fair value of other equity instrument investments		-	-
Taxes and surcharges		2,652	2,266	☆ 4.Changes in fair value of enterprise's credit risk		-	-
Selling expenses		1,202	-	5.Others		-	-
General and administrative expenses		1,549,856	-536,202	(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods		587	119
Research and development expenses		193,190	116,515	1.Equity-accounted investees share of other comprehensive income		-	-
Financial expenses		590,220	1,062,138	☆ 2.Changes in fair value of other debt investments		638	162
Including: Interest expenses		1,037,368	1,105,119	3.Changes in fair value of available-for-sale financial investments		-	-
Interest income		838,478	892,946	☆ 4.Reclassification of Financial Assets		-	-
Exchange gain		390,315	839,187	5.Reclassification of Holding to maturity investments to available-for-sale financial investments		-	-
Others		-	-	☆ 6.Net changes in expected credit losses of other debt investments		-	-
Plus: other income		22	690	7.Cash flow hedge (Effective part of cash-flow hedge profit and losses)		-	-
Investment income (losses are listed with "-")		4,145,393	3,227,641	8.Exchange differences arising from foreign currency translation		-51	-43
Of which: Investment income from associates and joint ventures		-16,110	12,365	9.Others		-	-
☆ Financial asset derecognition income measured at amortized cost		-	-	VII. Other comprehensive income		941,205	2,674,812
△ Exchange gains (losses are listed with "-")		-	-	VIII.Earnings per share			
☆ Hedging gains on net exposure (losses are listed with "-")		-	-	Basic earnings per share			
Gains from changes in fair value (losses are listed with "-")		498,326	247,455	Diluted earnings per share			
☆ Credit impairment losses (losses are listed with "-")		-	-				
Asset impairment losses (losses are listed with "-")		-	-282,904				
Gains from asset disposal (losses are listed with "-")		-364	-63				

Note: The accounts with * in the table are special for consolidated accounting statements; △is for financial enterprises; ☆ is applicable to enterprises implementing the new income/new lease/new financial instrument standards.

Attached notes to statements are part of the financial statments.

Parent Company's Cash Flows Statement

Enterprise finance table 03

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Amount unit: Ten thousand yuan

Item	Note XII	Current Period	Prior Period	Item	Note XII	Current Period	Prior Period
I. Cash flows from operating activities		—	—	Cash received from withdrawal of investments		3,599,407	2,366,095
Cash received from sale of goods and rendering of services		971,806	558,173	Cash received from returns on investments		4,478,047	3,862,867
△Net increase in deposits from customers and due from banks and other financial institutions		-	-	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		52	25
△Net increase in borrowings from central bank		-	-	Net cash received from disposal of subsidiaries and other business units		-	-
△Net increase in loans from other financial institutions		-	-	Cash received from other investing activities		26,020	-
△Cash received from receiving insurance premiums of original insurance contracts		-	-	**Sub-total of cash inflows from investment activities**		8,103,526	6,228,987
△Net cash received from reinsurance business		-	-	Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		33,438	16,311
△Net increase in deposits and investments from policyholders		-	-	Cash paid for investments		2,057,692	805,971
△Net increase in disposal of financial assets at fair value through profit and loss		-	-	△Net increase in pledge loans		-	-
△Cash received from interest, fees and commission		-	-	Net cash paid to acquire subsidiaries and other business units		21,391	-
△Net increase in placements from banks and other financial institutions		-	-	Cash paid for other investing activities		24,660	59,041
△Net increase in repurchase business funds		-	-	**Sub-total of cash outflows from investing activities**		2,137,181	881,323
△ Net Cash Received from Agent Trading of Securities		-	-	**Net cash flows from investing activities**		5,966,345	5,347,664
Refunds of taxes and surcharges		48,501	546	**III. Cash flows from financing activities**		—	—
Cash received from other operating activities		5,715,481	6,169,025	Cash from absorption of investments		-	-
Sub-total of cash inflows from operating activities		6,735,788	6,727,744	Cash received from borrowings		324,025	6,515,000
Cash paid for goods purchased and services received		354,340	1,039,329	Cash received from other financing activities		-	8,831,103
△Net increase in loans and advances to customers		-	-	**Subtotal of cash inflow from financing activities**		324,025	15,346,103
△Net increase in deposits with central bank and with banks and other financial institutions		-	-	Cash paid for debt repayments		1,316,059	4,739,040
△Cash paid for original insurance contract claims		-	-	Cash paid for distribution of dividends and profit or payment of interest		1,460,036	1,314,588
△ Net increase in disbursed funds		-	-	Cash paid for other financing activities		3,041,912	8,311,369
△Cash paid for interests, handling charges and commissions		-	-	**Sub-total of cash outflows from financing activities**		5,818,007	14,364,997
△Cash paid for policy dividends		-	-	**Net cash flows from financing activities**		-5,493,982	981,106
Cash paid to and on behalf of employees		55,208	57,465	**IV. Effect of fluctuation in exchange rate on cash and cash equivalents**		-72,809	-172,563
Cash paid for taxes and surcharges		46,034	86,332	**V. Net increase in cash and cash equivalents**		4,028,488	-263,372
Cash paid for other operating activities		2,651,272	11,964,197	Add: Beginning balance of cash and cash equivalents		28,067,895	28,331,267
Sub-total of cash outflows from operating activities		3,106,854	13,147,323	**VI. Ending balance of cash and cash equivalents**		32,096,383	28,067,895
Net cash flows from operating activities		3,628,934	-6,419,579				
II. Cash flows from investing activities		—	—				

Note: The accounts with △is for financial enterprises;

Attached notes to statements are part of the financial statments.

Parent Company's Statement of Changes in Equity

Enterprise finance table 04

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Amount unit: Ten thousand yuan

Item	Note XI	Current Period											
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Total owners' equity
			preferred stock	Perpetual debt	Others								
Column		1	2	3	4	5	6	7	8	9	10	11	12
I. Balance as at December 31, 2020		48,664,169	14,806,759	-	-	16,542,010	-	927	495,725	39,407,973	-	-191,710	119,725,853
Add: Adjustments for changes in accounting policies		—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors		—	—	—	—	—	—	—	—	—	—	—	—
Others		-	-	-	-	-	-	-	-	-	-	-26,760	-26,760
II. Balance as at January 1, 2021		48,664,169	14,806,759	-	-	16,542,010	-	927	495,725	39,407,973	-	-218,470	119,699,093
III. Increases/decreases in 2021 ("-" for decreases)		-	-4,493,536	-	-	-19,253	-	587	-355	94,062	-	196,122	-4,222,373
(I) Total comprehensive income		-	-	-	-	-	-	587	-	-	-	940,618	941,205
(II) Capital contributed or reduced by owners		-	-4,493,536	-	-	-19,253	-	-	-	-	-	-	-4,512,789
1. Common shares contributed by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by the holders of other equity instruments		-	-4,493,536	-	-	-	-	-	-	-	-	-	-4,493,536
3. Amounts of share-based payments recognized in owners' equity		-	-	-	-	-	-	-	-	-	-	-	-
4. Others		-	-	-	-	-19,253	-	-	-	-	-	-	-19,253
(III) Special reserves								-	-355				-355
1. Amount withdrawn in 2021									-				-
2. Amount used in 2021									-355				-355
(IV) Profit distribution		-	-	-	-	-	-	-	-	94,062	-	-744,496	-650,434
1. Withdrawal of surplus reserves		-	-	-	-	-	-	-	-	94,062	-	-94,062	-
Including:Statutory reserve		-	-	-	-	-	-	-	-	94,062	-	-94,062	-
Discretionary surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-
#Reserve fund		-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund		-	-	-	-	-	-	-	-	-	-	-	-
#Return investment by profit		-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of general reserves		-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or shareholders)		-	-	-	-	-	-	-	-	-	-	-650,434	-650,434
4. Others		-	-	-	-	-	-	-	-	-	-	-	-
(V) Internal carry-forward of owners' equity		-	-	-	-	-	-	-	-	-	-	-	-
1. Conversion of capital reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses		-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in setting benefit plan transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-
☆5. Other comprehensive income transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-
6. Others		-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance as at December 31, 2021		48,664,169	10,313,223	-	-	16,522,757	-	1,514	495,370	39,502,035	-	-22,348	115,476,720

Note: The accounts with △is for financial enterprises; # is for foreign-invested enterprises; ☆ is applicable to enterprises implementing the new financial instrument standards.

Attached notes to statements are part of the financial statments.

Parent Company's Statement of Changes in Equity

Enterprise finance table 04

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2021

Amount unit: Ten thousand yuan

Item	Note XII	Prior Period											
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	△General reserves	Retained earnings	Total owners' equity
			preferred stock	Perpetual debt	Others								
Column		1	2	3	4	5	6	7	8	9	10	11	12
I. Balance as at December 31, 2019		48,664,169	10,453,384	-	-	18,243,859	-	808	1,846,395	39,406,316	-	-2,932,220	115,682,711
Add: Adjustments for changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors		-	-	-	-	-	-	-	-	-	-	-	-
Others		-	-	-	-	-1,649,591	-	-	-	-	-	274,100	-1,375,491
II. Balance as at January 1, 2020		48,664,169	10,453,384	-	-	16,594,268	-	808	1,846,395	39,406,316	-	-2,658,120	114,307,220
III. Increases/decreases in 2020 ("-" for decreases)		-	4,353,375	-	-	-52,258	-	119	-1,350,670	1,657	-	2,466,410	5,418,633
(I) Total comprehensive income		-	-	-	-	-	-	119	-	-	-	2,674,693	2,674,812
(II) Capital contributed or reduced by owners		-	4,353,375	-	-	-52,258	-	-	-	-	-	-	4,301,117
1. Common shares contributed by shareholders		-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contributed by the holders of other equity instruments		-	4,353,375	-	-	-	-	-	-	-	-	-	4,353,375
3. Amounts of share-based payments recognized in owners' equity		-	-	-	-	-	-	-	-	-	-	-	-
4. Others		-	-	-	-	-52,258	-	-	-	-	-	-	-52,258
(III) Special reserves								-	-1,133,135				-1,133,135
1. Amount withdrawn in 2020									-160,417				-160,417
2. Amount used in 2020									-972,718				-972,718
(IV) Profit distribution		-	-	-	-	-	-	-	-	1,657	-	-425,818	-424,161
1. Withdrawal of surplus reserves		-	-	-	-	-	-	-	-	1,657	-	-1,657	-
Including: Statutory reserve		-	-	-	-	-	-	-	-	1,657	-	-1,657	-
Discretionary surplus reserve		-	-	-	-	-	-	-	-	-	-	-	-
#Reserve fund		-	-	-	-	-	-	-	-	-	-	-	-
#Enterprise expansion fund		-	-	-	-	-	-	-	-	-	-	-	-
#Return investment by profit		-	-	-	-	-	-	-	-	-	-	-	-
2. Withdrawal of general reserves		-	-	-	-	-	-	-	-	-	-	-	-
3. Profit distributed to owners (or shareholders)		-	-	-	-	-	-	-	-	-	-	-424,940	-424,940
4. Others		-	-	-	-	-	-	-	-	-	-	779	779
(V) Internal carry-forward of owners' equity		-	-	-	-	-	-	-	-217,535	-	-	217,535	-
1 Conversion of capital reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-
2. Conversion of surplus reserves into paid-in capital (or share capital)		-	-	-	-	-	-	-	-	-	-	-	-
3. Surplus reserves offsetting losses		-	-	-	-	-	-	-	-	-	-	-	-
4. Changes in setting benefit plan transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-
☆5. Other comprehensive income transfer to retained earnings		-	-	-	-	-	-	-	-	-	-	-	-
6 Others		-	-	-	-	-	-	-	-217,535	-	-	217,535	-
IV. Balance as at December 31, 2020		48,664,169	14,806,759	-	-	16,542,010	-	927	495,725	39,407,973	-	-191,710	119,725,853

Note: The accounts with △is for financial enterprises; #is for foreign-invested enterprises;☆ is applicable to enterprises implementing the new financial instrument standards.

Attached notes to statements are part of the financial statments.

China National Petroleum Corporation
Notes to Consolidated Financial Statements of Year 2021

I.Information about the Company

(I) History, place of registration, organizational form and address of headquarters

China National Petroleum Corporation ("the Company") was approved by the State Council on July 21, 1998, and was established on the basis of the former China National Petroleum Corporation and by the state-funded extra large oil and petrochemical enterprise group. On July 24, 1998, the Company was registered with the State Administration for Industry and Commerce. In December, 2017, it was restructured from the national ownership to the corporation system. On December 15, 2017, it renewed the business license of the enterprise legal person and the information is as follows,unified social credit code: 91110000100010433L, place of registration:Beijing, address of the company's headquarters: No. 9, Dongzhimen North Street, Dongcheng District, Beijing. Legal representative: Dai Houliang.The company and its subsidiaries are collectively referred to as "the Group".

In February 1999, the Group implemented internal restructuring and established China National Petroleum Corporation Limited (hereinafter "CNPC") as an exclusive initiative, which was listed respectively on the United States and Hong Kong on April 6 and 7, 2000 and the Shanghai Stock Exchange on November 5, 2007.

In May 2016, the Group implemented a material assets reorganization of Jinan Diesel Engine Co., Ltd. (stock code: 000617), and was approved by the Review Board for Mergers, Acquisitions and Restructurings of Listed companies of the China Securities Regulatory Commission (hereinafter the "CSRC") on December 23, 2016; On February 10, 2017, it was officially renamed on the Shenzhen Stock Exchange: China Petroleum Group Capital Co., Ltd. (hereinafter "CNPC Capital").

In June 2016, the Group implemented a major asset reorganization of Xinjiang Dushanzi Tianli High-tech Co., Ltd. (stock code: 600339), which was approved by the Review Board for Mergers, Acquisitions and Restructurings of Listed companies of the CSRC on December 23, 2016; On February 17, 2017, it was officially renamed on the Shanghai Stock Exchange: China National Petroleum Corporation (hereinafter "CNPC Engineering").

(II) Nature of business and main business of the enterprise

The Group is engaged in organizing the exploration,development,production and construction,processing and comprehensive utilization of onshore oil, natural gas and oil and gas symbiosis or encountering mineral deposits and the manufacture of special petroleum machinery; organizing the storage and transportation of the above products and by-products; selling the products of our company's system according to the national regulations; organizing the supply and sale of oil and gas production and construction materials and equipment; petroleum research, development, production and construction of new products, new processes, new technologies, new equipment development research and technology promotion; domestic and foreign petroleum and natural gas cooperation in exploration and development, economic and technological cooperation, and foreign contracted petroleum construction projects, foreign technology and equipment imports, export of self-produced equipment and technology of this system, and foreign negotiation and signing of foreign investment projects.Major business segments include: exploration and production, oil refining and chemical, sales, natural gas and pipelines, engineering and technical services, engineering construction, and trade.

(III) Approval of financial statements

The financial statements were approved by the board of directors on April 25, 2022.

II.Basis for the preparation of financial statements

The Company is based on going concern and actual transactions and events.

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Enterprises, the Application Guidance for Accounting Standard for Enterprises, interpretations of the Accounting Standards for Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS").

III.Statement of compliance with corporate accounting standards

The financial statements prepared by the company meet the requirements for the preparation of the basis of the financial statements, and truly and completely reflect the Group's financial position at December 31, 2021, as well as relevant information such as the financial performance and cash flows for the year then ended.

IV.Description of Important accounting policies and accounting estimates

(I) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

(II) Reporting currency

The reporting currency of the Company and the majority of subsidiaries is Renminbi ("CNY"). The Group's consolidated financial statements are presented in Renminbi ("CNY").

(III) Accounting basis and valuation principles

The Company is based on accrual basis of accounting. Unless otherwise specified, the pricing principle is based on historical cost.

(IV) Business combinations

Business combination refers to a transaction or event in which two or more separate businesses are combined to form a reporting entity. The date of purchase refers to the date when the merging party or the buyer actually obtains the net assets or control of production and operation decisions of the merging party or the buyer.

The merger cost is the fair value of the assets paid, liabilities incurred or assumed and the equity securities issued by the purchaser to obtain control of the purchaser on the purchase date. If the cost of the merger is greater than the difference in the fair value share of the identifiable net assets of the acquired party acquired during the merger, it is recognized as goodwill; if the cost of the merger is less than the fair value shares of the net identifiable assets of the purchased party obtained during the merger, after recheck and confirmation, it shall be included into the profits and losses of the current period.

(V) Preparation of consolidated financial statements

The scope of consolidation of the company's consolidated financial statements is determined on the basis of control, and all subsidiaries are included into the consolidated financial statements.

The consolidated financial statements are based on the financial statements of the company and its subsidiaries, other relevant information, and adjusted by the equity method for long-term equity investments in subsidiaries, and then prepared by the company. During the preparation of the consolidated financial statements, the Group's accounting policies and accounting periods remain the same (see Note IV, (I)), and major transactions and current balances between companies are offset. Subsidiary owner's equity, current net profit and loss and current comprehensive income share of minority shareholders are listed separately under the owner's equity item in the consolidated balance sheet, the net profit item and the total comprehensive income item in the consolidated profit statement.

During the reporting period, due to the increased merger of a subsidiary or business, the income, expenses, and profit of the subsidiary or business are included in the consolidated profit statement, and its cash flow is included in the consolidated cash flow statement from merger or purchase date to the end of the reporting period.

During the reporting period, due to the disposal of a subsidiary or business, the income, expenses, and profit of the subsidiary or business are included in the consolidated profit statement, and its cash flow is included in the consolidated cash flow statement from the beginning of the period to the disposal date.

The difference between the newly acquired long-term equity investment due to the purchase of minority equity and the share of net assets that should be continuously calculated by the subsidiary from the purchase date (or merger date) based on the increased shareholding ratio, adjust the capital reserve, if capital reserve is not enough to offset, adjust the retained earnings.

Without losing control, the difference between the disposal price obtained by partial disposal of long-term equity investment in the subsidiary and the subsidiary's net asset shares continuously calculated from the date of purchase or merger during the disposal of long-term equity investment, adjust the capital reserve in the consolidated balance sheet, if capital reserve is not enough to offset, adjust the retained earnings.

(VI) Cash and cash equivalents

Cash refers to all cash on hand and deposit held at call with banks and cash equivalents refer to short-term (within three months from the date due) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(VII)Foreign currency transactions and translation of financial statements denominated in foreign currency

1.Foreign currency transactions

Foreign currency transactions are translated into RMB for bookkeeping at the spot exchange rate on the transaction date. Foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date. The resulting exchange gains and losses, which are incurred during the production and operation period, are included in financial expenses; and are capitalized in accordance with the purchase and construction of fixed assets, oil and gas assets and other conditions related to assets are dealt with in accordance with the relevant provisions of borrowing costs; those that occur during the liquidation period are included in liquidation gains and losses.

Non-monetary items denominated in foreign currencies that are measured at historical cost are still translated at the spot exchange rate on the transaction date, without changing the amount of RMB. Foreign currency non-monetary items measured at fair value are converted into RMB at the spot exchange rate on the date when the fair value is determined, and the resulting conversion difference is included in the current profit and loss as a change in fair value.

2. Conversion of foreign currency financial statements

In translating the financial statements of a foreign operation, an enterprise shall comply with the following requirements: assets and liabilities on the balance date shall be translated at the spot exchange rate prevailing at the balance sheet date. All equity items, except for undistributed profit, shall be translated at the spot exchange rates on which such items arose. The income and expenses in the income statement shall be translated by the average number of the central parity of the RMB exchange rate published by the People's Bank of China within the range covered by the income statement. The differences of the balance sheet resulting from the above-mentioned translation shall be separately presented under the item of owners' equity under "Currency translation reserve". Foreign currency monetary items that substantially constitute a net investment in overseas operations, the exchange differences arising from exchange balance are also separately presented under the owners' equity items as "translation differences of foreign currency statements"when preparing consolidated financial statements. When an enterprise disposes of a foreign operation, it shall transfer the proportionate share of the related accumulated transaction differences attributable to the portion disposed of or the entire transaction differences relating to translation of the financial statements of that foreign operation presented under owners' equity in the balance sheet to profit or loss in the period in which the disposal occurs.

The opening balance of cash and cash equivalents in the foreign currency cash flows is converted at the opening exchange rate at the beginning of the statement; the closing balance is converted at the spot exchange rate on the balance sheet date. Other items are usually converted according to the arithmetic average number of the central parity of the RMB exchange rate published by the People's Bank of China within the range covered by cash flow statement.The translation difference of the cash flow statement arising from the above conversion is discloseded separately in the "Impact of exchange rate changes on cash".

(VIII)Financial instruments

Financial instruments include monetary funds, equity investments other than long-term equity investments, accounts receivable, accounts payable, loans, bonds payable and equity capital, etc.

1. Recognition and initial measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the balance sheet when the Group becomes a party to a financial instrument contract.

Except for accounts receivable that do not have a significant financing component, at initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets or financial liabilities that are measured at fair value through profit or loss, the related transaction costs are directly included into the current profit and loss; for other types of financial assets or financial liabilities, the related transaction costs are included into the initial recognition amount. For accounts receivable that do not have a significant financing component, the Group conducts initial measurement of the transaction pricing in accordance with the accounting policy of "Note IV. (XXVI) Revenue".

2. Classification and subsequent measurement of financial assets

(1) Classification of financial assets

According to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified into different categories at initial recognition: financial assets measured at amortized cost, financial assets measured at fair value and whose changes included into other comprehensive income and financial assets measured at fair value through profit or loss.

Unless the business model for managing financial assets is changed, in this case, all affected related financial assets are reclassified on the first day of the first reporting period after the business model is changed, otherwise the financial assets cannot be reclassified after initial recognition classification.

Financial assets that meet the following conditions and are not designated as fair value through profit or loss are classified as financial assets measured at amortized cost:

①The business model for managing the financial asset is to collect contractual cash flow;

②The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

Financial assets that meet the following conditions and are not designated as fair value through profit or loss are classified as financial assets measured at fair value and whose changes are included into other comprehensive income:

①The business model for managing the financial asset is both to collect contract cash flow and to sell the financial asset;

②The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

For non-trading equity instrument investments, they can be irrevocably designated as financial assets measured at fair value and whose changes are included into other comprehensive income at initial recognition. The designation is made on the basis of a single investment, and the relevant investment meets the definition of equity instruments from the perspective of the issuer.

Except for the above financial assets measured at amortized cost and measured at fair value and whose changes are included into other comprehensive income, all other financial assets are classified as financial assets measured at fair value through profit or loss.

The business model for managing financial assets refers to how to manage financial assets to generate cash flow.The business model determines whether the source of the cash flow of financial assets under management is to collect contractual cash flow, sell financial assets, or both. Based on objective facts and specific business objectives determined by key management personnel to manage financial assets, we determine the business model for managing financial assets.

The contractual cash flow characteristics of financial assets are evaluated to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only the payment of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at initial recognition; interest includes the time value of money, credit risk related to the amount of principal outstanding in a specific period, and consideration of other basic borrowing risks, costs and profits. In addition, the contract terms that may lead to changes in the time distribution or amount of contractual cash flow of financial assets are evaluated to determine whether they meet the requirements of the above contractual cash flow characteristics.

Subsequent measurement of financial assets

①Financial assets measured at fair value through profit and loss

After initial recognition, the subsequent measurement of such financial assets is conducted at fair value, gains or losses arising from financial assets (including interest and dividend income) are included into the current profit and loss, unless the financial asset is part of the hedging relationship.

②Financial assets measured at amortized cost

After initial recognition, such financial assets are measured at amortized cost using the actual interest rate method. Gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship are included into the current profit or loss when they are derecognized, amortized in accordance with the actual interest rate method, or recognized for impairment.

③Debt investment measured at fair value and whose changes are included into other comprehensive income

After initial recognition, the subsequent measurement of such financial assets is conducted at fair value. Interest is calculated using the actual interest rate method, impairment losses or gains and exchange gains or losses are included into the current profit and loss, and other gains or losses are included into other comprehensive income. Upon termination of confirmation, the accumulated gains or losses previously included into other comprehensive income are transferred out of other comprehensive income and included into the current profit and loss.

④Equity instrument investments measured at fair value and whose changes are included into other comprehensive income

After initial recognition, the subsequent measurement of such financial assets will be conducted at fair value. Dividend income is included into the current profit and loss, and other gains or losses are included into other comprehensive income.Upon termination of recognition, the accumulated gains or losses previously included into other comprehensive income are transferred out of other comprehensive income and included into retained earnings.

3.Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost.

(1) Financial liabilities measured at fair value through profit and loss

Such financial liabilities include transaction financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through profit and loss.

After initial recognition, the subsequent measurement of such financial liabilities is conducted at fair value, except for those related to hedge accounting, gains or losses arising from financial liabilities (including interest expenses) are included into the current profit and loss.

(2) Financial liabilities measured at amortized cost

After initial recognition, this type of financial liability is measured at amortized cost using the actual interest rate method.

4.Offset

Financial assets and financial liabilities are shown separately in the balance sheet and are not offset against each other. However, the net offset is listed in the balance sheet if the following conditions are met:

(1) The Company has a legal right to set off the recognized amount and that such legal right is currently enforceable;

(2) The Company plans to settle the financial assets and liquidate the financial liabilities on a net basis or at the same time.

5. Termination of financial assets and financial liabilities

If a financial asset meets one of the following conditions, the recognition of the financial asset shall be terminated:

(1) Termination of the contractual right to receive cash flows from the financial asset;

(2) The financial asset has been transferred, and the Group transfers almost all risks and rewards of ownership of the financial asset to the transferee;

(3) The financial asset has been transferred, and although the Group has neither transferred nor retained almost all the risks and rewards of ownership of the financial assets, it has not retained the control of the financial assets.

If the transfer of the financial assets satisfies the conditions for termination of recognition as a whole, the Group calculates the difference between the following two amounts into the current profit and loss:

(1) The book value of the transferred financial assets at the date of termination of recognition;

(2) The sum of the consideration received for the transfer of financial assets and the cumulative amount of changes in fair value that is originally directly included into other comprehensive income (when the transferred financial asset is measured at fair value and whose changes are included into other comprehensive income financial asset).

If the current obligation of the financial liability (or part of it) has been discharged, the Group terminate the financial liability (or part of the financial liability).

6. Impairment

On the basis of expected credit losses, financial assets measured at amortized cost, contract assets, and debt investments measured at fair value and whose changes are included into other comprehensive income shall conduct impairment accounting and recognition of loss provisions.

Other financial assets held at fair value are not subject to the expected credit loss model, including debt investments and equity instrument investments measured at fair value through profit and loss, and derivative financial assets.

(1) Measurement of expected credit losses

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the Group at the original actual interest rate, that is, the present value of all cash shortages.

The expected credit loss for the entire duration refers to the expected credit loss caused by all possible default events during the entire estimated duration of the financial instrument.

The expected credit loss in the next 12 months refers to the event of financial instrument default that may occur within 12 months after the balance sheet date (if the estimated duration of the financial instrument is less than 12 months, it is the estimated duration) which causes expected credit loss is part of the expected credit loss for the entire duration.

For accounts receivable and contract assets, the loss provision is always measured at an amount equivalent to the expected credit losses for the entire duration.

Except for accounts receivable and contract assets, the financial instruments that meet the following conditions are measured for their loss provisions at an amount equivalent to the expected credit loss in the next 12 months, and for other financial instruments based on the expected credit losses for the entire duration:

①The financial instrument has only a low credit risk on the balance sheet date; or

②The credit risk of the financial instrument has not increased significantly since its initial confirmation.

When considering whether there is a significant increase in the expected credit losses of financial assets after the initial measurement date, the Group only analyzes on the basis of the currently available information and does not consider paying extra incremental costs.

(2) Has lower credit risk

If the default risk of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's performance of the ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have lower credit risk.

(3) Credit risk increased significantly

By comparing the risk of financial instruments defaulting on the balance sheet date with the risk of defaulting on the initial confirmation date, to determine the relative change in the default risk of the financial instrument during the estimated lifetime, to assess whether the credit risk of the financial instrument has increased significantly since the initial confirmation .

(4) Financial assets that have suffered credit impairment

When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

①The issuer or debtor has major financial difficulties;

②The debtor violates the contract, such as the payment of interest or principal default or overdue;

③Due to economic or contractual considerations related to the debtor's financial difficulties, the debtor is given concessions that it will not make under any other circumstances;

④The debtor is likely to go bankrupt or undergo other financial restructuring;

⑤The financial difficulties of the issuer or the debtor led to the disappearance of the active market for the financial asset.

⑥Purchase or generate a financial asset at a substantial discount, the discount reflects the fact that credit losses have occurred.

(5) Presentation of expected credit loss provisions

To reflect the changes in the credit risk of financial instruments since initial recognition, the expected credit losses are remeasured on each balance sheet date, and the resulting increase or reversal of the loss provision should be included into the current profit and loss as an impairment loss or gain. For financial assets measured at amortized cost, the loss provision offsets the book value of the financial asset listed in the balance sheet; for debt investments measured at fair value and whose changes are included into other comprehensive income, the group recognizes its loss provision in other consolidated gains and does not deduct the book value of the financial assets.

(6) Write-off

If it is no longer reasonably expected that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down. Such write-downs constitute derecogntion of related financial assets. This situation usually occurs when it is determined that the debtor has no assets or a source of income to generate sufficient cash flow to cover the amount that will be written down. However, the financial assets that are written down may still be affected by the execution activities related to the collection of the period.

If the financial asset that has been written down is recovered later, it shall be included into the current profit and loss as the reversal of the impairment loss.

7. Determination of the fair value of financial instruments

For financial instruments with active markets, the fair value is determined by the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date. For financial instruments that do not have an active market, valuation techniques are used to determine their fair value.

When estimating fair value, consider the characteristics considered by market participants when pricing related assets or liabilities on the measurement date (including asset status and location, restrictions on the sale or use of assets, etc.), and adopt the valuation techniques which are applicable in the current situation and can be supported by sufficient data and other information. The valuation techniques mainly include market method, income method and cost method.

(IX) Hedge instruments

1. The concept of hedging

Hedging refers to the designation of financial instruments as hedging instruments by enterprises to manage the risk exposure caused by specific risks such as foreign exchange risk, interest rate risk, price risk, credit risk, etc., so that the fair value or cash flow changes of hedging instruments offset risk management activities in all or part of the fair value or cash flow changes of the hedged item. In hedging accounting, hedging is divided into fair value hedging, cash flow hedging and overseas investment net hedging.

Hedging instruments refer to financial instruments designated by an enterprise for hedging, whose changes in fair value or cash flow are expected to offset changes in the fair value or cash flow of the hedged item. The foreign exchange risk component of non-derivative financial assets or non-derivative financial liabilities is designated as a hedging instrument.Hedged items refer to the items that can expose the enterprise to the risk of changes in fair value or cash flow and are designated as hedged objects and can be reliably measured. An enterprise may designate the following individual projects, project portfolios or components as hedged projects:

(1) Assets or liabilities have been confirmed;

(2) Unconfirmed commitments .Confirmed commitment refers to a legally binding agreement to exchange a certain amount of resources at an agreed price on a specific date or period in the future;

(3) Expected transactions that are likely to occur. Expected transaction refers to the transaction that has not been promised but is expected to occur;

(4) Net investment in overseas operations.

The above-mentioned project component refers to the part that is less than the overall fair value of the project or the change in cash flow. The enterprise can only designate the following project components or their combinations as hedged items:

(1)The change in fair value or cash flow (risk component) caused by only one or more specific risks in the overall fair value or cash flow change of the project;

(2)One or more selected contract cash flows;

(3)The component of the nominal amount of the project, that is, the specific part of the overall amount or quantity of the project, which can be a certain proportion of the entire project or a certain level of the overall project.

2. Hedging relationship assessment

Only fair value hedging, cash flow hedging or overseas operating net investment hedging can meet the following conditions at the same time:

(1) The hedging relationship consists only of eligible hedging instruments and hedged items;

(2) At the beginning of the hedging period, the enterprise officially designated the hedging tool and the hedged item, and prepared written documents on the hedging relationship and the risk management strategy

and risk management objectives of the enterprise engaged in hedging. The document at least specifies the hedging tools, hedged items, the nature of the hedged risk and the method of hedge effectiveness evaluation (including the analysis of the reasons for the invalid portion of the hedge and the method of determining the hedge ratio);

(3) The hedging relationship meets the requirement of hedging effectiveness.

Hedging effectiveness refers to the degree to which the changes in the fair value or cash flow of the hedging instrument can offset the changes in the fair value or cash flow of the hedged item caused by the hedged risk. The part of the hedging instrument whose fair value or cash flow change is greater or less than the hedged item's fair value or cash flow change is the hedging invalid part.

An enterprise shall terminate the use of hedging accounting in any of the following situations:

(1) The hedging relationship has no longer met the risk management objectives due to changes in risk management objectives;

(2) The hedging instrument has expired, been sold, the contract is terminated or has been exercised;

(3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the value of the economic relationship between the hedged item and the hedging instrument changes, the impact of credit risk begins to dominate;

(4) The hedging relationship no longer satisfies other requirements for the use of hedging accounting methods.

The termination of hedging accounting may affect the whole or a part of the hedging relationship. When only a part of the hedging relationship is affected, the remaining unaffected parts are still subject to hedging accounting.

3.Hedging confirmation and measurement

(1) Fair value hedge accounting

If the fair value hedging meets the requirements for the use of hedging accounting methods, it shall be treated in accordance with the following provisions:

①Gains or losses arising from hedging instruments should be included into the current profit and loss. If the hedging instrument is hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value and whose changes are included into other comprehensive income, the gain or loss generated by the hedging instrument should be included into other comprehensive income;

②If the hedged item is a financial asset (or its component) measured at fair value and whose changes are included into other comprehensive income, the gain or loss arising from the hedged risk exposure is included into the current profit and loss, and its book value has been measured at fair value and no adjustment is required; If the hedged item is the non-trading equity instrument investment (or its component) measured at fair value and whose changes are included into other comprehensive income,the gain or loss arising from the hedged risk exposure included into other comprehensive income, and its book value has been measured at fair value and no adjustment is required;

③In fair value hedging, if the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment made by the enterprise to the book value of the hedged item should be amortized according to the actual interest rate recalculated on the amortization date and included into the current profit and loss. The amortization can start from the adjustment date, but it should not be later than the time when the hedged gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset measured at fair value and whose changes are included into other comprehensive income (or its component), the enterprise shall amortize the accumulated recognized hedging gains or losses in the same manner and include current profit and loss, but does not adjust the book value of financial assets (or its component).

(2) Cash flow hedge

If the cash flow hedge meets the requirements for the use of hedge accounting methods, it shall be treated in accordance with the following provisions:

①The part of gains or losses generated by the hedging instrument are as the effective hedging, which is regarded as the cash flow hedging reserve, and are recorded into other comprehensive income. The amount of cash flow hedge reserve is determined according to the lower of the absolute amounts of the following two items: the cumulative gain or loss of the hedging instrument since the hedging; the cumulative change in the present value of the expected future cash flow of the hedged item since hedging;

②The part of gains or losses generated by hedging instruments that are invalid for hedging is recorded into the current profit and loss.

The cash flow hedge reserve shall be subject to follow-up treatment in accordance with the following provisions:

①The hedged item is an expected transaction, and the expected transaction causes the enterprise to subsequently confirm a non-financial asset or a non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a fair value hedge accounting when confirming the commitment, the enterprise shall transfer out the amount of the cash flow hedge reserve originally recognized in other comprehensive income and include in the initial recognition amount of the asset or liability;

②For cash flow hedges that are not covered by the above ①, the enterprise should transfer the amount of cash flow hedge reserves originally recognized in other comprehensive income in the same period in which the expected cash flow of the hedge affects profit or loss, and be included into the current profit and loss ;

③If the amount of the cash flow hedge reserve recognized in other comprehensive income is a loss, and the loss is wholly or partly expected to be irreparable in the future period, the enterprise shall transfer the part that it expects to irreparable from other comprehensive income and included into the current profit and loss.

(3) Overseas net investment hedging

The part of gains or losses generated by the hedging instrument is as the effective hedging is included into other comprehensive income. When disposing of overseas operations in whole or in part, the gains or losses of hedging instruments included into other comprehensive income should be transferred out accordingly and included into the current profit and loss.

The part of gains or losses generated by hedging instruments that is invalid for hedging is included into the current profit and loss.

(X) Inventories

1. Category of inventory

Inventory refers to the finished goods or goods that the Company holds for sale in its daily activities, the products in the process of production, the materials and materials consumed in the process of production or in the process of providing services, etc. Inventory mainly includes raw materials, in-process products, finished products (inventory goods), issued goods, contract performance costs and so on.

2. Pricing method of inventory

Inventories are determined at the actual cost when acquired. Cost of inventories included purchasing cost, processing cost and other cost. When acquired and approved the subsidiaries of the Company measure the cost by the following two methods:

Actual cost: Cost of inventories is determined using the weighted average method.

Intended cost: difference between the intended cost and the actual cost will be calculated by cost variance account, and the cost difference assumed for the inventories will be pay by installment, so as to adjust the intend cost to the actual cost.

3. Amortization of low-value consumables and packaging materials

Low-value consumables and packaging are a mortised using the immediate write-off method.

4. Determination basis of net realizable value of inventories and provision method of inventory depreciation reserve

After a full inspect of the inventory at the end of the period, the provision for decline in value of inventories shall be withdrawn or adjusted at the lower of the cost of inventory and the net realizable value.

If the following situations exist, it indicates that the net realizable value of the inventory is lower than the cost, and the inventory depreciation reserve is drawn according to the difference between the cost of a single inventory item and its net realizable value. With regard to the provision for inventory depreciation, the net realizable value is determined based on the estimated selling price minus the estimated cost of completion, sales expenses and related taxes.

(1) The market price of inventories continues to fall, and there is no hope of recovery in the foreseeable future;

(2) The cost of products produced using this raw material is greater than the sales price of the product;

(3) Due to product replacement, the original raw materials in stock have no longer met the needs of new products, and the market price of the raw materials is lower than its book cost;

(4) The outdated commodities or services provided or changes in consumer preferences have caused changes in market demand, leading to a gradual decline in market prices;

(5) Other circumstances sufficient to prove that the inventory has actually been impaired.

(XI) Contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The Company's right to charge the consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) shall be presented as contract assets.

Please see IV.VIII financial instruments, 6.impairment for the determination method and accounting treatment for the expected credit loss of contract assets.

(XII) Long-term equity investments

1. Determination of investment cost

For long-term equity investments acquired through business combination under the same control, the investment cost is the share of the book value of the merged party's owner's equity in the final controller's consolidated financial statements on the merger date.

For long-term equity investments obtained by business combination not under the same control, the cost of the long-term equity investment shall be regarded as the investment cost of the long-term equity investment.

For long-term equity investments obtained by means other than business combinations: long-term equity investments obtained by paying cash, the actual purchase price is used as the initial investment cost; long-term equity investments obtained by issuing equity securities are based on the fairness of issuing equity securities value as initial investment cost

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The company is able to use the cost method accounting for long-term equity investments that are controlled by the investee. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included into the consideration, investment gains is recognized as the Company's shares of the cash dividends or profits declared by the investee.

(2) Equity method

The company adopts equity method to account for long-term equity investments of associates and jointly controlled entities. For part of the equity investments of associate ventures indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, the fair value measurement is adopted and their changes are recorded into profit or loss.

According to the share of net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared, the investment income and other comprehensive income are recognized separately, and the book value of the long-term equity investment is adjusted; the distributed profits or cash dividends announced by the invested unit calculate the portion that should be enjoyed, and reduce the book value of the long-term equity investment accordingly; for other changes in the owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee, adjust the book value of the long-term equity investment and recorded it in the owner's equity .

When confirming the share of the investee's net profit or loss, the fair value of the investee's identifiable net assets at the time of obtaining the investment is used as the basis, and the net profit of the investee is adjusted in accordance with the Group 's accounting policies and accounting period after confirmation. During the period of holding the investment, the invested unit prepares consolidated financial statements based on the net profit, other comprehensive income and other changes in owner's equity in the consolidated financial statements.The unrealized internal transaction gains and losses that occur with associates and joint ventures are calculated according to the proportions that should be attributed to the group and offset, and investment income is recognized on this basis. Unrealized internal transaction losses with the investee that belong to asset impairment losses are fully recognized.

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and recorded into the investment loss for the current period.If the investee realizes profit in the future period, after deducting the unrecognized loss sharing amount, the company will process it in the reverse order to write down the book balance of the confirmed estimated liabilities and resume recognizing the return on the investment after deducting the book balance of the recognized expected liability and restoring the book value of other long-term equity and long-term equity investment that substantially constitute net investment of the investee.

(3) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between the book value and the actual purchase price is recorded into the current profit and loss.

Long-term equity investments accounted for using the equity method will use the same basis as the investee to directly dispose of related assets or liabilities when disposing of the investment, and account for the portion originally included into other comprehensive income at a corresponding rate. Owner's equity recognized due to changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee are carried forward in proportion to the current profit and loss.

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted according to the financial instrument recognition and measurement standards. The fair value and the date of loss of joint control or significant impact the difference between the book value is recorded in the current profit and loss. Other comprehensive income recognized by the original equity investment due to the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated. The owner's equity recognized due to changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to the current profit and loss when the equity method is terminated.

If the control of the invested unit is lost due to the disposal of part of the equity investment, etc., when preparing the individual financial statements, if the remaining equity after the disposal can exercise joint control or significant influence on the invested unit, the equity method is used for accounting, and the the remaining equity is treated as if it had been adjusted by the equity method when it was acquired; if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the financial instrument recognition and measurement standards. The difference between its fair value and book value on the date of loss of control is recorded in the current profit and loss.

Disposal of equity is obtained through business combination due to additional investment and other reasons. When preparing individual financial statements, the remaining equity after disposal is accounted for using the cost method or the equity method. Recognized other comprehensive income and other owner's equity are carried forward in proportion; if the remaining equity after disposal is accounted for according to the financial instrument recognition and measurement standards, all other comprehensive income and other owner's equity are carried forward.

3. Determine the basis for control, joint control, and significant impact on the investee

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. If the Group and other joint ventures jointly exercise control over the investee and have rights to the investee's net assets, the investee is a joint venture of the group.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

4. Impairment test method and accrual method for impairment preparation

At the end of the period, the long-term equity investment is checked, and the long-term equity investment impairment provision is accrued based on the difference between its recoverable amount and the book value. Once the long-term equity investment impairment provision is accrued, it shall not be transferred back in the future accounting period.

For a long-term equity investment without a market price, if there is one of the following signs, it indicates that the long-term equity investment may be impaired:

①Changes in the political or legal environment affecting the operation of the invested unit, such as the promulgation or revision of regulations such as taxation and trade, may result in huge losses for the invested unit;

②The commodities supplied by the investee or the services provided by the investee change the market demand due to the outdated products, resulting in a serious deterioration of the financial status of the investee;

③The production technology of the invested company's industry has undergone major changes, and the invested company has lost its competitiveness, resulting in serious deterioration of the financial situation, such as cleaning up, rectification, and liquidation;

④Evidence shows that the investment can no longer bring other economic benefits to the enterprise.

(XIII) Investment property

1. Classification of investment real estate

Investment property includes land use rights that have been leased; land use rights that are held and ready to be transferred after appreciation; buildings that have been leased out.

2. Pricing of investment property

The investment property is based on its cost as the book value. The cost of outsourcing investment property includes the purchase price, related taxes and other expenses that can be directly attributed to the asset; the cost of self-built investment property is determined by the construction of the asset. The necessary expenditure structure incurred before the usable state.

Subsequent measurement of investment property adopts the cost model, and the depreciation or amortization of buildings and land use rights is accrued according to its expected service life and net residual value rate.

3. Confirmation standards and accrual methods for impairment of investment property

The company inspects investment property at the end of the period and evaluates its recoverable amount to determine whether the asset has been impaired. For investment property whose recoverable amount is lower than its book value, the provision for impairment is made based on the difference between the recoverable amount of the individual asset and its book value. The provision for impairment of leased land use rights shall be handled in accordance with the relevant provision for impairment of land use rights in intangible assets, and the provision for impairment of leased buildings shall be treated in accordance with the relevant provision for impairment of fixed assets. Once an investment property impairment provision is accrued, it cannot be reversed in a subsequent accounting period.

4. Conversion and disposal of investment property

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before conversion is used as the book value after conversion.

When the investment property is disposed of or withdrawn permanently from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property is terminated. The amount of disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and related taxes is recorded into the current profit and loss.

(XIV)Fixed assets

1. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

Fixed asset is recognized when it meets the following conditions: It is probable that the economic benefits associated with the fixed asset will flow to the enterprise; its cost can be reliably measured.

2. Pricing of fixed assets

The fixed assets of the company are initially measured at cost, including:the cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before they reach their intended usable state;the cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach the expected usable state;for fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value.

3. Classification and depreciation of fixed assets

Except for fixed assets that are fully depreciated and continue to be used and land that is separately accounted, fixed assets are depreciated by categories using the average age method, and the work method is used for special devices and equipment.The estimated residual value of fixed assets is 0 to 5% of the original value of the asset.The depreciation period and annual depreciation rate of various fixed assets are as follows:

Categories	Depreciation period（year）	Annual depreciation rate (%)
Houses and buildings	8-40	12.50-2.38
Machinery and equipment	4-30	25.00-3.17
Transportation equipment	5-20	20.00-4.75
Others	5-12	20.00-7.92

4. Impairment test method of fixed assets and accrual method of impairment provision

At the end of each period, the company judges whether the fixed assets may show signs of impairment. If there are signs of impairment of fixed assets, the recoverable amount should be estimated. The recoverable amount is determined based on the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the current value of the estimated future cash flow of the fixed assets.When the recoverable amount of a fixed asset is lower than its book value, the book value of the fixed asset is written down to the recoverable amount. The amount of write-down is recognized as impairment loss of fixed assets and recorded in the current profit and loss, and meanwhile accrue impairment of assets.

After the impairment loss of fixed assets is confirmed, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future period so that the book value of the adjusted fixed assets (after deducting the estimated net residual value) will be systematically amortized over the remaining useful life of the fixed assets.

Where there are indications that a fixed asset may be impaired, the group estimates the recoverable amount based on a single fixed asset. Where it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the fixed asset belongs.

Once the impairment loss of fixed assets is confirmed, it will not be reversed in the future accounting periods.

5. Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for confirmation of fixed assets are included into the cost of fixed assets; those that do not meet the conditions for confirmation of fixed assets are included into the current profit and loss when they occur.

6. Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from use or disposal, the recognition of the fixed asset is terminated. The amount of income from disposal of fixed assets sold, transferred, scrapped or damaged after deducting their book value and related taxes is included into the current profit and loss.

(XV)Construction in progress

At the end of the period, determine whether there is any sign of possible impairment of the construction in progress. If there are signs of impairment of the construction in progress, the recoverable amount is estimated. If there are signs that a construction in progress may be impaired, the Group estimates its recoverable amount based on the single construction in progress. If it is difficult for the Group to estimate the recoverable amount of a single construction in progress, the recoverable amount of the asset group is determined based on the asset group to which the construction in progress belongs.

The recoverable amount is determined based on the higher of the net value of the fair value of the construction in progress minus the disposal expenses and the present value of the expected future cash flow of the construction in progress. When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress is written down to the recoverable amount. The amount of written-down is recognized as the impairment loss of the construction in progress and recorded in the current profit and loss, and meanwhile accrue impairment of construction in progress.

Once the impairment loss of the construction in progress is confirmed, it will not be reversed in future accounting periods.

(XVI)Borrowing costs

1. Criteria for recognition of capitalized borrowing costs

The borrowing costs that can be directly attributed to the acquisition and construction of assets that take a long time to complete the acquisition and construction activities to reach the predetermined usable state. The asset expenditure and borrowing costs have already occurred and are necessary for the asset to reach the predetermined usable state. Only when the purchase and construction activities have begun, can it be capitalized and included into the cost of the asset. Capitalization ceases when the purchased and constructed assets reach the intended usable state, and the borrowing costs incurred thereafter are included into the current profit and loss.

2. Capitalization period of borrowing costs

Borrowing costs incurred on assets eligible for capitalization for the construction or production meet the above capitalization conditions, those incurred before the asset reaches the intended use or sale state shall be included into the cost of assets;If the production activities are abnormally interrupted, and the interruption lasts for more than 3 months, the capitalization of borrowing costs is suspended, and it is recognized as current expenses until the construction or production activities of the assets restart; when reaching the state, the capitalization of borrowing costs is stopped, and the borrowing costs incurred thereafter are directly included into the financial expenses in the current period.

3. Calculation method of capitalization amount of borrowing costs

If special loans are borrowed for the purchase or construction or production of assets that meet the capitalization conditions, the interest expenses actually incurred in the current period of the special loans minus the interest income obtained by depositing unused loan funds into the bank or the amount of investments obtained by making temporary investments after the income is determined; the amount of interest that should be capitalized for the general borrowing borrowed for the purchase or construction or production of assets that meet the capitalization conditions is calculated and determined based on the weighted average of the asset expenditures in which the accumulated asset expenditure exceeds the special borrowing multiplied by the capitalization rate of the general borrowing.

(XVII)Oil and gas assets

1. Oil and gas asset

Oil and gas assets refer to wells and related facilities and mining interests owned or controlled by oil and gas field enterprises, and other facilities whose cost recovery in product sharing contracts directly depends on oil and gas reserves.

2. Pricing of oil and gas assets

The cost to acquire mining interests is capitalized when incurred, and the initial measurement is based on the cost at the time of acquisition.Royalties for exploration right, royalties for mining right and rents incurred after the acquisition of mining interests are included into the current profit and loss.

3. Depletion of oil and gas assets

No depletion is charged for equity in unproved mining interests, and other oil and gas assets are amortized according to the production method. Within the current period of the mining license, the production method depletion rate is determined on the estimated production capacity of the oil and gas reserves in the existing facility.

4. Provision for impairment of oil and gas assets

When the recoverable amount of oil and gas assets other than unproved mining interests is lower than its book value, the book value is written down to the recoverable amount; when the fair value of the unproved mining interests is lower than its book value, the book value is written down to fair value .

For unproved mining interests, an impairment test is conducted once a year. If the acquisition cost of a single mining area is large, an impairment test shall be conducted on the basis of the single mining area and the amount of impairment of unproved mining interests shall be determined. If the acquisition cost of a single mining area is relatively small and has the same or similar geological structural characteristics or reservoir conditions as other adjacent mining areas, the impairment shall be tested according to a group of adjacent mining areas with the same or similar geological structural characteristics or reservoir conditions.

Once the provision for impairment of oil and gas assets is confirmed, it shall not be transferred back in subsequent accounting periods.

(XVIII)Right -of-use asset

The right-of-use asset is initially measured at cost, including: the initial measurement amount of the lease liability; the lease payments made on or before the start date of the lease term, if there is a lease incentive, deduct the relevant amount of the lease incentive already enjoyed;initial direct costs incurred by the lessee; Costs expected to be incurred to dismantle and remove the leased asset, restore the site on which the leased asset is located, or restore the leased asset to the condition agreed upon in the terms of the lease (excluding costs incurred to produce inventory).

After the lease commencement date, the right-of-use asset is subsequently measured using the cost model.

The principle of determining the depreciation period of the right-of-use asset: if the lessee can reasonably determine that the leased asset will be acquired at the expiration of the lease term, depreciation shall be accrued within the remaining useful life of the leased asset.If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. If the remaining useful life of the right-of-use asset is shorter than the first two, the depreciation is accrued over the remaining useful life of the right-of-use asset.

Impairment of the right-of-use asset: On the commencement date of the lease term, the lessee determines whether the right-of-use asset is impaired in accordance with the relevant provisions on asset impairment, and performs accounting treatment on the identified impairment loss.

(XIX)Intangible assets

1. Intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company, mainly including land use rights, patented technologies and non-patented technologies.

When the following conditions are met at the same time, intangible assets are recognized:

① The economy related to the intangible assets is likely to flow into the Group;

②The cost of the intangible asset can be measured reliably

2. Pricing of intangible assets

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included into the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognised.

The intangible assets acquired by the enterprise under the same control are determined based on the book value of the merged party; the intangible assets acquired by the enterprises under the same control are determined at fair value.

Intangible assets developed by the company itself, whose costs include: materials used in the development of the intangible assets, labor costs, registration fees, amortization of other patents and concessions used in the development process, and interest charges to meet capitalization conditions, and other direct costs incurred to bring the intangible asset to its intended use.

3. Amortization method and period of intangible assets

For intangible assets with finite useful life, amortization is carried out by the straight-line method within the period of bringing economic benefits to the enterprise. For intangible assets with uncertain service life, they are not amortized during the holding period. At the end of each period, the service life and amortization method of intangible assets with limited useful life and the service life of intangible assets with uncertain service life are reviewed. For the evidence that the service life of intangible assets is limited, the service life is estimated and amortized within the expected service life.

4. Provision for impairment of intangible assets

At the end of each half year, determine whether there are signs of possible impairment of intangible assets. If the asset is impaired, the recoverable amount should be estimated first. When the recoverable amount of intangible asset is lower than its book value, the book value of the intangible asset is written down to the recoverable amount. The amount of write-down is recognized as impairment loss of intangible assets and recorded into the current profit and loss, and meanwhile accrue impairment of intangible assets.

Intangible assets with uncertain service life, regardless of whether there are signs of impairment, at least every six months should be tested for impairment.

Once the provision for impairment of intangible assets is confirmed, it shall not be transferred back in the subsequent accounting period.

(XX)Research and Development Expenditures

Research expenditures are included into the current profit and loss when it occurred; the expenses in the development phase are capitalized if the following conditions are fulfilled:

(1) It is technically feasible to complete this intangible asset so that it can be used or sold.;

(2) Have the intention to complete the intangible assets and use or sell them;

(3) The ways in which intangible assets generate economic benefits include the existence of a market for intangible assets that are capable of proving the existence of a market for the products produced using such intangible assets. Intangible assets are used internally and can prove their usefulness.;

(4) Sufficient technical, financial, and other resources to support the development of this intangible asset and the ability to use or sell the intangible asset;

(5) Expenditure attributable to the development phase of intangible assets can be reliably measured.

If it does not meet the conditions mentioned above, it is included into the current profit or loss when it occurred. Development expenditures that have been included into profit or loss in previous periods are not reconfirmed as assets in subsequent periods.The capitalized development expenditures are listed as development expenditures on the balance sheet, and are converted into intangible assets from the date when the project reaches its intended use.

(XXI)Goodwill

Goodwill is the difference between the cost of business combination exceeding the fair value share of the identifiable net assets of the acquired party that should be acquired in the business combination on the acquisition date or the purchase date.

Goodwill listed separately in the financial statements is tested for impairment at least annually. During the impairment test, the book value of goodwill is allocated to the beneficiary asset group or combination of asset groups based on the synergistic effect of the business combination.

(XXII)Long-term prepaid expenses

The company's long-term prepaid expenses refer to expenses that have been paid but have been amortized for more than one year. Including: train rooms equipped for field operations, mobile rooms, drilling tools, downhole instruments, tools, well control and solid control devices, leased fixed assets improvement expenses, etc. in use for field operations.Other long-term deferred expenses are usually amortized equally over the benefit period.

(XXIII)Contract liabilities

The Company recognizes the obligation to transfer goods to customers after receiving or receiving consideration from customers as contractual liabilities.Before transferring the goods to the customer, if the customer has already paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally, the Group will, at the earlier point of time when the customer actually pays the amount and the amount due and payable, will pay the amount received.or receivables are presented as contract liabilities.

(XXIV)Employee Remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the company to obtain the services provided by the employees or to terminate the labor relationship. Employee remuneration includes short-term remuneration, dismissal benefits, retirement benefits and other long-term employee benefits.

1. Short-term remuneration

During the accounting period in which employees provide services, the company recognizes the short-term remuneration payable as a liability and accounts for the relevant asset costs and expenses based on the beneficiaries of the employees providing services.

The social insurance premiums and housing provident funds paid by the company for employees, as well as the union funds and employee education funds drawn according to the regulations, are calculated and determined according to the prescribed withholding basis and withholding ratio during the accounting period when the employees provide services for the company .

Health care, living allowances, internal welfare department expenditures, hardship subsidies, retired non-retirement expenses, heating subsidies and other welfare expenses paid to employees are included into employee benefits. If the employee benefits are non-monetary benefits, they shall be measured at fair value.

2. Dismissal benefits

The company will pay dismissal benefits when the Group can no longer withdraw the offer of termination plan or layoff proposal and when the Group recognizes costs for restructuring which involving the payment of dismissal benefits (whichever the earliest). The remuneration incurred by the dismissal benefits will be recognized as liabilities which would be recorded into current profits and loss.

3. Retirement benefits

The company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be recorded into current profits and loss or costs of assets.

The company establishes an enterprise annuity, and the enterprise annuity funds are jointly paid by the company and the individual.

(XXV) Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payment on the start date of the lease term. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate; If the interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payment amount includes: Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentive; Variable lease payment amount depending on index or ratio; When the Company reasonably determines that the option will be exercised, the lease payment amount includes the exercise price for purchasing the option; In the case that the lease period reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount to be paid for exercising the option to terminate the lease;Estimated amount to be paid according to the residual value of guarantee provided by the Company.

The Company calculates the interest expenses of the lease liabilities in each period of the lease term according to a fixed discount rate, which is included in the current profits and losses or related asset costs.

The variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profits and losses or related asset costs when they actually occur.

(XXVI)Bond payable

Bonds payable are priced according to the actual issue price; the difference between the total issue price and the total face value of the bond is regarded as the premium or discount of the bond, and is amortized during the life of the bond when the interest rate is accrued according to the actual interest rate method, and in accordance with the principle of borrowing cost. The year-end balance of bonds payable is the amortized value.

(XXVII)Estimated liabilities

1. Recognition criteria for estimated liabilities

When the obligations related to the contingent events meet the following conditions at the same time, the company recognizes the estimated liabilities:

(1)The obligation is a present obligation of the Group;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation;

(3) The amount of the obligation can be measured reliably.

2. Method of measuring the various estimated liabilities

The company's estimated liabilities are initially measured at the best estimate of the expenditure required to perform the relevant current obligations.When determining the best estimate, the company considers factors such as risks, uncertainties and time value of money related to contingent events. For the significant impact of the time value of money, the best estimate is determined by discounting the relevant future cash outflows. On the balance sheet date, the book value of the estimated liabilities is reviewed, and the book value is adjusted to reflect the current best estimate.

(XXVIII)Safety production fee

The Group extracts and uses safe production fee in accordance with the provisions of the "Administrative Measures on the Extraction and Use of Enterprise Safe Production Fee " (Caiqi [2012] No. 16) of the Ministry of Finance and the State Administration of Work Safety.

(XXIX)Preference shares, perpetual bonds and other financial instruments

The Group classifies these financial instruments or their components as financial assets, financial liabilities or equity instruments at initial recognition based on the contract terms of preference shares or perpetual bonds issued and the economic substance reflected, combined with the definition of financial assets, financial liabilities and equity instruments.

The Group treats the preference shares or perpetual bonds issued by it that contain both equity and liability components in accordance with the same accounting policies as convertible instruments with equity components.The Group treats the preference shares or perpetual bonds that do not contain equity components in accordance with the same accounting policies as convertible instruments that do not contain equity components.

The Group's preference shares issued by it that shall be classified as equity instruments are recorded in equity instruments based on the actual amount received. If dividends and interest are distributed during the existence period, it shall be treated as profit distribution. If the preference shares are redeemed in accordance with the terms of the contract, the equity shall be written off at the redemption price.

(XXX)Revenue

After fulfilling the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized.

If the contract contains two or more performance obligations, the transaction price shall be allocated to each individual performance obligation on the start date of the contract according to the relative proportion of the individual selling prices of the goods or services promised by each individual performance obligation and the transaction price of the performance obligation measures income.

The transaction price is the amount of consideration that you are expected to be entitled to the customer due to the transfer of goods or services, excluding payments collected on behalf of third parties. The confirmed transaction price does not exceed the amount that the accumulated confirmed income is unlikely to be materially reversed when the relevant uncertainty is eliminated. Expected to be refunded to the customer as a return liability, not included into the transaction price. If there is a significant financing component in the contract, the transaction price is determined according to the amount of cash payable when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the actual interest rate method during the contract period. On the start date of the contract, if it is estimated that the interval between the customer obtaining control of the goods or services and the price paid by the customer does not exceed one year, the major financing component existing in the contract is not considered.

If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

①The customer obtains and consumes the economic benefits brought by the performance of the enterprise at the same time as the company performs the contract.

②The customer can control the goods under construction in the process of corporate performance.

③The goods produced during the performance of the enterprise have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far throughout the contract period.

For performance obligations performed within a certain period of time, revenue is recognized in accordance with the progress of performance within that period of time. When the performance progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Group shall earn income when the customer obtains control of the relevant commodity. In determining whether a customer has acquired control of a commodity, the Group should consider the following signs:

①The enterprise has the current right to collect the goods.

②The enterprise has transferred the physical goods to the customer.

③The enterprise has transferred the main risks and rewards of ownership of the goods to the customer.

④The customer has accepted the goods.

The right to receive consideration for the transfer of goods or services to the customer (and the right depends on factors other than the passing of time) is listed as a contract asset, and the contract asset is impaired based on expected credit losses"Note IV (VIII) Financial instruments 6. Impairment ".The Group's right to collect consideration from customers unconditionally (depending only on the passing of time) is listed as accoutants receivable financing. The Group's obligation to transfer goods or services received or receivable from customers for consideration is listed as contract liabilities.

The accounting policies related to the main activities for income generation are described as follows:

1. Sales revenue

Revenue is recognized when the customer obtains control of related commodities. Obtaining control of related commodities means that customers can lead the use of the commodities and obtain almost all economic benefits from them.

2. Income from the provision of labor services

The customer obtains and consumes the economic benefits brought by the performance of the Group while performing the performance of the Group. It belongs to the performance obligations performed within a certain period of time, and the revenue is recognized according to the progress of performance. Otherwise, it belongs to performance obligations performed at a certain point in time, and the revenue is recognized when the customer obtains control of related services.

3. Interest income

The interest income is calculated and determined according to the time for lending the monetary funds and the actual interest rate.

(XXXI)Contract costs

Contract costs include incremental costs incurred in obtaining the contract and contract performance costs.

Incremental costs incurred in obtaining a contract refer to costs that the Group would not incur without obtaining a contract. If the cost is expected to be recovered, the Group recognizes it as a contract acquisition cost as an asset. Other expenses incurred by the Group in order to obtain the contract, in addition to the incremental costs expected to be recovered, are included into the current profit and loss when incurred.

Assets recognized for contract acquisition costs and assets recognized for contract performance costs (hereinafter referred to as "assets related to contract costs") are amortized on the same basis as the recognition of the income from commodities or services related to the asset and included into the current profit and loss. When the amortization period does not exceed one year, it is included into the current profit and loss when it occurs.

When the book value of the asset related to the contract cost is higher than the difference between the following two items, the Group makes an impairment provision for the excess and recognizes it as an asset impairment loss:

1. The remaining consideration that the Group expects to obtain due to the transfer of goods or services related to the asset;

2. Estimate the costs that will be incurred for the transfer of the relevant goods or services.

(XXXII)Government grants

1. Types

Government grants are mainly for financial allocation, financial interest discount, tax return and free allocation of non-monetary assets.

2. Government grant confirmation

The group shall be recognized when it is able to meet the conditions attached to government grants and when it is able to receive government grants.

3. Accounting treatment method

Government subsidies related to assets should be recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are recorded into the current profit and loss in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income. And in the period of confirming the related cost, expense or loss, it shall be included into the current profit and loss or offset related costs. For the compensation of related costs and losses already incurred by the company, it shall be directly included into the current profit and loss or offset related costs.

4. Measurement of government grant

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable.

If the government grant is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained reliably, it shall be measured at its nominal amount, which shall be 1 yuan.

(XXXIII)Deferred income tax assets and liabilities

Deferred income tax assets are recognized for deductible temporary differences to the extent of taxable income that is probable in the future to deduct deductible temporary differences.

The company recognizes the taxable temporary difference between the current period and the previous period that has not been paid as deferred income tax liabilities. However, it does not include the goodwill and the temporary difference formed by the taxable income or deductible losses when transaction formed by non-business combinations occurs.

When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset:

(1) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer in the Group;

(2) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis.

(XXXIV)Leases

Lease refers to a contract in which the lessor transfers the right to use the asset to the lessee within a certain period to obtain consideration.

On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If one of the parties in a contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

In order to determine whether the contract cedes the right to control the use of the identified assets within a certain period, the Group conducts the following assessment:

①Whether the contract involves the use of the identified assets. The identified asset may be specified explicitly in the contract or implicitly when the asset is available to the customer, and the asset is physically distinguishable, or if a portion of the asset's capacity or other parts are physically indistinguishable but represent the full production capacity of the asset, so that customers receive almost all the economic benefits arising from the use of the asset. If the supplier of the asset has a substantial right to replace the asset during the entire period of use, the asset is not an identified asset;

②Whether the lessee is entitled to obtain almost all economic benefits arising from the use of the identified assets during the period of use;

③Whether the lessee has the right to lead the use of the identified assets during the period of use.

If the contract contains multiple separate leases at the same time, the lessee and the lessor split the contract, and each separate lease is accounted for separately. If the contract includes both lease and non-lease parts, the lessee and the lessor will separate the lease and non-lease parts. When splitting the lease and non-lease parts included in the contract, the lessee shall allocate the contract consideration in accordance with the relative proportion of the sum of the individual price of each lease part and the individual price of the non-lease part. The lessor shall apportion the contract consideration in accordance with the accounting policies of the provisions on transaction price apportionment as described in Note IV. (XXX).

(1). The Group as a lessee

At the beginning of the lease period, the Group recognizes right-of-use asset and lease liabilities for leases. The right-of-use asset is initially measured at cost, including the initial measurement amount of the lease liability, the lease payment paid on or before the start of the lease period (deducting the amount related to the lease incentives already enjoyed), the initial direct costs incurred and costs expected to be incurred to dismantle and remove the leased asset, restore the leased asset to its location or restore the leased asset to its agreed status under the terms of the lease.

The Group uses the straight-line method to accrue depreciation for right-of-use assets. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the Group accrues depreciation within the remaining useful life of the leased asset. Otherwise, the leased asset is depreciated within the shorter of the lease period and the remaining useful life of the leased asset.

Lease liabilities are initially measured at the present value of the lease payments that have not been paid at the beginning of the lease period, and the discount rate is the interest rate implicit in lease. If the interest rate implicit in lease cannot be determined, the Group's incremental borrowing rate is used as the discount rate.

The Group calculates the interest expense of the lease liability for each period of the lease term at a fixed periodic interest rate and includes it into the current profit or loss or the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities are included into current profit or loss or the cost of related assets when they actually occur.

After the start of the lease period, when the following situations occur, the Group remeasures the lease liability according to the present value of the lease payment after the change:

① The expected payable amount changes according to the guarantee residual value;

② The index or ratio used to determine the lease payment has changed;

③ The Group's evaluation results of purchase options, lease renewal options, or lease termination options have changed, or the actual exercise of lease renewal options or lease termination options is inconsistent with the original evaluation results.

When the lease liability is remeasured, the Group adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group records the remaining amount into the current profit and loss.

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases (leases with a lease period not exceeding 12 months) and leases of low-value assets, and the related lease payments are recorded on a straight-line basis into the current profit and loss or the cost of the related assets for each period of the lease term.

(2). The Group as a lessor

On the lease start date, the Group divided leases into financing lease and operating lease. Financial lease refers to a lease that transfers almost all risks and rewards related to ownership of leased assets regardless of whether the ownership is eventually transferred. Operating lease refers to a lease other than finance leases.

The lease receipts of operating leases are recognized as rental income using the straight-line method during the lease term. The Group capitalizes the initial direct costs incurred in relation to operating leases, allocates them on the same basis as the recognition of rental income during the lease period, and is included into the current profit and loss in installments. Variable lease payments that are not included in the lease receipts are included into the current profit and loss when they actually occur.

(XXXV)Classified as assets held for sale

Confirm non-current assets or disposal groups that simultaneously meet the following conditions as assets held for sale:

（1）Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions；

（2）The sale is very likely to happen, that is, the company has already made a resolution on a sales plan, approved by the regulatory authorities(if applicable) and obtained a certain purchase commitment. It is expected that the sale will be completed within one year. If the relevant regulations require approval by the relevant authority of the enterprise or the regulatory authority before it can be sold, it should have been approved.

Non-current assets (excluding financial assets and deferred income tax assets) that are eligible for holding for sale are measured at the lower of book value and the net value of fair value minus sales expenses. The amount which the fair value minus the selling expenses is lower than the original book value is recognized as an asset impairment loss.

Similarly, non-current liabilities classified as held for sale should be classified as current liabilities and listed in the "liabilities held for sale" item in the balance sheet.

(XXXVI)Fair value measurement

When measuring related assets or liabilities at fair value, it is based on the following assumptions:

(1) The transactions of market participants selling assets or transferring liabilities on the measurement date are orderly transactions under current market conditions;

(2) The orderly transactions of selling assets or transferring liabilities are conducted in the main market of related assets or liabilities. If there is no major market, it is assumed that the transaction is conducted in the most favorable market for related assets or liabilities;

(3) Adop the assumptions that market participants use to maximize their economic benefits when pricing the asset or liability.

When measuring non-financial assets at fair value, consider the ability of market participants to use the asset for optimal use to generate economic benefits, or sell the asset to other market participants that can be used for optimal use to generate economic benefits.

When fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input value used in fair value measurement belongs. The three levels are defined as follows:

- The first level input value is unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.

- The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.

- The third level input value is unobservable inputs to related assets or liabilities.

(XXXVII)Segment report

The Company determines operating segments based on internal organizational structure, management requirements, and internal reporting systems, and determines reporting segments based on operating segments.

V.Description of changes in accounting policies and accounting estimates and adjustment of major other matters

(I) Changes in accounting policies at implementation of new enterprises accounting standards

The Group will implement the Accounting Standards for Business Enterprises No. 21 – Leases ("New Lease Standards") revised by the Ministry of Finance in 2018 from 1 January 2021. Please refer to Note IV.(XXXIV) for the changed accounting policies.

If the original lease standards before January 1, 2021 are inconsistent with the requirements of the new lease standards, the Group will adjust the retained earnings and financial assets on January 1, 2021 according to the provisions of the new lease standards and based on the cumulative impact of the initial implementation of the new lease standards.The amount of other related items in the report is not adjusted for comparable period information.

Please refer to Note V. (IV) for the statement items adjusted by the implementation of the new lease standards and the corresponding impact amount.

(II) Change in accounting estimates

There is no change in important accounting estimates in this period.

(III) Adjustment of major other matters

There is no adjustment of major other matters in this period.

(IV)The impact of changes in accounting policies and free transfers

The impact of the above-mentioned implementation of the new income standard and free transfer on the beginning of the current period is as follows:

Items	December 31, 2020	Cumulative impact amount			January 1, 2021
		Implement the new income standard adjustment	Adjustment of consolidation scope	subtotal	
Cash and bank	22,980,598		84	84	22,980,682
Accounts receivable	8,143,434		175	175	8,143,609
Prepayments	20,272,616	-271		-271	20,272,345
Other receivables	3,627,047		-1,246	-1,246	3,625,801
Inventories	17,712,667		30	30	17,712,697
Other current assets	14,421,731	-4,697	2	-4,695	14,417,036
Long-term equity investment	29,211,813		6,267	6,267	29,218,080
Fixed assets	58,506,595		26,352	26,352	58,532,947
Intangible assets	10,154,428		-6,971	-6,971	10,147,457
Right-of-use asset		4,981,865		4,981,865	4,981,865
Long-term deferred expenses	5,247,445	-1,930,076		-1,930,076	3,317,369
Total assets	408,867,383	3,046,821	24,693	3,071,514	411,938,897
Accounts payable	33,121,344		159	159	33,121,503
Payments received in advance	593,295				593,295
Employee benefits payable	3,893,187		36	36	3,893,223
Tax payables	7,240,553		99	99	7,240,652
Other payables	8,421,270		6,046	6,046	8,427,316
Non-current liabilities due within one year	5,982,846	354,943		354,943	6,337,789
Lease liabilities		2,858,703		2,858,703	2,858,703

Items	December 31, 2020	Cumulative impact amount			January 1, 2021
		Implement the new income standard adjustment	Adjustment of consolidation scope	subtotal	
Accrued liabilities	13,944,384	148	-9,692	-9,544	13,934,840
Total liabilities	176,943,156	3,213,793	-3,351	3,210,442	180,153,598
Other comprehensive income	-4,345,199		-4,034	-4,034	-4,349,233
Retained earnings	1,812,174	-166,972	32,085	-134,887	1,677,287
*Non-controlling interests	34,065,442		-7	-7	34,065,435
Total shareholders' equity	231,924,227	-166,972	28,044	-138,928	231,785,299

Note: The above table only presents the items of the affected financial statements, so the total disclosed cannot be recalculated according to the figures presented in the above table.

VI.Taxation

(I) The principal taxations

Tax Type	Tax basis	Tax rate
Value-added Tax (VAT)	The tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period, the difference is partly due to the value-added tax.	6%、9%、13%
Consumption tax	The payment is calculated based on the sales volume of taxable products. The taxable amount of gasoline, naphtha, solvent oil and lubricating oil is 1.52 yuan per liter, and diesel and fuel oil is 1.20 yuan per liter.	Quantitative Levy
City maintenance and construction tax	Based on VAT and sale tax paid	1%、5% or 7%
Education surcharge	Based on VAT and sale tax paid	3%
Resource taxe	Based on sales of crude oil,natural gas and shale gas	1%-6%
Special oil gain	Based on the excess income obtained by selling domestic crude oil prices above a certain level	20%-40%
Business income taxes	Calculated on taxable income	15%、25%

(II) Important tax incentives

1. Value-added Tax (VAT)

According to the Ministry of Finance, the State Administration of Taxation, and the General Administration of Customs "Notice on Import Tax Policies for Exploration, Development and Utilization of Energy Resources during the "14th Five-Year Plan" Period (Cai Guan [2021] No. 17), from January 1, 2021 to December 31,2025,for the construction of cross-border natural gas pipelines and imported LNG receiving, storage and transportation equipment projects approved by the National Development and Reform Commission, as well as the natural gas imported from the expansion projects of imported LNG receiving, storage and transportation equipment approved by the provincial government.(including pipeline gas and liquefied natural gas), the import value-added tax will be refunded according to a certain proportion.

According to the Announcement of the Ministry of Finance, the General Administration of Taxation and the General Administration of Customs on Deepening the VAT Reform Relevant Policies (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019), from April 1, 2019, for taxable sales of value-added tax or imported goods, the original 16% and 10% tax rates are adjusted to 13% and 9%, respectively.

According to Deepening the Reform of VAT Reform Relevant Policies (Ministry of Finance, General Administration of Taxation and General Administration of Customs Announcement No. 39 of 2019), from April 1, 2019 to December 31, 2021, taxpayers allowed in the industry production and living services (including financial service industry) shall deduct the tax payable by adding 10% to the deductible input tax in the current period.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the "Measures for the Administration of Value-Added Taxes in Oil and Gas Field Enterprises" (Caishui [2009] No. 8) and the "Supplementary Notice on VAT in Oil and Gas Field Enterprises" by the Ministry of Finance and the State Administration of Taxation (Caishui [2009] No. 97), the company pays value-added tax for productive services provided by crude oil and natural gas production. Goods and taxable services transferred or provided for production between each oil and gas field enterprise and its non-independent accounting unit are not pay VAT.

Local tax rates apply to overseas subsidiaries.

2. Consumption tax

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Continuing to Increase Consumption Tax on Refined Oil (Caishui [2015] No. 11), from January 13, 2015, the unit tax amount of consumption tax for gasoline, naphtha, solvent oil and lubricants, was increased from 1.4 yuan / liter to 1.52 yuan / liter, and the unit tax amount of consumption tax for diesel, aviation kerosene and fuel oil was increased from 1.1 yuan / liter to 1.2 yuan / liter. Aviation kerosene continued to be suspended.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Consumption Tax on Self-use Oils Produced by Refined Oil Production Enterprises (Caishui [2010] No. 98), from January 1, 2009, during the production of refined oil, the company's self-produced refined oil consumed as fuel, power and raw materials is exempt from consumption tax.

According to the "Interim Measures for the Refund (Exemption) of Consumption Tax on Naphtha and Fuel Oil for the Production of Ethylene and Aromatic Hydrocarbon Chemical Products" (State Administration of Taxation Announcement No. 36 of 2012), the company will be exempt from consumption tax when it is used for the continuous production of ethylene and aromatic hydrocarbon chemical products by the enterprises in the group and the sale of self-produced naphtha and fuel oil under the fixed-point direct supply plan of naphtha and fuel oil issued by the State Administration of Taxation.

3. Resource tax

According to the "Resource Tax Law of the People's Republic of China", crude oil and natural gas used for heating in the process of mining crude oil and transporting crude oil within the oilfield are exempt from resource tax;Crude oil and natural gas mined from low-abundance oil and gas fields are reduced by 20% resource tax; Natural gas with high sulfur content, tertiary oil recovery and crude oil and natural gas extracted from deep-water oil and gas fields shall be reduced by 30% resource tax; Heavy oil and high pour point oil will be reduced by 40%.

On March 29, 2018, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Reducing Resource Tax on Shale Gas (Caishui [2018] No. 26), in order to promote the development and utilization of shale gas, effectively increase the supply of natural gas. From April 1, 2018 to March 31, 2021, the shale gas resource tax (at the prescribed rate of 6%) will be reduced by 30%.On March 15, 2021, the Ministry of Finance and the State Administration of Taxation issued the "Announcement on Extending the Implementation Period of Some Preferential Tax Policies" (Announcement No. 6 [2021] of the

Ministry of Finance and the State Administration of Taxation), and the preferential tax policies will be implemented on March 31, 2021.After the expiry, the enforcement period was extended to December 31, 2023.

4. Special oil gain

According to the Ministry of Finance's "Notice on Increasing the Starting Point of Special Oil Gain " (Caishui [2014] No.115), with the approval of the State Council, the Ministry of Finance decided to increase the oil special gain starting point to 65 USD / barrel from January 1, 2015, level 5 excess progressive ad valorem rate calculation is still implemented.

5. Business income taxes

According to the Notice of the Ministry of Finance, the General Administration of Customs, and the State Administration of Taxation on Issues Relevant to Tax Policies for the Deep Implementation of the Western Development Strategy (Caishui [2011] No. 58), from January 1, 2011 to December 31, 2020, for the encouraged industrial enterprises located in the western region, the enterprise income tax is levied at a reduced rate of 15%. Some branches and subsidiaries of the Group located in the western region are subject to a 15% preferential tax rate to calculate and pay business income tax. On April 23, 2020, the Ministry of Finance, the State Taxation Administration of The People's Republic of China and the National Development and Reform Commission jointly issued the Announcement on Continuation of Enterprise Income Tax Policy for Western Development (Announcement No.23, 2020 of the National Development and Reform Commission of the Ministry of Finance and the State Administration of Taxation). From January 1, 2021 to December 31, 2030, the encouraged industrial enterprises located in the western region continued to collect enterprise income tax at a reduced rate of 15%.

According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China", "Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China", "Measures for the Administration of the Identification of High-tech Enterprises" and "Guidelines for the Administration of the Identification and Management of High-tech Enterprises" ,the enterprise income tax is levied at a tax rate of 15%, and subsidiaries of the Group that have obtained the "High-tech Enterprise Certificate" enjoy a preferential tax rate of 15%.

The Ministry of Finance and the State Administration of Taxation jointly issued the "Announcement on Further Improving the Pre-tax Deduction Policy for R&D Expenses" (Announcement No. 13 of 2021), which stipulates that from January 1, 2021, the R&D expenses of manufacturing enterprises will be deducted.The ratio has been increased from 75% to 100%, reducing the tax burden of manufacturing enterprises.

The projects and subsidiaries invested by the Group abroad are paid in accordance with the contract and the relevant tax regulations of the country where the taxes payable are paid in the country where they are located.

VII.Business combination and consolidated financial statements

(I) Main subsidiaries

No	Company Name	Subsidiary type	Mode of acquisition	Place of registration	Main place of business	Business nature	Registered capital (Ten thousand yuan)	Shareholding ratio (%)	Voting rights ratio (%)	Actual contribution	Acquisition methods
1	CNPC Natural Gas Co., Ltd.	Level 2	1	Beijing	Domestic	Oil and gas production, exploration and sales	18,302,098	83.62	83.62	21,589,183	1
2	CNPC international exploration and development co., ltd. ("CNODC")	Level 2	1	Beijing	Domestic	Oil and gas production, exploration	17,641,898	100.00	100.00	18,743,315	1
3	China United Petroleum Co., Ltd.	Level 2	1	Beijing	Domestic	Oil sales	127,174	70.00	70.00	90,989	1
4	CNPC Engineering Co., Ltd.	Level 2	1	Karamay	Domestic	Construction	558,315	72.20	72.20	1,892,647	2
5	China Petroleum Group Capital Co., Ltd.	Level 2	2	Karamay	Domestic	Financial	1,264,208	79.26	79.26	7,213,679	2

Note: (1) Subsidiary type: 1. Domestic non-financial sub-enterprise, 2. Domestic financial sub-enterprise, 3. Overseas sub-enterprise, 4. Public institution, 5. Infrastructure unit;

(2) Acquisition methods: 1. Investment establishment, 2. Business combination, 3.Others

(3) The level of the group company is level 1, the subsidiaries of the group company are level 2, and so on.

(II) Original subsidiaries no longer included in the scope of consolidation in this period

In the current period PetroChina Beijing Natural Gas Pipeline Co., Ltd. and PetroChina Dalian LNG Co., Ltd.., which are subsidiaries of PetroChina, are no longer included in the scope of consolidation due to pipeline asset reorganization, and the time of loss of control is March31, 2021.

(III) Entities newly included in the scope of consolidation in this period

The company has no new entities included in the scope of consolidation this year.

(IV) Relevant information of structured entities included in the scope of consolidated financial statements

Investment entity	Current period	
	Quantity	Amount
CNPC Asset Management Co., Ltd.	50	2,510,733
Kunlun Bank Co., Ltd.	33	2,685,927

(CONT'D):

Investment entity	Previous period	
	Quantity	Amount
CNPC Asset Management Co., Ltd.	46	1,991,840
Kunlun Bank Co., Ltd.	31	3,197,230

Judgment basis for the implementation of control over important structured entities included in the scope of consolidation:

The Group periodically re-evaluates, judges whether to control structured entities, and decides whether to include them in the scope of consolidation.In the evaluation and judgment, the Group comprehensively considers the following facts and circumstances:the purpose of the establishment of the structured entity, the activities and decisions that have a significant impact on the structured entity's return, the dominant rights over the structured entity, and the variable return enjoyed by the participants in the relevant activities of the structured entities , influence on variable returns of structured entities, and relationships with other parties of structured entities.

At the same time, when determining whether the group is an agent or a principal, comprehensive consideration should be given to: whether there is a single party with substantive rights that can unconditionally remove the decision-maker, the scope of its decision-making power, the substantive rights held by other parties, the reasons for remuneration levels for providing management and other services, exposure to variable returns from any other arrangements, etc.

VIII.Notes To Key Items In Consolidated Finacial Statements

(In addition to the special note, the unit of amount is CNY ten thousand yuan)

(I) Cash and bank

Items	Closing balance	Opening balance
Cash	33,065	44,755
Bank deposit	23,560,133	19,129,072
Other currency	3,545,946	3,806,855
Total	27,139,144	22,980,682

As of December 31, 2021, the limited amount of ownership in the balance of monetary funds was 4,022,063 million yuan which was mainly the monetary funds deposited with the central bank's statutory reserve and the central bank's fiscal deposits.

(II) Lendings to Banks and Other Financial Institutions

Items	Closing balance	Opening balance
Call loan to other banks	5,979,581	4,731,475
Call loan to non-bank financial institutions	81,732	53,401
Interest receivable of Funds lent	17,139,340	13,838,528
Due from Placements with Banks and Other Financial Institutions	57,478	110,802
Interest receivable of Deposit interbank funds	132,063	140,286
Less: bad debt provision for funds lent	19,863	20,416
Total book value	23,106,205	18,573,505

(III) Financial assets held for trading

Items	Fair value at the end of the period	Fair value at the beginning of the period
Debt instrument investment	5,475,489	4,347,121
Equity instrument investment	131,397	242,445
Hybrid instrument investment	5,050,798	4,443,996
Other	21,459	117
Total	10,679,143	9,033,679

(IV) Notes receivable

Type	Closing balance	Opening balance
Bank acceptance	10,283	51,109
Business acceptance	34,933	19,489
Total	45,216	70,598

(V) Accounts receivable

Age	Closing balance	Opening balance
Within 1 year	7,582,333	7,295,328
1 - 2 years	606,672	626,331
2 - 3 years	538,977	484,041
3 - 4 years	405,485	323,378
4 - 5 years	275,780	447,352
Over 5 years	1,676,216	1,431,833
Sub-total	11,085,463	10,608,263
Less: provision for bad debts	2,670,506	2,464,654
Total	8,414,957	8,143,609

(VI) Accounts receivable financing

Items	Closing balance	Opening balance
Notes receivable	254,043	824,463
Accounts receivable		1,730
Total	254,043	826,193

(VII) Prepayments

Items	Closing balance	Opening balance
Prepayments	15,396,963	20,372,951
Less:Bad debt provision	58,609	100,606
Total	15,338,354	20,272,345

(VIII) Other receivables

Items	Closing balance	Opening balance
Interest receivable	56,458	61,793
Dividend receivable	110,300	842,200
Other receivables	5,591,200	2,721,808
Total	5,757,958	3,625,801

1. Interest receivable

Items	Closing balance	Opening balance
Fixed deposits	32,861	26,054
Entrusted Loan		7,664
Bond investment	20,573	944
Others	3,024	27,131
Total	56,458	61,793

2. Dividend receivable

Items	Closing balance	Opening balance
Dividend receivable within one year	66,308	805,118
Dividend receivable over one year	43,992	37,082
Total	110,300	842,200

3. Other receivables

Age	Closing balance	Opening balance
Within 1 year	4,389,213	1,828,907
1 - 2 years	531,572	393,157
2 - 3 years	300,932	273,695
3 - 4 years	265,931	169,591
4 - 5 years	117,353	76,727
Over 5 years	880,910	894,763
Sub-total	6,485,911	3,636,840
Less: provision for bad debts	894,711	915,032
Total	5,591,200	2,721,808

(IX) Buying back the sale of financial assets

Items	Closing balance	Opening balance
Securities	6,001,543	2,468,513
Others	205,020	1,509
Less:Bad debt provision	654	
Total book value	6,205,909	2,470,022

(X) Inventories

Items	Closing balance	Opening balance
Raw materials	2,877,127	2,688,841
Goods in process	2,074,722	1,800,897
Inventory goods (finished products)	12,727,471	11,809,929
Contract performance cost	1,105,178	1,258,171
Others	115,996	154,859
Total	18,900,494	17,712,697

(XI) Contract assets

Items	Closing balance	Opening balance
Contract assets	7,555,350	6,106,305
Less:provision for impairment of contract assets	129,461	134,265
Total	7,425,889	5,972,040

(XII) Current portion of non-current assets

Items	Closing balance	Opening balance
Loans and advances due within one year	14,282,524	10,464,419
Debt investment measured at amortized cost due within one year	2,781,973	1,946,234
Other debt investments measured at fair value and whose changes are included into other comprehensive income due within one year	1,357,389	489,410
Long-term receivables due within one year	999,298	1,114,339
Others	295,832	126
Total	19,717,016	14,014,528

(XIII) Other current assets

Items	Closing balance	Opening balance
Reclassified tax payable	5,808,962	7,233,035
Others	5,376,816	7,184,001
Total	11,185,778	14,417,036

(XIV) Granting of loans and advances

Items	Closing balance	Opening balance
Personal loans and advances	5,218,373	3,551,295
Among:credit card	76,890	83,687
Housing mortgage	2,144,420	1,777,739
Others	2,997,063	1,689,869
Corporate loans and advances	6,068,456	8,921,508
Among:loan	6,102,722	16,085,705
Discount	2,424,588	3,299,671
Others	-2,458,854	-10,463,868
Total loans and advances	11,286,829	12,472,803
Less: reserve for loan losses	1,141,377	846,558
Among:combined accrual amount	1,141,377	846,558
Book value of loans and advances	10,145,452	11,626,245

(XV) Debt investments

Items	Closing balance	Opening balance
Treasury bond investment	1,504,340	1,486,523
Enterprise bond investment	5,852	6,000
Entrusted loan	280,798	288,043
Bond investment	1,378,892	2,219,446
Trust products	4,020,954	3,227,989
Asset Management Plan		164,356
Interest receivable	64,139	57,810
Others	2,962,894	4,811,281
Subtotal	10,217,871	12,261,448
Less:Current portion of non-current assets	2,781,973	1,946,234
Other current assets	368,273	771,259
Total	7,067,625	9,543,955

(XVI) Other debt investments

Items	Closing balance	Opening balance
Treasury bond investment	41,180	792,014
Financial bond investment	1,285,584	2,095,324
Enterprise bond investment	749,492	1,308,119
Others	39,863	26,987
Total	2,116,119	4,222,444

(XVII) Long-term receivables

Items	Closing balance	Opening balance
Financing lease	3,611,595	3,674,862
Among: unrealized financing gains	633,804	964,141
Installment sales	1,389	32,656
Installment service	26,776	72,484
Others	1,118,183	1,452,913
Total	4,757,943	5,232,915

(XVIII) Long-term equity investments

1. Classification of Long-term equity investments

Items	Opening balance	Increase during the period	Decrease during the period	Closing balance
Investment in joint venture	4,119,191	457,559	324,867	4,251,883
Investment in associated enterprise	25,163,642	2,689,238	195,810	27,657,070
Subtotal	29,282,833	3,146,797	520,677	31,908,953
less：impairment for long term equity investments	64,753	54,218	4,587	114,384
Total	29,218,080	3,092,579	516,090	31,794,569

2. Details of Long-term equity investments

Name of entity	Investment cost	Opening balance	Increases/decreases in 2021								Closing balance	Provision for bad debts as at December 31, 2021
			Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
Total	31,982,249	29,282,833	1,583,066	372,193	1,952,693	-41,253	-40,692	455,502	-49,631		31,908,953	114,384
1. Joint ventures	5,529,802	4,119,191	9,527	62,869	131,593	184,494	-10,090	119,963	-607		4,251,883	36,414
PetroChina Central Asia Natural Gas Pipeline Co., Ltd.	1,452,657	2,006,466			203,313	-27,938		41,000			2,140,841	
Grand Rapids Pipeline Limited	304,243	460,731			-43,975	36,391	-10,446				442,701	
Mangistau Investments B.V.	17,600	391,660			105,679	-12,062		23,225			462,052	
China-Italy Life Insurance Co., Ltd.	301,602	448,926			58,623	34,262		27,252			514,559	
PP Oil & Gas Holding Inc.	44,966	48,514			16,784	-1,193		9,677			54,428	
Others	3,408,734	762,894	9,527	62,869	-208,831	155,034	356	18,809	-607		637,302	36,414
2. Associates	26,452,447	25,163,642	1,573,539	309,324	1,821,100	-225,747	-30,602	335,539	-49,024		27,657,070	77,970
Mozambique Rovuma Venture S.P.A.	3,201,856	3,034,581	7,064		3,024	-69,508					2,975,161	
Arctic LNG 2 LLC	1,585,755	1,585,755				-36,260					1,549,495	
Yamal LNG	691,069	398,881			620,365	-151,406					867,840	
Petrolera Sinovensa S.A.	530,680	481,915			53,862	-11,652					524,125	
National Petroleum and Natural Gas Pipeline Network Group Co., Ltd.	14,950,000	15,113,506			684,073	64	30,463	94,328			15,733,778	
Others	5,493,087	4,549,004	1,566,475	309,324	459,776	43,016	-61,065	241,211	-49,024		6,006,671	77,970

(XIX) Other non-current financial assets

Items	Closing Fair value	Opening Fair value
Debt instrument investment	3,120,820	5,040,681
Equity instrument investment	245,407	312,138
Total	3,366,227	5,352,819

(XX) Fixed assets

Items	Closing balance	Opening balance
Fixed assets	58,247,156	58,403,619
Fixed assets cleanup	86,484	129,328
Total	58,333,640	58,532,947

Details of fixed assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	150,549,936	7,869,552	3,260,422	155,159,066
Among: Housing and buildings（incluing land、oil gas station）	36,221,302	1,594,356	645,654	37,170,004
Machinery and equipment	102,747,672	5,590,283	1,912,971	106,424,984
Transportation equipment	5,628,981	187,407	389,069	5,427,319
Others	5,951,981	497,506	312,728	6,136,759
II、Accumulated depreciation	82,230,083	6,700,486	2,215,538	86,715,031
Among: Housing and buildings（incluing land、oil gas station）	15,028,781	1,456,590	340,751	16,144,620
Machinery and equipment	60,049,774	4,553,040	1,274,780	63,328,034
Transportation equipment	3,571,594	262,489	336,866	3,497,217
Others	3,579,934	428,367	263,141	3,745,160
III、Net value	68,319,853	—	—	68,444,035
Among: Housing and buildings（incluing land、oil gas station）	21,192,521	—	—	21,025,384
Machinery and equipment	42,697,898	—	—	43,096,950
Transportation equipment	2,057,387	—	—	1,930,102
Others	2,372,047	—	—	2,391,599
IV、Provision for impairment	9,916,234	628,920	348,275	10,196,879
Among: Housing and buildings（incluing land、oil gas station）	1,925,421	98,270	99,642	1,924,049
Machinery and equipment	6,879,193	489,170	189,590	7,178,773
Transportation equipment	256,230	14,809	22,093	248,946
Others	855,390	26,671	36950	845,111
V、Book value	58,403,619	—	—	58,247,156
Among: Housing and buildings（incluing land、oil gas station）	19,267,100	—	—	19,101,335
Machinery and equipment	35,818,705	—	—	35,918,177

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Transportation equipment	1,801,157	—	—	1,681,156
Others	1,516,657	—	—	1,546,488

(XXI) Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Exploration and production	15,636,533	783,005	14,853,528	17,447,731	711,950	16,735,781
Oil refining and chemical industry	5,793,078	230,116	5,562,962	3,184,852	46,911	3,137,941
Sales	989,894	56,118	933,776	1,292,735	2,969	1,289,766
Natural gas and pipeline	1,427,635	225,844	1,201,791	1,635,039	228,533	1,406,506
Engineering technical service	117,890	376	117,514	209,079	23,808	185,271
Engineering construction	32,439		32,439	25,185		25,185
Equipment manufacturing	36,623	6,699	29,924	33,486		33,486
Trading				141,424		141,424
Headquarters and others	2,628,157	459,954	2,168,203	1,961,529	505,483	1,456,046
Engineering materials	1,093,663	11,806	1,081,857	821,111	10,808	810,303
Total	27,755,912	1,773,918	25,981,994	26,752,171	1,530,462	25,221,709

(XXII) Oil and gas assets

Details of Oil and gas assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	267,590,461	20,693,909	9,148,844	279,135,526
Among:Proved mineral interest	7,644,964	938,539	384,731	8,198,772
Unproved mineral interest	1,806,100			1,806,100
Wells and related facilities	258,139,397	19,755,370	8,764,113	269,130,654
II、Accumulated depletion	164,197,278	15,411,095	6,373,212	173,235,161
Among:Proved mineral interest	2,113,485	189,865	71,530	2,231,820
Wells and related facilities	162,083,793	15,221,230	6,301,682	171,003,341
III、Provision for impairment	8,974,309	2,105,911	439,505	10,640,715
Among:Proved mineral interest	291,548	1,786,420	108,380	1,969,588
Unproved mineral interest	1,307,000			1,307,000
Wells and related facilities	7,375,761	319,491	331,125	7,364,127
IV、Book value	94,418,874	——	——	95,259,650
Among:Proved mineral interest	5,239,931	——	——	3,997,364
Unproved mineral interest	499,100	——	——	499,100
Wells and related facilities	88,679,843	——	——	90,763,186

(XXIII) Right-of-use assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	6,152,174	755,812	622,288	6,285,698
Among: Land	397,408	210,190	224,532	383,066
Housing and buildings	5,228,249	206,259	173,589	5,260,919
Machinery and Transportation equipment	260,468	316,990	167,916	409,542
Others	266,049	22,373	56,251	232,172
II、Accumulated depreciation	1,170,309	921,069	389,904	1,701,473
Among: Land	74,497	53,490	10,712	117,275
Housing and buildings	950,369	694,065	280,046	1,364,387
Machinery and Transportation equipment	74,200	133,370	72,333	135,238
Others	71,243	40,144	26,814	84,573
III、Net value	4,981,865	——	——	4,584,225
Among: Land	322,911	——	——	265,791
Housing and buildings	4,277,880	——	——	3,896,532
Machinery and Transportation equipment	186,267	——	——	274,304
Others	194,806	——	——	147,599
IV、Provision for impairment		816		816
Among: Land				
Housing and buildings		816		816
Machinery and Transportation equipment				
Others				
V、Book value	4,981,865	——	——	4,583,409
Among: Land	322,911	——	——	265,791
Housing and buildings	4,277,880	——	——	3,895,715
Machinery and Transportation equipment	186,267	——	——	274,304
Others	194,806	——	——	147,599

(XXIV) Intangible assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	15,868,646	1,491,811	530,833	16,829,624
Among:Software	1,750,104	358,972	269,044	1,840,032
Land use rights	10,521,252	923,239	61,806	11,382,685
Patent	505,338	35,442	554	540,226
Non-patented technology	364,255	8,230		372,485
Trademark right	69,103	17	4,803	64,317
Copyright	928	19		947
Franchise	2,263,292	126,462	17,216	2,372,538
Others	394,374	39,430	177,410	256,394
II、Accumulated amortization	5,608,327	722,186	230,765	6,099,748
Among:Software	1,335,462	210,092	182,776	1,362,778
Land use rights	2,589,154	370,386	11,394	2,948,146
Patent	413,136	17,966	858	430,244
Non-patented technology	295,713	11,538	426	306,825
Trademark right	8,786	36	63	8,759
Copyright	333	94		427
Franchise	848,112	85,966	7,758	926,320
Others	117,631	26,108	27,490	116,249
III、Provision for impairment	112,862	32,334	13,280	131,916
Among:Software	11,409	19,083	8,231	22,261
Land use rights	40,112	173	991	39,294
Patent	21,115		61	21,054
Non-patented technology	8,909	4,835		13,744
Trademark right	6,750		154	6,596
Copyright				
Franchise	19,144	4,516	115	23,545
Others	5,423	3,727	3,728	5,422
V、Net book value	10,147,457	——	——	10,597,960
Among:Software	403,233	——	——	454,993
Land use rights	7,891,986	——	——	8,395,245
Patent	71,087	——	——	88,928
Non-patented technology	59,633	——	——	51,916
Trademark right	53,567	——	——	48,962
Copyright	595	——	——	520
Franchise	1,396,036	——	——	1,422,673
Others	271,320	——	——	134,723

(XXV) Goodwill

1. Book value of goodwill

Name of investee or matters forming goodwill	Opening balance	Increase in the period	Decrease in the period	Closing balance
Tianjin Yingluowa Overseas Subsidiary	50,995			50,995
Others (Note)	826,216		14,016	812,200
Less: provision for impairment of goodwill	55,400			55,400
Total	821,811		14,016	807,795

Note : It is mainly related to the acquisition of Singapore Petroleum Company and Petroineos Trading Limited in 2009 and 2011 respectively; This year's changes are mainly affected by exchange rate changes.

2. Goodwill impairment reserve

Name of investee or matters forming goodwill	Opening balance	Increase in the period	Decrease in the period	Closing balance
Tianjin Yingluowa Overseas Subsidiary	50,995			50,995
Others (Note)	4,405			4,405
Total	55,400			55,400

Note :At the end of each year, the Group conducts impairment test in combination with asset groups related to goodwill. The discount rate is the pre-tax interest rate that reflects the time value of the current market currency and the specific risks of related asset groups. After comparing the present value of the recoverable amount with the book value of the asset group containing goodwill, the Group recognizes the corresponding impairment.

(XXVI) Deferred tax assets and deferred tax assets

Items	Deferred income tax assets or liabilities after offsetting at the end of the reporting period	Deductible or taxable temporary differences after offsetting at the end of the reporting period	Deferred income tax assets or liabilities after offsetting at the beginning of the reporting period	Deductible or taxable temporary differences after offsetting at the beginning of the reporting period
I、Deferred income tax assets				
Impairment on assets	1,191,879	5,360,911	1,677,778	7,596,198
Deductible loss	400,950	1,658,377	1,842,131	7,413,330
Asset depreciation and depletion	50,411	192,536	335,540	1,454,291
Payroll payable	147,531	770,282	154,474	668,577
Estimate liabilities	76,345	337,157	1,330,319	5,475,236
Others	1,802,442	9,812,725	3,044,926	13,490,717
Subtotal	3,669,558	18,131,988	8,385,168	36,098,349
Offset	-1,500,124		-6,330,882	
Total	2,169,434	18,131,988	2,054,286	36,098,349

Items	Deferred income tax assets or liabilities after offsetting at the end of the reporting period	Deductible or taxable temporary differences after offsetting at the end of the reporting period	Deferred income tax assets or liabilities after offsetting at the beginning of the reporting period	Deductible or taxable temporary differences after offsetting at the beginning of the reporting period
II、Deferred income tax liabilities				
Valuation of transactional financial instruments and derivative financial instruments			83,107	215,164
Asset depreciation and depletion	1,139	4,558	6,606,521	28,897,151
Changes in fair value of trading financial assets	274,116	1,076,112	23,855	98,618
Changes in fair value of financial assets included in other comprehensive income	2,898,766	12,735,923	38,571	122,726
Others	2,754,614	11,517,097	2,709,850	10,960,747
Subtotal	5,928,635	25,333,690	9,461,904	40,294,406
Offset	-1,500,124		-6,330,882	
Total	4,428,511	25,333,690	3,131,022	40,294,406

(XXVII) Other non-current assets

Items	Closing balance	Opening balance
Commercial reserve crude oil	1,909,901	2,296,787
Others	1,116,489	915,684
Total	3,026,390	3,212,471

(XXVIII) Short-term borrowings

Items	Closing balance	Opening balance
Pledged loan	10,500	
Mortgage loan	15,360	6,630
Guaranteed loan	49,032	
Credit loan	6,828,819	7,155,691
Total	6,903,711	7,162,321

(XXIX) Deposit funds

Items	Closing balance	Opening balance
Inter-bank lending	4,905,504	5,039,282
Total	4,905,504	5,039,282

(XXX) Notes payable

Type	Closing balance	Opening balance
Bank acceptance	500,323	677,435
Business acceptance	6,355,976	5,362,335
Total	6,856,299	6,039,770

(XXXI) Accounts payable

Age	Closing balance	Opening balance
Within 1 year(incluing 1 year)	31,408,403	28,526,186
1-2 year（incluing 2 year）	2,068,844	2,055,966
2-3 year（incluing 3 year）	889,621	877,799
Over 3 year	1,862,643	1,661,552
Total	36,229,511	33,121,503

(XXXII) Advance from customers

Age	Closing balance	Opening balance
Within 1 year(incluing 1 year)	117,412	401,768
Over 1 year	154,449	191,527
Total	271,861	593,295

(XXXIII) Contract liabilities

Items	Closing balance	Opening balance
Sales amount of natural gas, crude oil and refined oil	7,848,065	3,655,146
Engineering construction and technical services	1,787,921	2,003,295
Others	922,394	5,786,477
Total	10,558,380	11,444,918

(XXXIV) Deposit absorption and interbank deposit

Items	Closing balance	Opening balance
Deposit absorption		
Current deposit	4,352,882	2,807,725
Among: corporate customers	2,095,382	827,555
individual customer	2,257,500	1,980,170
Time deposit	10,803,839	10,678,852
Among: corporate customers	4,705,072	5,131,400
individual customer	6,098,767	5,547,452
Other deposits (including outward remittance and payable remittance, etc.)	1,179,401	1,037,747
Among: Fiscal deposits	6,098	8,064

Items	Closing balance	Opening balance
Security deposit	1,139,118	971,838
Remittance payable	34,185	57,845
Interest payable	498,909	457,509
Total	16,835,031	14,981,833
Interbank deposit	3,589,409	5,026,521
Total	20,424,440	20,008,354

(XXXV) Employee benefits payable

Items	Closing balance	Opening balance
Short term salary	4,568,380	3,838,962
Post-employment benefits-set up a contribution plan	33,026	33,244
Termination benefits	6,000	7,282
Other benefits due within one year	12,917	13,735
Others	15	
Total	4,620,338	3,893,223

(XXXVI) Taxes payable

Items	Closing balance	Opening balance
VAT	950,815	880,751
Consumption tax	4,380,334	4,346,952
Resource tax	294,813	182,904
Enterprise income tax	1,555,694	578,612
Urban maintenance and construction tax	215,814	176,406
Property tax	22,927	21,251
Land use tax	77,766	83,268
Individual income tax	178,611	163,766
Education surcharge (including local education surcharge)	214,619	193,595
Others	920,943	613,147
Total	8,812,336	7,240,652

(XXXVII) Other payables

Items	Closing balance	Opening balance
Interest payable	774,353	867,524
Dividend payable	59,133	40,213
Other payables	7,039,600	7,519,579
Total	7,873,086	8,427,316

1. Interest payable

Items	Closing balance	Opening balance
Interest on long-term borrowings due in installments	13,561	32,937
Interest of corporate bond	740,105	811,963
Interest payable of short-term borrowings	417	755
Others	20,270	21,869
Total	774,353	867,524

Note: The Company has no significant overdue and unpaid interest this year.

2. Dividends payable

Items	Closing balance	Opening balance
Common stock dividends	59,133	40,213
Total	59,133	40,213

Note: The Group has no significant unpaid dividends payable for more than one year at the end of the year.

3. Other payables

Items	Closing balance	Opening balance
Deposit and security deposit received	793,224	1,370,983
Rent payable for fixed assets and packaging from operating leases	7,298	12,927
Settlement amount payable for joint venture and cooperation, etc	379,131	383,567
Others	5,859,947	5,752,102
Total	7,039,600	7,519,579

Note: Others mainly include residential maintenance funds, social security funds and other escrow funds, collection and payment, etc.

(XXXVIII) Current portion of non-current liabilities

Items	Closing balance	Opening balance
Long-term borrowings due within one year	17,624	418,940
Bonds payable due within one year	8,919,798	5,563,805
Long-term accounts payable due within one year	50,176	101
Other long-term liabilities due within 1 year	499,540	354,943
Total	9,487,138	6,337,789

(XXXIX) Other current liabilities

Items	Closing balance	Opening balance
Short-term bond payable	3,661,855	5,084,908
Commercial paper	802,366	553,901
Others	1,023,316	155,853
Total	5,487,537	5,794,662

(XL) Long-term loan

Items	Closing balance	Opening balance	Ending interest rate range (%)
Pledged loan	533,141	406,195	2.85~5.50
Mortgage loan	303,439	358,432	5.52
Guaranteed loan	669,063	603,729	1.50~2.915
Credit loan	7,641,722	4,042,049	1.20~6.37
Total	9,147,365	5,410,405	—

(XLI) Bonds payable

Items	Closing balance	Opening balance
Medium-term notes	16,100,000	18,100,000
Corporate bonds	1,997,587	6,976,801
Corporate bonds	3,495,859	4,693,500
Financial bonds	449,617	869,434
Offshore bonds	2,386,677	2,841,035
Total	24,429,740	33,318,851

Details of Bonds payable:

Name of Bond	Issue date	Term(year)	Annual interest rate(%)	Closing balance
(1) Medium-term notes	——	——	——	——
19 PetroChina MTN001	2019.1.7	5	3.77	1,000,000
19 PetroChina MTN002	2019.1.14	5	3.55	1,000,000
19 PetroChina MTN005	2019.10.17	5	3.58	1,000,000
19 PetroChina MTN006	2019.10.17	5	3.58	1,000,000
20 PetroChina MTN001	2020.3.23	3	2.75	1,000,000
20 PetroChina MTN002	2020.3.23	5	2.99	1,000,000
20 PetroChina MTN003	2020.3.23	5	2.99	1,000,000
20 PetroChina MTN004	2020.4.30	3	2.05	1,000,000
20 PetroChina MTN005	2020.4.30	3	2.05	1,000,000
19 PetroChina MTN001	2019.1.24	5	3.45	1,000,000
19PetroChina MTN002	2019.1.24	5	3.45	1,000,000

Name of Bond	Issue date	Term(year)	Annual interest rate(%)	Closing balance
19PetroChina MTN003	2019.2.22	5	3.66	1,000,000
19PetroChina MTN004	2019.2.22	5	3.66	1,000,000
19PetroChina MTN005	2019.4.23	5	3.96	1,000,000
20PetroChina MTN001	2020.4.9	3	2.42	1,000,000
20PetroChina MTN002	2020.4.9	3	2.42	1,000,000
20Kunlun GasMTN001	2020.4.27	3	2.43	100,000
(2) Corporate bonds	——	——	——	——
10PetroChina 02	2010.8.13	15	4.16	999,004
12PetroChina 04	2012.2.21	15	5	998,583
(3) Corporate bonds	——	——	——	——
12PetroChina03	2012.11.22	15	5.04	200,000
13PetroChina 02	2013.3.15	10	4.88	400,000
16PetroChina 02	2016.1.19	10	3.5	470,000
16PetroChina 04	2016.3.3	10	3.7	230,000
16PetroChina 06	2016.3.24	10	3.6	200,000
18PetroChina EB	2018.2.1	5	1.4	1,995,859
(4) Financial bonds	——	——	——	——
19Kunlun lease bond 01	2019.6.10	3	3.77	249,879
20Kunlun lease bond01	2020.5.20	3	2.52	199,738
(5) Offshore bonds	——	——	——	——
11PetroChina Offshore bonds	2011.4.28	30	5.95	314,012
13PetroChina Offshore bonds	2013.4.16	10	3.4	484,925
20PetroChina Offshore bonds	2020.6.24	3	1.13	382,109
20PetroChina Offshore bonds	2020.6.24	5	1.35	572,432
20PetroChina Offshore bonds	2020.6.24	10	2	316,230
Kunlun Energy Co., Ltd. Senior Notes	2015.5.13	10	3.75	316,969
Total	–	–	–	24,429,740

(XLII) Accrued liabilities

Items	Closing balance	Opening balance
ARO	13,588,566	12,083,148
External guarantee	192,231	359,484
Pending litigation	279,877	250,367
Others	948,507	1,241,841
Total	15,009,181	13,934,840

(XLIII) Other non-current liabilities

Items	Closing balance	Opening balance
Other trust stakeholders' rights	256,413	294,060
Deposit margin	1,000	1,000
Bank agency business net liabilities	14,850	15,946
Others	8,565	3,410
Total	280,828	314,416

(XLIV) Paid-in capital

Investors	Opening balance		Increase in the period	Decrease in the period	Closing balance	
	Investment amount	Percentage（%）			Investment amount	Percentage（%）
State capital	48,685,500	100.00			48,685,500	100.00
Total	48,685,500	100.00			48,685,500	100.00

(XLV) Capital reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital (share) premium	4,204,191			4,204,191
Other capital reserve	21,339,952	1,419,183	60,992	22,698,143
Total	25,544,143	1,419,183	60,992	26,902,334

(XLVI) Surplus reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	14,351,611	94,062		14,445,673
Discretionary surplus reserve	94,085,474			94,085,474
Others	38			38
Total	108,437,123	94,062		108,531,185

(XLVII) Operating revenue and operating cost

Items	Amount for this period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
1. Main operating	277,641,396	213,845,612	206,013,715	158,417,069
Including: Selling goods	284,918,609	222,746,871	213,607,700	169,299,114
Providing services	29,699,867	28,489,510	27,126,513	25,822,224
Transferring the right to use assets	459,641	351,811	544,001	404,848
Reclassification adjustment and offset	-37,436,721	-37,742,580	-35,264,499	-37,109,117
2. Other operating	498,553	374,826	435,090	352,321
Including: Material sales	332,256	310,158	319,251	303,227
Rental of fixed assets	166,006	64,668	115,547	49,094
Others	291		292	
Total	278,139,949	214,220,438	206,448,805	158,769,390

(XLVIII) Selling expenses

Items	Amount for this period	Amount for previous period
Total	7,940,447	7,936,675
Top ten items:	——	——
1.Employee benifits	2,738,353	2,558,472
2.Transportation expenses	1,661,925	1,859,948
3.Depreciation, depletion and amortization expenses	1,581,937	1,025,468
4.Technical service fee	280,129	271,366
5.Rental fees	215,184	783,371
6.Warehousing and storage fee	171,725	135,364
7.Maintenance and repair costs	129,641	68,201
8.Electricity fee	78,672	78,442
9.Fuel and material consumption	75,852	80,041
10.Loading fee	72,721	86,838

(XLIX) General and administrative expenses

Items	Amount for this period	Amount for previous period
Total	8,440,640	7,901,852
Top ten items:	——	——
1.Employee benifits	5,606,491	4,974,736
2.Depreciation, depletion and amortization expenses	714,164	636,352
3.Safety production cost	589,995	352,624
4.Maintenance fee of information system	279,174	237,210
5.Rental fees	248,585	325,184

Items	Amount for this period	Amount for previous period
6.Technical service fee	197,648	174,416
7.Property management fee	146,815	149,982
8.Consulting audit fee	144,077	158,914
9.Taxes	109,693	62,729
10.Shipping fee	85,661	84,310

(L) Financial expenses

Items	Amount for this period	Amount for previous period
Interest income	711,569	742,350
Exchange gains	3,483,658	4,184,976
Interest expense	2,120,179	2,330,755
Exchange losses	4,221,271	5,026,564
Others	97,992	110,110
Total	2,244,215	2,540,103

(LI) Other income

Items	Amount for this period	Amount for previous period
Import of natural gas / LNG VAT levied first and then returned	860,601	356,956
VAT will be levied and refunded after VAT reform	16,319	162,519
Subsidy for development and utilization of shale gas	195,811	202,624
National Oil and Gas Project	10,251	118,149
Subsidy for development and utilization of coalbed methane	26,180	19,465
Subsidies for Tight Gas Development and Utilization	212,829	53,838
Others	236,567	239,540
Total	1,558,558	1,153,091

(LII) Investment income

Sources of investment income	Amount for this period	Amount for previous period
Long-term equity investment income accounted by equity method	1,911,695	-448,769
Investment income from disposal of long-term equity investment	2,080,735	4,832,760
Investment income from holding trading financial assets	382,361	344,912
Investment income from disposal of trading financial assets	6,495	78,391
Interest income during the holding period of other debt investments	44,202	42,333
Interest income during the holding period of debt	301,514	356,835

Sources of investment income	Amount for this period	Amount for previous period
investment		
Income from disposal of other debt investment	8,097	
Dividend income obtained during holding other equity instruments	2,086	1,552
Investment income from disposal of other equity instruments	22,179	27,103
Others	-137,059	6,766
Total	4,622,307	5,241,883

(LIII) Credit impairment losses

Items	Amount for this period	Amount for previous period
Bad debt loss	-363,643	109,147
Credit impairment loss of debt investment	-175,625	35,266
Impairment loss of loans	-46,672	-127,556
Other credit impairment losses	8,564	-96,548
Total	-577,376	-79,691

(LIV) Impairment on assets

Items	Amount for this period	Amount for previous period
Inventory falling price loss	-533,252	-872,637
Impairment loss of contract assets	-16,792	-74,396
Impairment loss of long-term equity investment	-44,426	-355
Impairment loss of fixed asset	-541,859	-167,596
Impairment loss of construction in progress	-395,478	-33,149
Impairment loss of oil and gas assets	-2,104,990	-1,522,444
Impairment loss of intangible assets	-10,433	
Others	-8,899	-291,959
Total	-3,656,129	-2,962,536

(LV) Gains from asset disposals

Items	Amount for this period	Amount for previous period
Net income from non-current asset disposals	125,655	168,705
Net income from non-monetary asset exchange	9,734	13,901
Others	14,758	337
Total	150,147	182,943

Note: The net income from non-current asset disposals is mainly the net income from disposals of fixed assets and intangible assets.

(LVI) Non-operating income

Items	Amount for this period	Amount for previous period
Government subsidies unrelated to the daily activities of the enterprise	402,928	1,124,997
Accounts payable that cannot be paid	89,924	79,873
Compensation income	26,740	40,013
Penalty income	11,341	11,754
Accept donations	309	250
Others	266,443	403,640
Total	797,685	1,660,527

(LVII) Non-operating expenses

Items	Amount for this period	Amount for previous period
Gains from destruction and retirement of non-current assets	2,093,087	585,079
External donation	67,391	48,755
Expenditure on maintaining stability	565,122	555,998
Others	1,921,081	1,408,006
Total	4,646,681	2,597,838

(LVIII) Income tax

Items	Amount for this period	Amount for previous period
Current income tax	5,404,194	2,975,762
Adjustment deferred income tax	1,217,148	749,049
Total	6,621,342	3,724,811

(LIX) Other comprehensive income attributable to the parent company

Items of other comprehensive income and the impact of income tax and transferred to profit or loss

Items	Amount for this period		
	Amount before tax	Income tax	Net after tax
I、Other comprehensive income will not be reclassified to profit or loss subsequently	8,102	-6,943	15,045
1. Changes in re-measurement on the defined benefit plans	175		175
2.Other comprehensive income attributable to investees under equity method that maybe reclassified to profit or loss			
3. Changes in fair value of investments in other equity instruments	7,927	-6,943	14,870
4. Changes in the fair value of the company's own credit risk			
5. Others			
II、Other comprehensive income that will be reclassified into profit or loss in the future	-1,016,266	10,128	-1,026,394
1. Share in other comprehensive income that the investee will later reclassify to profit or loss under the equity method	42,294	9,469	32,825
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	42,294	9,469	32,825
2.Changes in fair value of other debt investments	7,517	808	6,709
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	7,517	808	6,709
3.Amount of financial assets reclassified into other comprehensive income			
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal			
4. Provision for credit impairment of other debt investments	-733	-149	-584
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	-733	-149	-584
5. Cash flow hedge reserve (effective part of cash flow hedge profit and loss)			
Less: Adjustment transferred to the initially recognized amount of the hedged item			
Included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal			
6. Differences in translation of foreign currency financial statements	-1,065,344		-1,065,344
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	-1,065,344		-1,065,344
7.Others			
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			

subtotal			
III、Total other comprehensive income	-1,008,164	3,185	-1,011,349

(CONT'D)：

Items	Amount for previous period		
	Amount before tax	Income tax	Net after tax
I、Other comprehensive income will not be reclassified to profit or loss subsequently	-18,291	938	-19,229
1. Changes in re-measurement on the defined benefit plans	3,392		3,392
2.Other comprehensive income attributable to investees under equity method that maybe reclassified to profit or loss			
3. Changes in fair value of investments in other equity instruments	-21,683	938	-22,621
4. Changes in the fair value of the company's own credit risk			
5. Others			
II、Other comprehensive income that will be reclassified into profit or loss in the future	-2,841,302	-2,413	-2,838,889
1. Share in other comprehensive income that the investee will later reclassify to profit or loss under the equity method	2,928		2,928
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	2,928		2,928
2.Changes in fair value of other debt investments	-15,933	-2,419	-13,514
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	-15,933	-2,419	-13,514
3.Amount of financial assets reclassified into other comprehensive income			
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal			
4. Provision for credit impairment of other debt investments	309	6	303
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	309	6	303
5. Cash flow hedge reserve (effective part of cash flow hedge profit and loss)			
Less: Adjustment transferred to the initially recognized amount of the hedged item			
Included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal			
6. Differences in translation of foreign currency financial statements	-2,831,539		-2,831,539
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	-2,831,539		-2,831,539
7.Others	2,933		2,933

Items	Amount for previous period		
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period			
subtotal	2,933		2,933
III、 Total other comprehensive income	-2,859,593	-1,475	-2,858,118

(LX) Segment reporting

Items	Exploration and production		Refining and chemical		Sales		Natural gas and pipelines	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I.Total operating income	77,863,803	58,136,208	98,820,887	78,753,785	78,139,066	61,561,494	41,702,208	37,077,126
Including:Foreign transaction income	20,171,675	15,128,246	33,714,575	29,174,883	77,580,191	60,227,661	39,749,640	33,793,077
Inter-segment transaction revenue	57,692,128	43,007,962	65,106,312	49,578,902	558,875	1,333,833	1,952,568	3,284,049
II. Investment income of joint ventures and joint ventures	877,601	-718,643	11,740	-2,450	160,683	94,424	756,975	212,818
III. Impairment loss of assets	-2,255,250	-1,670,154	-500,479	-26,342	-120,058	-305	-21,384	-802
IV. Loss of credit impairment	-40,342	-12,111	-2,723	-4,019	-36,169	-403	-2,785	-11,033
V. Depreciation and amortization expenses	17,253,094	16,852,648	2,248,632	2,255,218	1,581,431	1,565,827	496,602	1,883,723
VI. Total profit	10,061,627	1,537,034	4,837,803	-213,434	389,877	-1,298,033	4,910,505	6,821,305
VII. Income tax expenses	2,975,566	1,525,972	176,689	76,868	113,976	122,987	406,824	643,300
VIII. Net profit	7,086,060	11,062	4,661,114	-290,302	275,901	-1,421,020	4,503,681	6,178,005
IX. Total assets	182,398,412	177,028,657	44,220,257	42,534,608	28,817,582	28,919,368	30,641,393	32,458,953
X. Total liabilities	63,878,340	63,941,460	21,895,683	21,518,021	17,857,536	17,706,639	10,158,610	16,651,412
Xi. Other important non-cash items								
Including: Non-cash expenses other than depreciation and amortization expenses								
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	877,601	-718,643	11,740	-2,450	160,683	94,424	756,975	212,818

(CONT'D):

Items	Engineering Technology Service		Construction		Equipment Manufacturing		Trading	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I.Total operating income	13,497,442	13,316,109	10,544,214	9,452,316	3,946,575	3,545,111	144,824,453	92,085,223
Including:Foreign transaction income	12,638,064	12,360,348	10,355,276	9,185,288	3,723,972	3,296,073	105,289,443	65,480,599
Inter-segment transaction revenue	859,378	955,760	188,938	267,028	222,603	249,038	39,535,010	26,604,624
II. Investment income of joint ventures and joint ventures	10,456	12,268	1,954	4,511	824	2,448	-92,618	-167,202
III. Impairment loss of assets	-230,220	-105,172	-113,377	-5,331	-315,689	-34,871	-59,789	-384,197
IV. Loss of credit impairment	-152,966	180,014	-31,845	-7,207	-61,968	13,735	-19,686	-20,216
V.Depreciation and amortization expenses	926,413	895,200	151,589	134,637	82,885	82,719	258,184	199,761
VI. Total profit	-619,730	-85,208	-154,095	103,955	-348,253	31,692	925,389	837,663
VII. Income tax expenses	40,404	44,206	48,022	69,102	6,064	-20,513	229,612	227,360
VIII. Net profit	-660,134	-129,414	-202,117	34,853	-354,318	52,205	695,777	610,303
IX. Total assets	19,811,817	19,713,988	14,496,226	14,732,264	5,524,687	5,708,318	26,477,161	23,393,092
X. Total liabilities	11,075,175	11,406,660	12,048,460	12,082,940	4,245,993	4,040,922	18,088,985	15,510,912
Xi. Other important non-cash items								
Including: Non-cash expenses other than depreciation and amortization expenses								
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	10,456	12,268	1,954	4,511	824	2,448	-92,618	-167,202

(CONT'D) :

Items	Headquarter and others		Offset		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
I.Total operating income	18,693,715	17,371,113	-207,304,856	-162,583,805	280,727,507	208,714,680
Including:Foreign transaction income	16,889,620	15,440,298	-39,384,949	-35,371,793	280,727,507	208,714,680
Inter-segment transaction revenue	1,804,095	1,930,816	-167,919,907	-127,212,012		
II. Investment income of joint ventures and joint ventures	373,214	399,789	-189,150	-286,732	1,911,679	-448,769
III. Impairment loss of assets	-85,949	-315,391	46,066	-419,971	-3,656,129	-2,962,536
IV. Loss of credit impairment	-240,705	157,788	11,813	-376,239	-577,376	-79,691
V. Depreciation and amortization expenses	939,078	873,705	-478,256	-2,753,031	23,459,652	21,990,407
VI. Total profit	1,114,089	3,414,777	-4,469,539	-2,397,778	16,647,673	8,751,973
VII. Income tax expenses	2,394,343	481,444	229,842	554,085	6,621,342	3,724,811
VIII. Net profit	-1,280,254	2,933,333	-4,699,379	-2,951,863	10,026,331	5,027,162
IX. Total assets	451,373,871	455,205,061	-384,517,988	-387,755,412	419,243,418	411,938,897
X. Total liabilities	191,589,914	189,612,059	-164,766,569	-172,317,428	186,072,127	180,153,597
Xi. Other important non-cash items						
Including: Non-cash expenses other than depreciation and amortization expenses						
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	373,214	399,789	-189,150	-286,732	1,911,679	-448,769

(LXI) Consolidated cash flow statement

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities

Items	Amount for this period	Amount for pervious period
1. Net profit adjusted to cash flows from operating activities		
Net profit	10,026,331	5,027,162
Plus: Provision for asset impairment	3,656,129	2,962,536
Losses from credit impairment	577,376	79,691
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	21,714,533	22,002,066
Depreciation of right-of-use assets	491,420	

Items	Amount for this period	Amount for pervious period
Amortization of intangible assets	531,164	575,319
Amortization of long-term deferred expenses	513,382	-586,978
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for income)	-150,147	-168,711
Losses from scrapping of fixed assets ("-" for income)	2,093,087	582,690
Losses from changes in fair value ("-" for income)	-639,771	-352,343
Financial expenses ("-" for income)	2,120,180	2,330,755
Investment losses ("-" for income)	-4,622,307	-5,241,883
Decreases in deferred income tax assets ("-" for increases)	-115,148	1,298,533
Increases in deferred income tax liabilities ("-" for decreases)	1,297,489	-397,749
Decreases in Contract assets ("-" for increases)		
Decreases in inventories ("-" for increases)	-1,544,502	5,746,279
Decreases in operating receivables ("-" for increases)	1,638,591	-3,187,487
Increases in operating payables ("-" for decreases)	1,229,720	-12,129,716
Others	1,418,750	371,083
Net cash flows from operating activities	40,236,276	18,911,247
2. Significant investing and financing activities not involving cash receipts and payments		——
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financing lease		
3. Net changes in cash and cash equivalents		——
Ending balance of cash	23,672,499	20,659,802
Less: beginning balance of cash	20,659,802	28,773,667
Plus: ending balance of cash equivalents	8,449,619	6,331,008
Less: beginning balance of cash equivalents	6,331,008	2,132,857
Net increase in cash and cash equivalents	5,131,308	-3,915,714

2.Net cash obtained from subsidiaries and received and disposed of subsidiaries in this period

Items	Amount
Cash or cash equivalents paid in the current period for business combinations occurring in the current period	
Less: cash and cash equivalents held by the company on the date of purchase	
Plus: cash or cash equivalents paid in the current period for business combinations occurring in previous periods	
Obtain the net cash paid by the subsidiary	
Dispose of cash or cash equivalents received by subsidiaries in the current period	3,510,756
Less: cash and cash equivalents held by the company on the date of loss of control	
Plus: dispose of cash or cash equivalents received by subsidiaries in the current	-295,000

Items	Amount
period in previous periods	
Net cash received from disposal of subsidiaries	3,215,756

3. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
I. Cash	23,672,499	20,659,802
Including: cash on hand	33,065	44,755
Unrestricted bank deposit	11,575,445	12,965,509
Other unrestricted cash and cash equivalents	3,543,835	1,831,216
Unrestricted deposits in central bank	161,340	23,558
Deposits in banks and other financial institutions	8,358,814	5,794,764
Loans to banks and other financial institutions		
II. Cash equivalents	8,449,619	6,331,008
Including: bond investments maturing within three months	907,409	943,896
III. Ending balance of cash and cash equivalents	32,122,118	26,990,810
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries in the Group		

IX.Contingencies

(I) Contingent liabilities

1. Contingent liabilities arising from discounted commercial acceptances

As of December 31, 2021, the Group had no discounted commercial acceptances forming contingent liabilities.

2. Contingent liabilities arising from unresolved litigation or arbitration

As of December 31, 2021, the amount of the subject matter involved in the pending litigation or arbitration of the Group was 245,157 million yuan.

3. Contingent liabilities formed by providing debt guarantee for other companies

As of December 31, 2021, the amount of guarantee provided by the Group was 79,152,140 million yuan, of which: guarantees for subsidiaries within the group were 56,579,222million yuan, mainly loan guarantees and performance guarantees;21,102,016million yuan was provided for the participating enterprises; guarantees provided for external units of the group were 1,470,902 million yuan, mainly for loan guarantees and performance guarantees.

(II) Contingent assets

The Group has no significant contingent assets in the current period.

X. Events after the balance sheet date

As of the approval date of the financial report, the Group has no significant events after the balance sheet date that should be disclosed.

XI.Related party relationships and transactions

The Group did not have any significant related party transactions during the year.

China National Petroleum Corporation

Auditor's Report

Baker Tilly China [2023] No. 39921

Content

AUDITOR'S REPORT

Baker Tilly China [2023] No.39921

To the shareholders of China National Petroleum Corporation,

I. Opinion

We have audited the accompanying financial statements of China National Petroleum Corporation (Hereinafter referred to as "CNPC"), which comprise the consolidated and the parent company's balance sheet as at 31 December 2022, the consolidated and the parent company's statement of comprehensive income, cash flows statements, statements of changes in equity for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present in all material respects in accordance with provisions on the basis for the preparation of financial statements and fairly reflect China Petroleum's financial position at 31 December 2022 and the financial performance and cash flows for the year then ended.

II. Basis for Opinion

We conducted our audit in accordance with CICPA Standards on Auditing ("CSAs"). In 'Certified Public Accountant's Responsibilities for the Audit of Financial Statements' of this report, our responsibilities under these standards are described. Those standards require that we comply with CICPA professional ethical requirements, that we are independent from CNPC and have fulfilled all other ethical obligations. We believe that we have obtained sufficient and appropriate audit evidence as basis of for our opinion.

III. Other information

Management of CNPC (Hereinafter referred to as "Management") is responsible for other information which includes the information covered in CNPC 's 2022 annual report, but does not include the financial statements and our audit report.

Our audit opinion on the financial statements do not cover any other information, and we do not publish any form of forensic conclusions on other information.

In conjunction with our audit of the financial statements, our responsibility is to read other information while considering whether other information is materially inconsistent with the financial statements or what we learned during the audit or that there is a material misstatement.

Based on the work we have performed, we should report the fact if we determine that there is a material misstatement of other information. In this respect, we have no need to report any item.

IV. Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and present these financial statements fairly in accordance with the requirements of Accounting Standards for Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is also responsible for assessing CNPC's ability to continue as a going concern, disclosing matters related to going concern (if applicable), and using going concern assumption, unless the management either intends to liquidate the Company or to cease operations or has no realistic option to comply. Those charged with governance are responsible for overseeing the CNPC's financial reporting process.

V. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with CSAs 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 the users taken on the basis of these Financial Statements.

As part of an audit in accordance with CSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatements of the 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 of 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, intentional omissions, misrepresentations, or the override of internal control.

2. 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 such internal control.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management.

AUDITOR'S REPORT (continued)

Baker Tilly China [2022] No.39921

4. Conclude on the appropriateness of management's use of the going concern basis of accounting. Based on the audit evidence obtained, conclude on whether a material uncertainty exists related to events or conditions that may cast significant doubt on CNPC'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 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 CNPC to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the Financial Statements, and evaluate whether Financial Statements fairly reflected the underlying transactions and events.

6. Obtain sufficient appropriate audit evidence regarding CNPC's financial information of the entities or business activities within the Group to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance on audit scope, time schedule and significant audit findings, including internal control flaws that worth attention.

VI. Use Restriction

This audit report is only for the issuance of bonds by CNPC and may not be used for other purposes.

Baker Tilly China

Beijing, China

27 April, 2022

Chinese Certified Public Accountant: 中国注册会计师 解小雨 110002580024

Chinese Certified Public Accountant: 中国注册会计师 110101504831

3

Consolidated Balance Sheet

Prepared by: China National Petroleum Corporation | For the year ended 31 December 2022 | Amount unit:Ten thousand yuan

Items	Lines	Closing balance	Opening balance	Note VIII	Items	Lines	Closing balance	Opening balance	Note VIII
Current assets	1	—	—		**Current Liabilities:**	56	—	—	
Cash and bank	2	32,133,930	27,139,144	(I)	Short-term loans	57	7,299,390	6,903,711	(XXVIII)
△Settlement reserve	3				△Loans from Central Bank	58	617,935	788,749	
△Placements with banks and other financial institutions	4	29,631,659	23,106,205	(II)	△Deposit funds	59	5,718,875	4,905,504	(XXIX)
Held for trading financial assets	5	11,303,723	10,679,143	(III)	Held for trading financial liabilities	60	335,753		
☆Financial assets at fair value through profit and loss	6				☆Financial liabilities at fair value through profit and loss	61			
Financial derivative assets	7	2,159,403	39,849		Financial Derivative liabilities	62	1,483,745	364,025	
Notes receivable	8	6,709	45,216	(IV)	Notes payable	63	5,564,938	6,856,299	(XXX)
Accounts receivable	9	10,259,120	8,414,957	(V)	Accounts payable	64	41,395,062	36,229,511	(XXXI)
Receivables financing	10	394,097	254,043	(VI)	Deposit received	65	194,226	271,861	(XXXII)
Prepayments	11	11,638,767	15,338,354	(VII)	Contract liabilities	66	10,949,050	10,558,380	(XXXIII)
△Premium receivable	12	11,643	10,122		△Sale of repurchase financial assets	67	2,477,759	3,274,893	
△Reinsurance receivables	13	103,042	79,739		△Absorption of deposits and interbank deposits	68	23,702,014	20,424,440	(XXXIV)
△Provision for reinsurance contracts receivable	14	154,759	177,100		△Acting trading securities	69	1	1	
Funds receivable for centralized management	15				△Underwriting of securities	70			
Other receivables	16	6,811,221	5,757,958	(VIII)	Employee benefits payable	71	6,387,537	4,620,338	(XXXV)
△Buying back the sale of financial assets	17	2,861,578	6,205,909	(IX)	Taxes payable	72	6,743,527	8,812,336	(XXXVI)
Inventories	18	21,533,250	18,900,494	(X)	Other payables	73	7,839,059	7,873,086	(XXXVII)
Contract assets	19	6,560,392	7,425,889	(XI)	△Handling fees and commissions payable	74	2,558	2,759	
Assets held for sale	20	3,471			△Payable for reinsurance	75	77,790	59,240	
Non-current assets due within one year	21	13,027,467	19,717,016	(XII)	Handling fees and commissions payable	76			
Other current assets	22	12,995,399	11,185,778	(XIII)	Non-current liabilities due within one year	77	13,238,476	9,487,138	(XXXVIII)
Total current assets	23	161,789,630	154,476,916		Other current liabilities	78	9,290,943	5,487,537	(XXXIX)
Non-current assets:	24	—	—		**Total Current Liabilities**	79	143,318,635	126,919,808	
△Loans and advances to customers	25	11,724,162	10,145,452	(XIV)	**Non-current liabilities:**	80	—	—	
Debt investments	26	7,762,150	7,067,625	(XV)	△Insurance contract reserve	81	543,747	565,165	
☆Available-for-sale financial assets	27				Long-term loans	82	4,987,670	9,147,365	(XL)
Other debt investments	28	2,605,485	2,116,119	(XVI)	Bonds payable	83	14,627,792	24,429,740	(XLI)
☆Held-to-maturity investments	29				Including: Preferred stock	84			
Long-term receivables	30	5,277,695	4,757,943	(XVII)	Perpetual bond	85			
Long-term equity investments	31	32,320,926	31,794,569	(XVIII)	Lease liabilities	86	2,458,480	2,832,154	
Other equity instrument investments	32	1,854,703	821,347		Long-term payables	87	1,320,298	1,261,161	
Other non-current financial assets	33	3,124,404	3,366,227	(XIX)	Long-term employee benefits payable	88	152,617	148,184	
Investment properties	34	283,777	246,783		Accrued liabilities	89	16,099,004	15,009,181	(XLII)
Fixed asset	35	63,123,674	56,333,640	(XX)	Deferred income	90	945,351	1,050,030	
Construction in progress	36	25,765,166	25,981,994	(XXI)	Deferred tax liabilities	91	3,988,735	4,428,511	(XXVI)
Productive biological assets	37				Other non-current liabilities	92	159,426	280,828	(XLIII)
Oil and gas assets	38	97,694,605	95,259,650	(XXII)	Including: authorized reserve fund	93			
Right-of-use assets	39	4,426,286	4,583,409	(XXIII)	**Total Non-current Liabilities**	94	45,293,120	59,152,319	
Intangible assets	40	10,829,930	10,597,960	(XXIV)	**Total Liabilities**	95	188,611,758	186,072,127	
Development expenditure	41	128,639	114,553		**Shareholdings' Equity:**	96	—	—	
Goodwill	42	741,160	807,795	(XXV)	Paid-in capital (or Share capital)	97	48,705,500	48,685,500	(XLIV)
Long-term deferred expenses	43	3,519,449	3,575,612		State-owned capital	98	6,665,679	10,289,408	
Deferred tax assets	44	2,952,514	2,169,434	(XXVI)	Capital reserve	99	26,825,184	26,902,334	(XLV)
Other non-current assets	45	3,581,014	3,026,390	(XXVII)	Less: Treasury stock	100			
Of which: special reserve materials	46	2,432,667	1,909,901	(XXVII)	Other comprehensive income	101	-1,014,626	-5,365,865	
Total non-current assets	47	277,715,739	264,766,502		Including: Exchange differences arising from foreign currency translation	102	-2,249,309	-6,056,751	
	48				Special reserve	103	1,574,284	1,624,369	
	49				Surplus reserve	104	108,893,942	108,531,185	(XLVI)
	50				△General risk reserve	105	1,258,037	1,258,514	
	51				Retained earnings	106	18,968,657	7,081,245	
	52				**Total owners' equity (or shareholders' equity) attributable to the parent**	107	211,876,657	199,018,690	
	53				*Non-controlling interests	108	39,016,954	34,154,601	
	54				**Total Owner's Equity**	109	250,893,611	233,171,291	
Total Assets	55	439,505,369	419,243,418		**Total Liabilities and Owner's Equity**	110	439,505,369	419,243,418	

Legal Representative: Chief Accountant: Head of Accounting:

Note. Items with * in the table are reserved for consolidated financial statements, With △ regular style subjects for financial enterprises special, With # subjects for foreign-invested enterprises, For enterprises that have not implemented the new financial instrument standards.

Consolidated Statement of Comprehensive Income

Prepared by: China National Petroleum Corporation　　Year 2022　　Amount unit:Ten thousand yuan

Items	Lines	Amount for the current period	Amount for the prior period	Note VIII
I.Gross revenues	1	340,000,813	280,727,507	
Including: Revenue	2	337,264,646	278,139,949	(XLVII)
△Interest income	3	2,469,803	2,274,006	
△Premium earned	4	117,839	152,017	
△Fees and commissions income	5	148,525	161,535	
II.Total operating cost	6	306,550,823	262,972,810	
Including: Cost of sales	7	253,202,656	214,220,438	(XLVII)
△Interest expenses	8	994,567	839,894	
△Fees and commissions expenses	9	193,933	156,651	
△Surrenders	10			
△Net policyholders' claims	11	95,874	57,728	
△Net change in reserves of insurance contract	12	-3,040	101,195	
△Policyholder dividends	13			
△Premiums ceded to reinsurers	14	16,658	15,854	
Taxes and surcharges	15	29,449,081	23,968,339	
Selling expenses	16	7,481,695	7,940,447	(XLVIII)
General and administrative expenses	17	9,358,035	8,440,640	(XLIX)
Research and development expenses	18	3,082,436	2,529,179	
Financial expenses	19	-45,840	2,244,215	(L)
Including: Interest expenses	20	2,064,546	2,120,179	(L)
Interest income	21	1,125,802	711,569	(L)
Exchange gain	22	-1,105,820	737,613	(L)
Others	23	2,724,766	2,458,230	
Plus: Other Income	24	1,915,064	1,558,558	(LI)
Investment income (losses are listed with"-")	25	443,850	4,622,307	(LII)
Including: investment income from associates and joint ventures	26	2,474,927	1,911,695	(LII)
Financial asset derecognition income measured at amortized cost	27	14	4,223	
△Exchange gains (losses are listed with"-")	28	9,996	4,695	
Hedging gains on net exposure (losses are listed with"-")	29			
Gain from changes in fair value (losses are listed with"-")	30	-796,770	639,771	
Credit impairment losses (losses are listed with "-")	31	-845,810	-577,376	(LIII)
Asset impairment losses (losses are listed with "-")	32	-4,477,193	-3,656,129	(LIV)
Gains from asset disposal (losses are listed with"-")	33	149,489	150,147	(LV)
III.Operating profits("-"for loss)	34	29,848,616	20,496,670	
Add: non-operating income	35	594,931	797,685	(LVI)
Including: Government subsidy	36	157,845	402,928	(LVI)
Less: non-operating expenses	37	3,756,961	4,646,681	(LVII)
IV.Profit before income tax("-" for loss)	38	26,686,566	16,647,674	
Less: Income tax expense	39	8,651,038	6,621,342	(LVIII)
V.Net profit("-"for net loss)	40	18,035,548	10,026,332	
(I) Categorized by ownership:	41	—	—	
Net profit attributable to owners of the parent	42	14,179,836	6,216,526	
*Net profit attributable to non-controlling interests	43	3,855,712	3,809,806	
(II) Categorized by operation continuity	44	—	—	
Net profit from continuing operations	45	18,035,548	10,026,332	
Net profit from discontinued operations	46			
VI.Other comprehensive income,net of tax	47	4,781,319	-1,332,168	
Other comprehensive income attributable to owners of the parent, net of tax	48	4,246,474	-1,011,349	(LIX)
(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods	49	-422,770	15,045	
1.Changes in remeasured defined benefit obligations	50	4,097	175	
2.Equity-accounted investees share of other comprehensive income	51			
3. Changes in fair value of other equity instrument investments	52	-426,875	14,870	
4. Changes in fair value of enterprise's credit risk	53			
5. Others	54	8		
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods	55	4,669,244	-1,026,394	
1.Equity-accounted investees share of other comprehensive income	56	-23,306	32,825	
2.Changes in fair value of other debt investments	57	-56,442	6,709	
☆3.Changes in fair value of available-for-sale financial investments	58			
4.Reclassification of Financial Assets into other comprehensive income	59			
☆5.Reclassification of Holding to maturity investments to available-for-sale financial investments	60			
6. Net changes in expected credit losses of other debt investments	61	945	-564	
7. Cash flow hedge (Effective part of cash-flow hedge profit and losses)	62	940,695		
8.Exchange differences arising from foreign currency translation	63	3,807,352	-1,065,344	
9. Others	64			
* Other comprehensive income after tax attributable to minority share-holders	65	534,845	-320,819	
VII.Total comprehensive income	66	22,816,867	8,694,164	
Attributable to equity shareholders of the bank	67	18,426,310	5,205,177	
Attributable to non-controlling interests	68	4,390,557	3,488,987	
VIII.Earnings per share	69	—	—	
Basic earnings per share	70			
Diluted earnings per share	71			

Note: Items with * in the table are reserved for consolidated financial statements: With △ regular style subjects for financial enterprises special; For enterprises that have not implemented the new financial instrument standards.

Consolidated Cash Flows Statement

Prepared by: China National Petroleum Corporation　　Year 2022　　Amount unit:Ten thousand yuan

Items	Lines	Amount for the current period	Amount for the prior period	Note VIII
I.Cash flows from operating activities	1	—	—	
Cash received from sale of goods and rendering of services	2	342,101,113	272,122,815	
△Net increase in deposits from customers and due from banks and other financial institutions	3	3,466,774	105,965	
△Net increase in borrowings from central bank	4	-167,479	522,767	
△Net increase in loans from other financial institutions	5	620,813	-634,648	
△Cash received from receiving insurance premiums of original insurance contracts	6	76,101	86,158	
△Net cash received from reinsurance business	7	15,189	80,723	
△Net increase in deposits and investments from policyholders	8			
△Net increase in disposal of financial assets at fair value through profit and loss	9	291,255	991,315	
△Cash received from interest, fees and commission	10	2,304,683	2,211,569	
△Net increase in placements from banks and other financial institutions	11			
△Net increase in repurchase business funds	12	-740,311	560,418	
△Net Cash Received from Agent Trading of Securities	13			
Refunds of taxes and surcharges	14	955,262	383,553	
Cash received from other operating activities	15	33,806,869	14,852,470	
Sub-total of cash inflows from operating activities	16	382,730,269	291,283,105	
Cash paid for goods purchased and services received	17	234,511,889	177,199,300	
△Net increase in loans and advances to customers	18	-2,256,213	2,486,928	
△Net increase in deposits with central bank and with banks and other financial institutions	19	2,537,329	166,428	
△Cash paid for original insurance contract claims	20	56,076	59,861	
△Net increase in disbursed funds	21			
△Cash paid for interests, handling charges and commissions	22	994,654	755,270	
△Cash paid for policy dividends	23			
Cash paid to and on behalf of employees	24	27,172,074	26,032,471	
Cash paid for taxes and surcharges	25	49,170,828	35,354,701	
Cash paid for other operating activities	26	17,106,660	8,991,870	
Sub-total of cash outflows from operating activities	27	329,293,297	251,046,829	
Net cash flows operating activities	28	53,436,972	40,236,276	(LXI)
II.Cash flows from investing activities	29			
Cash received from withdrawal of investments	30	17,413,841	18,199,275	
Cash received from returns on investments	31	3,268,165	2,555,836	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	122,840	56,782	
Net cash received from disposal of subsidiaries and other business units	33	499,604	3,215,756	
Cash received from other investing activities	34	1,381,780	601,109	
Sub-total of cash inflows from investment activities	35	22,686,230	24,628,758	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	36	31,296,872	30,076,436	
Cash paid for investments	37	19,837,835	14,730,275	
△Net increase in pledge loans	38			
Net cash paid to acquire subsidiaries and other business units	39	46,000	272,193	
Cash paid for other investing activities	40	1,414,822	29,733	
Sub-total of cash outflows from investing activities	41	52,595,529	45,108,637	
Net cash flows from investing activities	42	-29,909,299	-20,479,879	
III. Cash flows from financing activities	43			
Cash from absorption of investments	44	61,966	67,300	
*Including: cash received by subsidiaries from investments by minority shareholders	45	61,966	67,300	
Cash received from borrowings	46	100,536,673	75,773,030	
Cash received from other financing activities	47	148,680	696	
Subtotal of cash inflow from financing activities	48	100,747,319	75,841,026	
Cash paid for debt repayments	49	109,917,076	77,446,618	
Cash paid for distribution of dividends and profit or payment of interest	50	5,542,809	4,820,041	
*Including: Dividends and profits paid to minority shareholders by subsidiaries	51	1,512,982	2,874,609	
Cash paid for other financing activities	52	2,505,611	7,665,013	
Sub-total of cash outflows from financing activities	53	117,965,496	89,931,672	
Net cash flows operating activities	54	-17,218,177	-14,090,646	
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	55	1,863,130	-534,443	
V.Net increase in cash and cash equivalents	56	8,172,626	5,131,308	(LXI)
Add: beginning balance of cash and cash equivalents	57	32,122,118	26,990,810	(LXI)
VI.Ending balance of cash and cash equivalents	58	40,294,744	32,122,118	(LXI)

Note: Subjects with △ italics are reserved for financial enterprises.

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Consolidated Statement of Changes in Equity

Prepared by: China National Petroleum Corporation

Year 2022

Amount unit: Ten thousand yuan

Items	Lines	Current Year													
		Equity attributable to parent company												Non-controlling interests	Total owner's equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specialized reserve	Surplus reserve	△General reserve	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	Others										
Column	—	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance as at December 31, 2021	1	48,686,500	10,313,223		-13,815	26,902,334		-5,365,865	1,624,369	108,531,185	1,258,514	7,081,245	199,016,690	34,154,601	233,171,291
Add: Adjustments for changes in accounting policies	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	4														
II. Balance as at January 1, 2022	5	48,686,500	10,313,223		-13,815	26,902,334		-5,365,865	1,624,369	108,531,185	1,258,514	7,081,245	199,016,690	34,154,601	233,171,291
III. Increases/decreases in 2022 ("-"for decreases)	6	20,000	-3,918,803		285,074	-77,150		4,351,239	-50,085	362,757	-477	11,887,412	12,859,967	4,862,353	17,722,320
(I)Total comprehensive income	7	—	—	—	—	—	—	4,246,474	—	—	—	14,179,836	18,426,310	4,390,557	22,816,867
(II)Capital contributed or reduced by owners	8	20,000	-3,918,803		285,074	-53,956						-23,579	-3,691,264	2,441,035	-1,250,229
1.Commonstock contributed by shareholders	9	20,000	—	—	—		—	—	—	—	—	—	20,000	1,176,681	1,196,681
2.Capital contributed by the holders of other equity instruments	10		-3,918,803		285,074		—	—	—	—	—	—	-3,633,729		-3,633,729
3.Amounts of share-based payments recognized in owners' equity	11		—	—	—		—	—	—	—	—	—			
4.Others	12		—	—	—	-53,956						-23,579	-77,535	1,264,354	1,186,819
(III) Special reserves	13		—	—	—				-50,085				-50,085	-10,788	-60,873
1.Amount withdrawn in 2022	14	—	—	—	—	—	—	—	795,472	—	—	—	795,472	145,919	941,391
2.Amount used in 2022	15	—	—	—	—	—	—	—	-845,557	—	—	—	-845,557	-156,707	-1,002,264
(IV)Profit distribution	16									362,757	-477	-2,187,274	-1,824,994	-1,958,451	-3,783,445
1. Withdrawal of surplus reserves	17	—	—	—	—	—	—	—	—	362,757	—	-362,757		—	
Including: statutory reserve	18	—	—	—	—	—	—	—	—	362,757	—	-362,757		—	
Discretionary surplus reserve	19	—	—	—	—	—	—	—	—		—			—	
#Reserve fund	20	—	—	—	—	—	—	—	—		—			—	
#Enterprise expansion fund	21	—	—	—	—	—	—	—	—		—			—	
#Return investment by profit	22	—	—	—	—	—	—	—	—		—			—	
△2. Withdrawal of general risk reserves	23	—	—	—	—	—	—	—	—	—	-477	477		—	
3. Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	—	—	-1,823,564	-1,823,564	-1,958,184	-3,781,748
4. Others	25											-1,430	-1,430	-267	-1,697
(V) Internal carry-forward of owners' equity	26					-23,194		104,765				-81,571			
1. Conversion of capital reserves into paid-in capital (or share capital)	27		—	—	—		—	—	—	—	—	—		—	
2. Conversion of surplus reserves into paid-in capital (or share capital)	28		—	—	—	—	—	—	—		—	—		—	
3.Surplus reserves offsetting losses	29	—	—	—	—	—	—	—	—		—			—	
4. Changes in setting benefit plan transfer to retained earnings	30	—	—	—	—	—	—		—	—	—			—	
5.Other comprehensive income transfer to retained earnings	31	—	—	—	—	—	—	104,879	—	—	—	-104,879		—	
6.Others	32					-23,194		-114				23,308			
IV. Balance as at December 31,2022	33	48,705,500	6,394,420		271,259	26,825,184		-1,014,626	1,574,284	108,893,942	1,258,037	18,968,657	211,876,657	39,016,954	250,893,611

Note: △ accounts are for financial enterprises only; Subjects with # are exclusively for foreign-invested enterprises.

Consolidated Statement of Changes in Equity

Prepared by: China National Petroleum Corporation

Year 2021

Amount unit:Ten thousand yuan

Items	Lines	Prior Year													
		Equity attributable to parent company												Non-controlling interests	Total owner's equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specialized reserve	Surplus reserve	△General reserve	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	Others										
Column	—	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance as at December 31, 2020	1	48,685,500	14,806,759		-36,545	25,544,143		-4,345,199	1,769,080	108,437,123	1,185,750	1,812,174	197,858,785	34,065,442	231,924,227
Add: Adjustments for changes in accounting policies	2														
Corrections of prior period errors	3														
Others	4							-4,034				-134,887	-138,921	-7	-138,928
II. Balance as at January 1, 2021	5	48,685,500	14,806,759		-36,545	25,544,143		-4,349,233	1,769,080	108,437,123	1,185,750	1,677,287	197,719,864	34,065,435	231,785,299
III. Increases/decreases in 2021 ("-"for decreases)	6		-4,493,536		22,730	1,358,191		-1,016,632	-144,711	94,062	72,764	5,403,958	1,296,826	89,166	1,385,992
(I)Total comprehensive income	7	—	—	—	—	—	—	-1,011,349	—	—	—	6,216,526	5,205,177	3,488,987	8,694,164
(II)Capital contributed or reduced by owners	8		-4,493,536		22,730	1,358,191		-591	262				-3,112,944	-541,243	-3,654,187
1.Common stock contributed by shareholders	9		—	—	—		—	—	—	—	—	—		99,260	99,260
2.Capital contributed by the holders of other equity instruments	10		-4,493,536		22,730		—	—	—	—	—	—	-4,470,806		-4,470,806
3.Amounts of share-based payments recognized in owners' equity	11		—	—	—		—	—	—	—	—	—			
4.Others	12		—	—	—	1,358,191		-591	262				1,357,862	-640,503	717,359
(III) Special reserves	13		—	—	—				-144,973				-144,973	-42,502	-187,475
1.Amount withdrawn in 2021	14	—	—	—	—	—	—	—	699,133	—	—	—	699,133	106,182	805,315
2.Amount used in 2021	15	—	—	—	—	—	—	—	-844,106	—	—	—	-844,106	-148,684	-992,790
(IV)Profit distribution	16									94,062	72,764	-817,260	-650,434	-2,816,076	-3,466,510
1. Withdrawal of surplus reserves	17	—	—	—	—	—	—	—	—	94,062	—	-94,062		—	
Including: statutory reserve	18	—	—	—	—	—	—	—	—	94,062	—	-94,062		—	
Discretionary surplus reserve	19	—	—	—	—	—	—	—	—		—			—	
#Reserve fund	20	—	—	—	—	—	—	—	—		—			—	
#Enterprise expansion fund	21	—	—	—	—	—	—	—	—		—			—	
#Return investment by profit	22	—	—	—	—	—	—	—	—		—			—	
△2. Withdrawal of general risk reserves	23	—	—	—	—	—	—	—	—	—	72,764	-72,764		—	
3. Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	—	—	-650,434	-650,434	-2,815,485	-3,465,919
4. Others	25													-591	-591
(V) Internal carry-forward of owners' equity	26							-4,692				4,692			
1. Conversion of capital reserves into paid-in capital (or share capital)	27		—	—	—		—	—	—	—	—	—		—	
2. Conversion of surplus reserves into paid-in capital (or share capital)	28		—	—	—	—	—	—	—		—	—		—	
3.Surplus reserves offsetting losses	29	—	—	—	—	—	—	—	—		—			—	
4. Changes in setting benefit plan transfer to retained earnings	30	—	—	—	—	—	—		—	—	—			—	
5.Other comprehensive income transfer to retained earnings	31	—	—	—	—	—	—		—	—	—			—	
6.Others	32							-4,692				4,692			
IV. Balance as at December 31,2021	33	48,685,500	10,313,223		-13,815	26,902,334		-5,365,865	1,624,369	108,531,185	1,258,514	7,081,245	199,016,690	34,154,601	233,171,291

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Parent Company's Balance Sheet

Prepared by: China National Petroleum Corporation

For the year ended 31 December 2022

Amount unit::Ten thousand yuan

Items	Lines	Closing balance	Opening balance	Note VIII	Items	Lines	Closing balance	Opening balance	Note VIII
Current assets	1	—	—		**Current Liabilities:**	56	—	—	
Cash and bank	2	29,675,542	32,099,323		Short-term loans	57	587,552	407,029	
△Settlement reserve	3				△Loans from Central Bank	58			
△Placements with banks and other financial institutions	4				△Deposit funds	59			
Held for trading financial assets	5	5,187,970	5,048,056		Held for trading financial liabilities	60			
☆Financial assets at fair value through profit and loss	6				☆Financial liabilities at fair value through profit and loss	61			
Financial derivative assets	7	27,976	13,815		Financial Derivative liabilities	62			
Notes receivable	8	73	103		Notes payable	63	1,000		
Accounts receivable	9	159,898	16,711		Accounts payable	64	13,850	7,689	
Receivables financing	10	11,658	36,589		Deposit received	65	33		
Prepayments	11	8,676,160	11,645,260		Contract liabilities	66	16,774	5,872	
△Premium receivable	12				△Sale of repurchase financial assets	67			
△Reinsurance receivables	13				△Absorption of deposits and interbank deposits	68			
△Provision for reinsurance contracts receivable	14				△Acting trading securities	69			
Funds receivable for centralized management	15				△Underwriting of securities	70			
Other receivables	16	2,495,926	2,488,617		Employee benefits payable	71	4,705,956	2,955,872	
△Buying back the sale of financial assets	17				Taxes payable	72	7,817	2,082	
Inventories	18	3,479	4,674		Other payables	73	11,573,231	13,242,332	
Contract assets	19				△Handling fees and commissions payable	74			
Assets held for sale	20				△Payable for reinsurance	75			
Non-current assets due within one year	21		1,434,879		Handling fees and commissions payable	76			
Other current assets	22	81,321	495,668		Non-current liabilities due within one year	77	5,543,450	8,554,426	
Total current assets	23	46,320,003	53,283,695		Other current liabilities	78	3,400,226		
Non-current assets:	24	—	—		**Total Current Liabilities**	79	25,849,889	25,175,332	
△Loans and advances to customers	25				**Non-current liabilities:**	80	—	—	
Debt investments	26	1,840,576	1,869,879		△Insurance contract reserve	81			
☆Available-for-sale financial assets	27				Long-term loans	82	760,000	540,000	
Other debt investments	28	51,440	51,982		Bonds payable	83	8,028,096	12,993,446	
☆Held-to-maturity investments	29				Including: Preferred stock	84			
Long-term receivables	30				Perpetual bond	85			
Long-term equity investments	31	97,618,615	96,953,777		Lease liabilities	86	87,434	90,967	
Other equity instrument investments	32	157,869	157,869		Long-term payables	87	821	3,007	
Other non-current financial assets	33				Long-term employee benefits payable	88			
Investment properties	34				Accrued liabilities	89	36,319	197,021	
Fixed asset	35	327,740	368,476		Deferred income	90	43	453	
Construction in progress	36	96,443	49,146		Deferred tax liabilities	91	193,055	338,770	
Productive biological assets	37				Other non-current liabilities	92			
Oil and gas assets	38				Including: authorized reserve fund	93			
Right-of-use assets	39	87,724	92,647		**Total Non-current Liabilities**	94	9,105,768	14,163,664	
Intangible assets	40	78,998	78,242		**Total Liabilities**	95	34,955,657	39,338,996	
Development expenditure	41				**Shareholdings' Equity:**	96	—	—	
Goodwill	42				Paid-in capital (or Share capital)	97	48,684,169	48,664,169	
Long-term deferred expenses	43	90	72		State-owned capital	98	6,394,420	10,313,223	
Deferred tax assets	44	10			Capital reserve	99	17,198,565	16,522,757	
Other non-current assets	45	2,432,667	1,909,901		Less: Treasury stock	100			
Of which: special reserve materials	46	2,432,667	1,909,901		Other comprehensive income	101	1,114	1,514	
Total non-current assets	47	102,692,172	101,531,991		Including: Exchange differences arising from foreign currency translation	102	21	11	
	48				Special reserve	103	494,557	495,370	
	49				Surplus reserve	104	39,864,792	39,502,035	
	50				△General risk reserve	105			
	51				Retained earnings	106	1,418,901	-22,348	
	52				**Total owners' equity (or shareholders' equity) attributable to the parent**	107	114,056,518	115,476,720	
	53				*Minority interests	108			
	54				**Total Owner's Equity**	109	114,056,518	115,476,720	
Total Assets	55	149,012,175	154,815,686		**Total Liabilities and Owner's Equity**	110	149,012,175	154,815,686	

Note: Items with * in the table are reserved for consolidated financial statements; With △ regular style subjects for financial enterprises special; With # subjects for foreign-invested enterprises; For enterprises that have not implemented the new financial instrument standards.

Parent Company's Statement of Comprehensive Income

Prepared by: China National Petroleum Corporation   Year 2022   Amount unit:Ten thousand yuan

Items	Lines	Amount for the current period	Amount for the prior period	Note VIII
I.Gross revenues	1	1,088,256	974,813	
Including: Revenue	2	1,088,256	974,813	
△Interest income	3			
△Premium earned	4			
△Fees and commissions income	5			
II.Total operating cost	6	2,288,539	3,127,899	
Including: Cost of sales	7	861,052	790,779	
△Interest expenses	8			
△Fees and commissions expenses	9			
△Surrenders	10			
△Net policyholders' claims	11			
△Net change in reserves of insurance contract	12			
△Policyholder dividends	13			
△Premiums ceded to reinsurers	14			
Taxes and surcharges	15	5,203	2,652	
Selling expenses	16	4,839	1,202	
General and administrative expenses	17	2,507,575	1,549,856	
Research and development expenses	18	282,722	193,190	
Financial expenses	19	-1,372,852	590,220	
Including: Interest expenses	20	771,166	1,037,368	
Interest income	21	943,175	838,478	
Exchange gain	22	-1,202,435	390,315	
Others	23			
Plus: Other Income	24	49	22	
Investment income (losses are listed with"-")	25	5,545,043	4,145,393	
Including: investment income from associates and joint ventures	26	27,633	-16,110	
Financial asset derecognition income measured at amortized cost	27			
△Exchange gains (losses are listed with"-")	28			
Hedging gains on net exposure (losses are listed with"-")	29			
Gain from changes in fair value (losses are listed with"-")	30	-479,784	498,326	
Credit impairment losses (losses are listed with "-")	31			
Asset impairment losses (losses are listed with "-")	32	-177,879		
Gains from asset disposal (losses are listed with"-")	33	24	-364	
III.Operating profits("-"for loss)	34	3,687,170	2,490,291	
Add: non-operating income	35	31,744	295,773	
Including: Government subsidy	36	52	272,951	
Less: non-operating expenses	37	236,665	1,720,810	
IV.Profit before income tax("-" for loss)	38	3,482,249	1,065,254	
Less: Income tax expense	39	-145,321	124,636	
V.Net profit("-"for net loss)	40	3,627,570	940,618	
(I) Categorized by ownership:	41	—	—	
Net profit attributable to owners of the parent	42	3,627,570	940,618	
*Net profit attributable to non-controlling interests	43			
(II) Categorized by operation continuity	44	—	—	
Net profit from continuing operations	45	3,627,570	940,618	
Net profit from discontinued operations	46			
VI.Other comprehensive income,net of tax	47	-400	587	
Other comprehensive income attributable to owners of the parent, net of tax	48	-400	587	
(I) Other comprehensive income not to be reclassified to profit or loss in subsequent periods	49			
1.Changes in remeasured defined benefit obligations	50			
2.Equity-accounted investees share of other comprehensive income	51			
3. Changes in fair value of other equity instrument investments	52			
4. Changes in fair value of enterprise's credit risk	53			
5. Others	54			
(II) Other comprehensive income to be reclassified to profit or loss in subsequent periods	55	-400	587	
1.Equity-accounted investees share of other comprehensive income	56			
2.Changes in fair value of other debt investments	57	-411	638	
☆3.Changes in fair value of available-for-sale financial investments	58			
4.Reclassification of Financial Assets into other comprehensive income	59			
☆5.Reclassification of Holding to maturity investments to available-for-sale financial investments	60			
6. Net changes in expected credit losses of other debt investments	61			
7. Cash flow hedge (Effective part of cash-flow hedge profit and losses)	62			
8.Exchange differences arising from foreign currency translation	63	11	-51	
9. Others	64			
* Other comprehensive income after tax attributable to minority share-holders	65			
VII.Total comprehensive income	66	3,627,170	941,205	
Attributable to equity shareholders of the bank	67	3,627,170	941,205	
Attributable to non-controlling interests	68			
VIII.Earnings per share	69	—	—	
Basic earnings per share	70			
Diluted earnings per share	71			

Note: Items with * in the table are reserved for consolidated financial statements; With △ regular style subjects for financial enterprises special; For enterprises that have not implemented the new financial instrument standards

Parent Company's Cash Flows Statement

Prepared by: China National Petroleum Corporation | Year 2022 | Amount unit:Ten thousand yuan

Items	Lines	Amount for the current period	Amount for the prior period	Note VIII
I.Cash flows from operating activities	1	—	—	
Cash received from sale of goods and rendering of services	2	770,105	971,806	
△Net increase in deposits from customers and due from banks and other financial institutions	3			
△Net increase in borrowings from central bank	4			
△Net increase in loans from other financial institutions	5			
△Cash received from receiving insurance premiums of original insurance contracts	6			
△Net cash received from reinsurance business	7			
△Net increase in deposits and investments from policyholders	8			
△Net increase in disposal of financial assets at fair value through profit and loss	9			
△Cash received from interest, fees and commission	10			
△Net increase in placements from banks and other financial institutions	11			
△Net increase in repurchase business funds	12			
△Net Cash Received from Agent Trading of Securities	13			
Refunds of taxes and surcharges	14	471,372	48,501	
Cash received from other operating activities	15	5,540,237	5,715,481	
Sub-total of cash inflows from operating activities	16	6,781,714	6,735,788	
Cash paid for goods purchased and services received	17	1,553,716	354,340	
△Net increase in loans and advances to customers	18			
△Net increase in deposits with central bank and with banks and other financial institutions	19			
△Cash paid for original insurance contract claims	20			
△Net increase in disbursed funds	21			
△Cash paid for interests, handling charges and commissions	22			
△Cash paid for policy dividends	23			
Cash paid to and on behalf of employees	24	65,120	55,208	
Cash paid for taxes and surcharges	25	26,053	46,034	
Cash paid for other operating activities	26	3,557,519	2,651,272	
Sub-total of cash outflows from operating activities	27	5,202,408	3,106,854	
Net cash flows operating activities	28	1,579,306	3,628,934	
II.Cash flows from investing activities	29	—	—	
Cash received from withdrawal of investments	30	2,008,779	3,599,407	
Cash received from returns on investments	31	5,611,193	4,478,047	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	32	60	52	
Net cash received from disposal of subsidiaries and other business units	33			
Cash received from other investing activities	34		26,020	
Sub-total of cash inflows from investment activities	35	7,620,032	8,103,526	
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	36	62,240	33,438	
Cash paid for investments	37	1,193,187	2,057,692	
△Net increase in pledge loans	38			
Net cash paid to acquire subsidiaries and other business units	39		21,391	
Cash paid for other investing activities	40	14,710	24,660	
Sub-total of cash outflows from investing activities	41	1,270,137	2,137,181	
Net cash flows from investing activities	42	6,349,895	5,966,345	
III. Cash flows from financing activities	43	—	—	
Cash from absorption of investments	44			
*Including: cash received by subsidiaries from investments by minority shareholders	45			
Cash received from borrowings	46	7,447,393	324,025	
Cash received from other financing activities	47	39		
Subtotal of cash inflow from financing activities	48	7,447,432	324,025	
Cash paid for debt repayments	49	11,634,268	1,316,059	
Cash paid for distribution of dividends and profit or payment of interest	50	2,275,679	1,460,035	
*Including: Dividends and profits paid to minority shareholders by subsidiaries	51			
Cash paid for other financing activities	52	4,156,130	3,041,912	
Sub-total of cash outflows from financing activities	53	18,066,077	5,818,007	
Net cash flows operating activities	54	-10,618,645	-5,493,982	
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	55	256,482	-72,809	
V.Net increase in cash and cash equivalents	56	-2,432,962	4,028,488	
Add: beginning balance of cash and cash equivalents	57	32,096,383	28,067,895	
VI.Ending balance of cash and cash equivalents	58	29,663,421	32,096,383	

Note: Subjects with △ italics are reserved for financial enterprises.

Parent Company's Statement of Changes in Equity

Prepared by: China National Petroleum Corporation | Year 2022 | Amount unit:Ten thousand yuan

Items	Lines	Current Year													
		Equity attributable to parent company												Non-controlling Interests	Total owner's equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specialized reserve	Surplus reserve	△General reserve	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	Others										
Column	—	1	2	3	4	5	6	7	8	9	10	11	12	13	14
I. Balance as at December 31, 2021	1	48,664,169	10,313,223			16,522,757		1,514	495,370	39,502,035		-22,348	115,476,720		115,476,720
Add: Adjustments for changes in accounting policies	2	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Corrections of prior period errors	3	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Others	4														
II. Balanceas at January 1, 2022	5	48,664,169	10,313,223			16,522,757		1,514	495,370	39,502,035		-22,348	115,476,720		115,476,720
III. Increases/decreases in 2022 ("-"for decreases)	6	20,000	-3,918,803			675,808		-400	-813	362,757		1,441,249	-1,420,202		-1,420,202
(I)Total comprehensive income	7	—	—	—	—	—	—	-400	—	—	—	3,627,570	3,627,170		3,627,170
(II)Capital contributed or reduced by owners	8	20,000	-3,918,803			675,808							-3,222,995		-3,222,995
1.Common stock contributed by shareholders	9	20,000	—	—	—		—	—	—	—	—	—	20,000		20,000
2.Capital contributed by the holders of other equity instruments	10		-3,918,803				—	—	—	—	—	—	-3,918,803		-3,918,803
3.Amounts of share-based payments recognized in owners' equity	11		—	—	—		—	—	—	—	—	—			
4.Others	12		—	—	—	675,808							675,808		675,808
(III) Special reserves	13		—	—	—				-813				-813		-813
1.Amount withdrawn in 2022	14	—	—	—	—	—	—	—		—	—	—			
2.Amount used in 2022	15	—	—	—	—	—	—	—	-813	—	—	—	-813		-813
(IV)Profit distribution	16									362,757		-2,186,321	-1,823,564		-1,823,564
1. Withdrawal of surplus reserves	17	—	—	—	—	—	—	—	—	362,757	—	-362,757		—	
Including: statutory reserve	18	—	—	—	—	—	—	—	—	362,757	—	-362,757		—	
Discretionary surplus reserve	19	—	—	—	—	—	—	—	—		—			—	
#Reserve fund	20	—	—	—	—	—	—	—	—		—			—	
#Enterprise expansion fund	21	—	—	—	—	—	—	—	—		—			—	
#Return investment by profit	22	—	—	—	—	—	—	—	—		—			—	
△2. Withdrawal of general risk reserves	23	—	—	—	—	—	—	—	—	—				—	
3. Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	—	—	-1,823,564	-1,823,564		-1,823,564
4. Others	25														
(V) Internal carry-forward of owners' equity	26														
1. Conversion of capital reserves into paid-in capital (or share capital)	27		—	—	—		—	—	—	—	—	—		—	
2. Conversion of surplus reserves into paid-in capital (or share capital)	28		—	—	—	—	—	—	—		—	—		—	
3.Surplus reserves offsetting losses	29	—	—	—	—	—	—	—	—		—			—	
4. Changes in setting benefit plan transfer to retained earnings	30	—	—	—	—	—	—		—	—	—			—	
5.Other comprehensive income transfer to retained earnings	31	—	—	—	—	—	—		—	—	—			—	
6.Others	32														
IV. Balance as at December 31,2022	33	48,684,169	6,394,420			17,198,565		1,114	494,557	39,864,792		1,418,901	114,056,518		114,056,518

Note: △ accounts are for financial enterprises only; Subjects with # are exclusively for foreign-invested enterprises.

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Parent Company's Statement of Changes in Equity

Prepared by: China National Petroleum Corporation | Year 2021 | Amount unit: Ten thousand yuan

Items	Lines	Prior Year													
		Equity attributable to parent company												Non-controlling interests	Total owner's equity
		Paid-in capital (or Share capital)	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive income	Specialized reserve	Surplus reserve	△General reserve	Retained earnings	Subtotal		
			Preferred stock	Perpetual debt	Others										
Column	—	15	16	17	18	19	20	21	22	23	24	25	26	27	28
I. Balance as at December 31, 2020	1	48,664,169	14,806,759			16,542,010		927	495,725	39,407,973		-191,710	119,725,853		119,725,853
Add: Adjustments for changes in accounting policies	2														
Corrections of prior period errors	3														
Others	4											-26,760	-26,760		-26,760
II. Balance as at January 1, 2021	5	48,664,169	14,806,759			16,542,010		927	495,725	39,407,973		-218,470	119,699,093		119,699,093
III. Increases/decreases in 2021 ("-"for decreases)	6		-4,493,536			-19,253		587	-355	94,062		196,122	-4,222,373		-4,222,373
(I)Total comprehensive income	7	—	—	—	—	—	—	587	—	—	—	940,618	941,205		941,205
(II)Capital contributed or reduced by owners	8		-4,493,536			-19,253							-4,512,789		-4,512,789
1.Common stock contributed by shareholders	9		—	—	—		—	—	—	—	—	—			
2.Capital contributed by the holders of other equity instruments	10		-4,493,536				—	—	—	—	—	—	-4,493,536		-4,493,536
3.Amounts of share-based payments recognized in owners' equity	11		—	—	—		—	—	—	—	—	—			
4.Others	12		—	—	—	-19,253							-19,253		-19,253
(III) Special reserves	13		—	—	—				-355				-355		-355
1.Amount withdrawn in 2021	14	—	—	—	—	—	—	—		—	—	—			
2.Amount used in 2021	15	—	—	—	—	—	—	—	-355	—	—	—	-355		-355
(IV)Profit distribution	16									94,062		-744,496	-650,434		-650,434
1. Withdrawal of surplus reserves	17	—	—	—	—	—	—	—	—	94,062	—	-94,062		—	
Including: statutory reserve	18	—	—	—	—	—	—	—	—	94,062	—	-94,062		—	
Discretionary surplus reserve	19	—	—	—	—	—	—	—	—		—			—	
#Reserve fund	20	—	—	—	—	—	—	—	—		—			—	
#Enterprise expansion fund	21	—	—	—	—	—	—	—	—		—			—	
#Return investment by profit	22	—	—	—	—	—	—	—	—		—			—	
△2. Withdrawal of general risk reserves	23	—	—	—	—	—	—	—	—	—				—	
3. Profit distributed to owners (or shareholders)	24	—	—	—	—	—	—	—	—	—	—	-650,434	-650,434		-650,434
4. Others	25														
(V) Internal carry-forward of owners' equity	26														
1. Conversion of capital reserves into paid-in capital (or share capital)	27		—	—	—		—	—	—	—	—	—		—	
2. Conversion of surplus reserves into paid-in capital (or share capital)	28		—	—	—	—	—	—	—		—	—		—	
3.Surplus reserves offsetting losses	29	—	—	—	—	—	—	—	—		—			—	
4. Changes in setting benefit plan transfer to retained earnings	30	—	—	—	—	—	—		—	—	—			—	
5.Other comprehensive income transfer to retained earnings	31	—	—	—	—	—	—		—	—	—			—	
6.Others	32														
IV. Balance as at December 31,2021	33	48,664,169	10,313,223			16,522,757		1,514	495,370	39,502,035		-22,348	115,476,720		115,476,720

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China National Petroleum Corporation
NOTES TO THE FINANCIAL STATEMENTS
FOR 31 DECEMBER 2022
(Amounts are denominated in RMB unless otherwise stated)

I. BASIC INFORMATION ABOUT THE COMPANY

(I) History, place of registration, organizational form and address of headquarters

China National Petroleum Corporation ("the Company") was approved by the State Council on July 21,1998, and was established on the basis of the former China National Petroleum Corporation and by the state-funded super large oil and petrochemical enterprise group. On July 24, 1998, the Company was registered with the State Administration for Industry and Commerce. In December, 2017, it was restructured from the national ownership to the corporation system. On December 15, 2017, it renewed the business license of the enterprise legal person and the information is as follows, unified social credit code:91110000100010433L, place of registration: Beijing. address of the company's headquarters: No. 9, Dongzhimen North Street, Dongcheng District, Beijing. Legal representative: Dai Houliang. The company and its subsidiaries are collectively referred to as "the Group".

In February 1999, the Group implemented internal restructuring and established China National Petroleum Corporation Limited as an exclusive initiative, which was listed respectively on the United States and Hong Kong on April 6 and 7, 2000 and the Shanghai Stock Exchange on November5, 2007. On September 8, 2022, the American Depositary shares of China National Petroleum Company Limited were delisted from the New York Stock Exchange.

In May 2016, the Group implemented a material assets reorganization of Jinan Diesel Engine Co., Ltd. (stock code: 000617), and was approved by the Review Board for Mergers, Acquisitions and Restructurings of Listed companies of the China Securities Regulatory Commission (hereinafter the "CSRC") on December23, 2016; On February 10, 2017, it was officially renamed on the Shenzhen Stock Exchange: China Petroleum Group Capital Co., Ltd.

In June 2016, the Group implemented a major asset reorganization of Xinjiang Dushanzi Tianli High-tech Co., Ltd. (stock code: 600339), which was approved by the Review Board for Mergers, Acquisitions and Restructurings of Listed companies of the CSRC on December 23, 2016; On February 17, 2017, it was officially renamed on the Shanghai Stock Exchange: China Petroleum Engineering Co., LTD.

(II) Nature of business and main business of the enterprise

The Group is engaged in organizing the exploration, development, production and construction, processing and comprehensive utilization of onshore oil, natural gas and oil and gas symbiosis or encountering mineral deposits and the manufacture of special petroleum machinery; organizing the storage and transportation of the above products and by-products; selling the products of our company's system according to the national regulations; organizing the supply and sale of oil and gas production and construction materials and equipment; petroleum research, development, production and construction of new products, new processes, new technologies, new equipment development research and technology promotion; domestic and foreign petroleum and natural gas cooperation in exploration and development, economic and technological cooperation, and foreign contracted petroleum construction projects, foreign technology and equipment imports, export of self-produced equipment and technology of this system, and foreign negotiation and signing of foreign investment projects. Major business segments include: oil and gas exploration and development, new energy, refining, chemical and new materials, oil product sales, natural gas sales, overseas oil and gas, international trade, oilfield technical services, engineering construction, finance, equipment manufacturing and other related business.

(III) Approval of financial statements

The financial statements were approved by the board of directors on April 27, 2023.

II. BASIS FOR THE PREPARATION OF FINANCIAL STATEMENTS

The Company is based on going concern and actual transactions and events.

The Company prepared financial statements in accordance with the basic and specific standards of the Accounting Standards for Enterprises, the Application Guidance for Accounting Standard for Enterprises, interpretations of the Accounting Standards for Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter collectively referred to as "CAS").

III. STATEMENT OF COMPLIANCE WITH CORPORATE ACCOUNTING STANDARDS

The financial statements prepared by the company meet the requirements for the preparation of the basis of the financial statements, and truly and completely reflect the Group's financial position at December31, 2022, as well as relevant information such as the financial performance and cash flows for the year then ended.

IV. DESCRIPTION OF IMPORTANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Accounting period

The accounting period of the Company is from 1 January to 31 December of each calendar year.

(II) Reporting currency

The reporting currency of the Company and the majority of subsidiaries is RMB("CNY"). The Group's consolidated financial statements are presented in RMB("CNY").

(III) Accounting basis and valuation principles

The Company is based on accrual basis of accounting. Unless otherwise specified, the pricing principle is based on historical cost.

(IV) Business combinations

Business combination refers to a transaction or event in which two or more separate businesses are combined to form a reporting entity. The date of purchase refers to the date when the merging party or the buyer actually obtains the net assets or control of production and operation decisions of the merging party or the buyer.

The merger cost is the fair value of the assets paid, liabilities incurred or assumed and the equity securities issued by the purchaser to obtain control of the purchaser on the purchase date. If the cost of the merger is greater than the difference in the fair value share of the identifiable net assets of the acquired party acquired during the merger, it is recognized as goodwill; If the cost of the merger is less than the fair value shares of the net identifiable assets of the purchased party obtained during the merger, after recheck and confirmation, it shall be included into the profits and losses of the current period.

(V) Preparation of consolidated financial statements

The scope of consolidation of the company's consolidated financial statements is determined on the basis of control, and all subsidiaries are included into the consolidated financial statements.

The consolidated financial statements are based on the financial statements of the company and its subsidiaries, other relevant information, and adjusted by the equity method for long-term equity investments in subsidiaries, and then prepared by the company. During the preparation of the consolidated financial statements, the Group's accounting policies and accounting periods remain the same (see Note IV, (I)), and major transactions and current balances between companies are offset. Subsidiary owner's equity, current net profit and loss and current comprehensive income share of minority shareholders are listed separately under the owner's equity item in the consolidated balance sheet, the net profit item and the total comprehensive income item in the consolidated profit statement.

During the reporting period, due to the increased merger of a subsidiary or business, the income, expenses, and profit of the subsidiary or business are included in the consolidated profit statement, and its cash flow is included in the consolidated cash flow statement from merger or purchase date to the end of the reporting period.

During the reporting period, due to the disposal of a subsidiary or business, the income, expenses, and profit of the subsidiary or business are included in the consolidated profit statement, and its cash flow is included in the consolidated cash flow statement from the beginning of the period to the disposal date.

The difference between the newly acquired long-term equity investment due to the purchase of minority equity and the share of net assets that should be continuously calculated by the subsidiary from the purchase date (or merger date) based on the increased shareholding ratio, adjust the capital reserve, if capital reserve is not enough to offset, adjust the retained earnings.

Without losing control, the difference between the disposal price obtained by partial disposal of long-term equity investment in the subsidiary and the subsidiary's net asset shares continuously calculated from the date of purchase or merger during the disposal of long-term equity investment, adjust the capital reserve in the consolidated balance sheet, if capital reserve is not enough to offset, adjust the retained earnings.

(VI) Cash and cash equivalents

Cash refers to all cash on hand and deposit held at call with banks and cash equivalents refer to short-term (within three months from the date due) highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(VII) Foreign currency transactions and translation of financial statements denominated in foreign currency

1.Foreign currency transactions

Foreign currency transactions are translated into RMB for bookkeeping at the spot exchange rate on the transaction date. Foreign currency monetary items on the balance sheet date are translated at the spot exchange rate on the balance sheet date. The resulting exchange gains and losses, which are incurred during the production and operation period, are included in financial expenses; and are capitalized in accordance with the purchase and construction of fixed assets, oil and gas assets and other conditions related to assets are dealt with in accordance with the relevant provisions of borrowing costs; those that occur during the liquidation period are included in liquidation gains and losses.

Non-monetary items denominated in foreign currencies that are measured at historical cost are still translated at the spot exchange rate on the transaction date, without changing the amount of RMB. Foreign currency non-monetary items measured at fair value are converted into RMB at the spot exchange rate on the date when the fair value is determined, and the resulting conversion difference is included in the current profit and loss as a change in fair value.

2. Conversion of foreign currency financial statements

In translating the financial statements of a foreign operation, an enterprise shall comply with the following requirements: assets and liabilities on the balance date shall be translated at the spot exchange rate prevailing at the balance sheet date. All equity items, except for undistributed profit, shall be translated at the spot exchange rates on which such items arose. The income and expenses in the income statement shall be translated by the average number of the central parity of the RMB exchange rate published by the People's Bank of China within the range covered by the income statement. The differences of the balance sheet resulting from the above-mentioned translation shall be separately presented under the item of owners' equity under "Currency translation reserve". Foreign currency monetary items that substantially constitute a net investment in overseas operations, the exchange differences arising from exchange balance are also separately presented under the owners' equity items as "translation differences of foreign currency statements "when preparing consolidated financial statements. When an enterprise disposes of a foreign operation, it shall transfer the proportionate share of the related accumulated transaction differences attributable to the portion disposed of or the entire transaction differences relating to translation of the financial statements of that foreign operation presented under owners' equity in the balance sheet to profit or loss in the period in which the disposal occurs.

The opening balance of cash and cash equivalents in the foreign currency cash flows is converted at the opening exchange rate at the beginning of the statement; the closing balance is converted at the spot exchange rate on the balance sheet date. Other items are usually converted according to the arithmetic average number of the central parity of the RMB exchange rate published by the People's Bank of China within the range covered by cash flow statement. The translation difference of the cash flow statement arising from the above conversion is disclosed separately in the "Impact of exchange rate changes on cash".

(VIII) Financial instruments

Financial instruments include monetary funds, equity investments other than long-term equity investments, accounts receivable, accounts payable, loans, bonds payable and equity capital, etc.

1. Recognition and initial measurement of financial assets and financial liabilities

Financial assets and financial liabilities are recognized in the balance sheet when the Group becomes a party to a financial instrument contract.

Except for accounts receivable that do not have a significant financing component, at initial recognition, financial assets and financial liabilities are measured at fair value. For financial assets or financial liabilities that are measured at fair value through profit or loss, the related transaction costs are directly included into the current profit and loss; for other types of financial assets or financial liabilities, the related transaction costs are included into the initial recognition amount For accounts receivable that do not have a significant financing component, the Group conducts initial measurement of the transaction pricing in accordance with the accounting policy of "Note IV.(XXX) Revenue".

2. Classification and subsequent measurement of financial assets

(1) Classification of financial assets

According to the business model for managing financial assets and the contractual cash flow characteristics of financial assets, financial assets are classified into different categories at initial recognition: financial assets measured at amortized cost, financial assets measured at fair value and whose changes included into other comprehensive income and financial assets measured at fair value through profit or loss.

Unless the business model for managing financial assets is changed, in this case, all affected related financial assets are reclassified on the first day of the first reporting period after the business model is changed, otherwise the financial assets cannot be reclassified after initial recognition classification.

Financial assets that meet the following conditions and are not designated as fair value through profit or loss are classified as financial assets measured at amortized cost:

①The business model for managing the financial asset is to collect contractual cash flow;

②The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

Financial assets that meet the following conditions and are not designated as fair value through profit or loss are classified as financial assets measured at fair value and whose changes are included into other comprehensive income:

①The business model for managing the financial asset is both to collect contract cash flow and to sell the financial asset;

②The contract terms of the financial asset stipulate that the cash flow generated on a specific date is only the payment of principal and interest based on the outstanding principal amount.

For non-trading equity instrument investments, they can be irrevocably designated as financial assets measured at fair value and whose changes are included into other comprehensive income at initial recognition. The designation is made on the basis of a single investment, and the relevant investment meets the definition of equity instruments from the perspective of the issuer.

Except for the above financial assets measured at amortized cost and measured at fair value and whose changes are included into other comprehensive income, all other financial assets are classified as financial assets measured at fair value through profit or loss.

The business model for managing financial assets refers to how to manage financial assets to generate cash flow. The business model determines whether the source of the cash flow of financial assets under management is to collect contractual cash flow, sell financial assets, or both. Based on objective facts and specific business objectives determined by key management personnel to manage financial assets, we determine the business model for managing financial assets.

The contractual cash flow characteristics of financial assets are evaluated to determine whether the contractual cash flow generated by the relevant financial assets on a specific date is only the payment of principal and interest based on the outstanding principal amount. Among them, principal refers to the fair value of financial assets at initial recognition; interest includes the time value of money, credit risk related to the amount of principal outstanding in a specific period, and consideration of other basic borrowing risks costs and profits. In addition, the contract terms that may lead to changes in the time distribution or amount of contractual cash flow of financial assets are evaluated to determine whether they meet the requirements ofthe above contractual cash flow characteristics.

Subsequent measurement of financial assets

①Financial assets measured at fair value through profit and loss

After initial recognition, the subsequent measurement of such financial assets is conducted at fair value, gains or losses arising from financial assets (including interest and dividend income) are included into the current profit and loss, unless the financial asset is part of the hedging relationship.

②Financial assets measured at amortized cost

After initial recognition, such financial assets are measured at amortized cost using the actual interest rate method. Gains or losses arising from financial assets that are measured at amortized cost and are not part of any hedging relationship are included into the current profit or loss when they are derecognized, amortized in accordance with the actual interest rate method, or recognized for impairment.

③Debt investment measured at fair value and whose changes are included into other comprehensive income

After initial recognition, the subsequent measurement of such financial assets is conducted at fair value. Interest is calculated using the actual interest rate method, impairment losses or gains and exchange gains or losses are included into the current profit and loss, and other gains or losses are included into other comprehensive income. Upon termination of confirmation, the accumulated gains or losses previously included into other comprehensive income are transferred out of other comprehensive income and included into the current profit and loss.

④Equity instrument investments measured at fair value and whose changes are included into other comprehensive income

After initial recognition, the subsequent measurement of such financial assets will be conducted at fair value. Dividend income is included into the current profit and loss, and other gains or losses are included into other comprehensive income. Upon termination of recognition, the accumulated gains or losses previously included into other comprehensive income are transferred out of other comprehensive income and included into retained earnings.

3.Classification and subsequent measurement of financial liabilities

Financial liabilities are classified as financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost.

(1) Financial liabilities measured at fair value through profit and loss

Such financial liabilities include transaction financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as measured at fair value through profit and loss.

After initial recognition, the subsequent measurement of such financial liabilities is conducted at fair value, except for those related to hedge accounting, gains or losses arising from financial liabilities (including interest expenses) are included into the current profit and loss.

(2) Financial liabilities measured at amortized cost

After initial recognition, this type of financial liability is measured at amortized cost using the actual interest rate method.

4.Offset

Financial assets and financial liabilities are shown separately in the balance sheet and are not offset against each other. However, the net offset is listed in the balance sheet if the following conditions are met:

(1) The Company has a legal right to set off the recognized amount and that such legal right is currently enforceable;

(2) The Company plans to settle the financial assets and liquidate the financial liabilities on a net basis or at the same time.

5. Termination of financial assets and financial liabilities

If a financial asset meets one of the following conditions, the recognition of the financial asset shall be terminated:

(1) Termination of the contractual right to receive cash flows from the financial asset;

(2) The financial asset has been transferred, and the Group transfers almost all risks and rewards of ownership of the financial asset to the transferee;

(3) The financial asset has been transferred, and although the Group has neither transferred nor retained almost all the risks and rewards of ownership of the financial assets, it has not retained the control of the financial assets.

If the transfer of the financial assets satisfies the conditions for termination of recognition as a whole, the Group calculates the difference between the following two amounts into the current profit and loss:

(1) The book value of the transferred financial assets at the date of termination of recognition;

(2) The sum of the consideration received for the transfer of financial assets and the cumulative amount of changes in fair value that is originally directly included into other comprehensive income (when the transferred financial asset is measured at fair value and whose changes are included into other comprehensive income financial asset).

If the current obligation of the financial liability (or part of it) has been discharged, the Group terminate the financial liability (or part of the financial liability).

6.Impairment

On the basis of expected credit losses, financial assets measured at amortized cost, contract assets, and debt investments measured at fair value and whose changes are included into other comprehensive income shall conduct impairment accounting and recognition of loss provisions.

Other financial assets held at fair value are not subject to the expected credit loss model, including debt investments and equity instrument investments measured at fair value through profit and loss. and derivative financial assets.

(1) Measurement of expected credit losses

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between all contractual cash flows receivable under the contract and all expected cash flows discounted by the Group at the original actual interest rate, that is, the present value of all cash shortages.

The expected credit loss for the entire duration refers to the expected credit loss caused by all possible default events during the entire estimated duration of the financial instrument.

The expected credit loss in the next 12 months refers to the event of financial instrument default that may occur within 12 months after the balance sheet date (if the estimated duration of the financial instrument is less than 12 months, it is the estimated duration) which causes expected credit loss is part of the expected credit loss for the entire duration:

For accounts receivable and contract assets, the loss provision is always measured at an amount equivalent to the expected credit losses for the entire duration.

Except for accounts receivable and contract assets, the financial instruments that meet the following conditions are measured for their loss provisions at an amount equivalent to the expected credit loss in the next 12 months, and for other financial instruments based on the expected credit losses for the entire duration:

①The financial instrument has only a low credit risk on the balance sheet date; or

②The credit risk of the financial instrument has not increased significantly since its initial confirmation.

When considering whether there is a significant increase in the expected credit losses of financial assets after the initial measurement date, the Group only analyzes on the basis of the currently available information and does not consider paying extra incremental costs.

(2) Has lower credit risk

If the default risk of financial instruments is low, the borrower has a strong ability to fulfill its contractual cash flow obligations in the short term, and even if there are adverse changes in the economic situation and operating environment in a longer period of time, it may not necessarily reduce the borrower's performance of the ability to fulfill its contractual cash flow obligations, the financial instrument is considered to have lower credit risk.

(3) Credit risk increased significantly

By comparing the risk of financial instruments defaulting on the balance sheet date with the risk of defaulting on the initial confirmation date, to determine the relative change in the default risk of the financial instrument during the estimated lifetime, to assess whether the credit risk of the financial instrument has increased significantly since the initial confirmation.

(4) Financial assets that have suffered credit impairment

When one or more events that adversely affect the expected future cash flow of a financial asset occur, the financial asset becomes a financial asset that has suffered credit impairment. Evidence of credit impairment of financial assets includes the following observable information:

①The issuer or debtor has major financial difficulties;

②The debtor violates the contract, such as the payment of interest or principal default or overdue;

③Due to economic or contractual considerations related to the debtor's financial difficulties, the debtor is given concessions that it will not make under any other circumstances;

④The debtor is likely to go bankrupt or undergo other financial restructuring;

⑤The financial difficulties of the issuer or the debtor led to the disappearance of the active market for the financial asset;

⑥Purchase or generate a financial asset at a substantial discount, the discount reflects the fact that credit losses have occurred.

(5) Presentation of expected credit loss provisions

To reflect the changes in the credit risk of financial instruments since initial recognition, the expected credit losses are remeasured on each balance sheet date, and the resulting increase or reversal of the loss provision should be included into the current profit and loss as an impairment loss or gain. For financial assets measured at amortized cost, the loss provision offsets the book value of the financial asset listed in the balance sheet; for debt investments measured at fair value and whose changes are included into other comprehensive income, the group recognizes its loss provision in other consolidated gains and does not deduct the book value of the financial assets.

(6) Write-off

If it is no longer reasonably expected that the contractual cash flow of the financial asset can be fully or partially recovered, the book balance of the financial asset will be directly written down. Such write-downs constitute derecogntion of related financial assets. This situation usually occurs when it is determined that the debtor has no assets or a source of income to generate sufficient cash flow to cover the amount that will be written down. However, the financial assets that are written down may still be affected by the execution activities related to the collection of the period.

If the financial asset that has been written down is recovered later, it shall be included into the current profit and loss as the reversal of the impairment loss.

7. Determination of the fair value of financial instruments

For financial instruments with active markets, the fair value is determined by the price that market participants can receive for the sale of an asset or pay for the transfer of a liability in an orderly transaction that occurs on the measurement date. For financial instruments that do not have an active market, valuation techniques are used to determine their fair value.

When estimating fair value, consider the characteristics considered by market participants when pricing related assets or liabilities on the measurement date (including asset status and location, restrictions on the sale or use of assets, etc.), and adopt the valuation techniques which are applicable in the current situation and can be supported by sufficient data and other information. The valuation techniques mainly include market method, income method and cost method.

(IX) Hedge instruments

1. The concept of hedging

Hedging refers to the designation of financial instruments as hedging instruments by enterprises to manage the risk exposure caused by specific risks such as foreign exchange risk, interest rate risk, price risk credit risk, etc., so that the fair value or cash flow changes of hedging instruments offset risk management activities in all or part of the fair value or cash flow changes of the hedged item, In hedging accounting, hedging is divided into fair value hedging, cash flow hedging and overseas investment net hedging.

Hedging instruments refer to financial instruments designated by an enterprise for hedging, whose changes in fair value or cash flow are expected to offset changes in the fair value or cash flow of the hedged item. The foreign exchange risk component of non-derivative financial assets or non-derivative financial liabilities is designated as a hedging instrument. Hedged items refer to the items that can expose the enterprise to the risk of changes in fair value or cash flow and are designated as hedged objects and can be reliably measured. An enterprise may designate the following individual projects, project portfolios or components as hedged projects:

(1) Assets or liabilities have been confirmed;

(2) Unconfirmed commitments. Confirmed commitment refers to a legally binding agreement to exchange a certain amount of resources at an agreed price on a specific date or period in the future;

(3) Expected transactions that are likely to occur. Expected transaction refers to the transaction that has not been promised but is expected to occur;

(4) Net investment in overseas operations.

The above-mentioned project component refers to the part that is less than the overall fair value of the project or the change in cash flow. The enterprise can only designate the following project components or their combinations as hedged items:

(1) The change in fair value or cash flow (risk component) caused by only one or more specific risks in the overall fair value or cash flow change of the project;

(2) One or more selected contract cash flows;

(3) The component of the nominal amount of the project, that is, the specific part of the overall amount or quantity of the project, which can be a certain proportion of the entire project or a certain level of the overall project.

2. Hedging relationship assessment

Only fair value hedging, cash flow hedging or overseas operating net investment hedging can meet the following conditions at the same time:

(1) The hedging relationship consists only of eligible hedging instruments and hedged items;

(2) At the beginning of the hedging period, the enterprise officially designated the hedging tool and the hedged item, and prepared written documents on the hedging relationship and the risk management strategy and risk management objectives of the enterprise engaged in hedging. The document at least specifies the hedging tools, hedged items, the nature of the hedged risk and the method of hedge effectiveness evaluation (including the analysis of the reasons for the invalid portion of the hedge and the method of determining the hedge ratio);

(3) The hedging relationship meets the requirement of hedging effectiveness.

Hedging effectiveness refers to the degree to which the changes in the fair value or cash flow of the hedging instrument can offset the changes in the fair value or cash flow of the hedged item caused by the hedged risk. The part of the hedging instrument whose fair value or cash flow change is greater or less than the hedged item's fair value or cash flow change is the hedging invalid part.

An enterprise shall terminate the use of hedging accounting in any of the following situations:

(1) The hedging relationship has no longer met the risk management objectives due to changes in risk management objectives;

(2) The hedging instrument has expired, been sold, the contract is terminated or has been exercised;

(3) There is no longer an economic relationship between the hedged item and the hedging instrument, or the value of the economic relationship between the hedged item and the hedging instrument changes, the impact of credit risk begins to dominate;

(4) The hedging relationship no longer satisfies other requirements for the use of hedging accounting methods.

The termination of hedging accounting may affect the whole or a part of the hedging relationship. When only a part of the hedging relationship is affected, the remaining unaffected parts are still subject to hedging accounting.

3.Hedging confirmation and measurement

(1) Fair value hedge accounting

If the fair value hedging meets the requirements for the use of hedging accounting methods, it shall be treated in accordance with the following provisions:

①Gains or losses arising from hedging instruments should be included into the current profit and loss. If the hedging instrument is hedged on a non-trading equity instrument investment (or its component) that is selected to be measured at fair value and whose changes are included into other comprehensive income, the gain or loss generated by the hedging instrument should be included into other comprehensive income;

②If the hedged item is a financial asset (or its component) measured at fair value and whose changes are included into other comprehensive income, the gain or loss arising from the hedged risk exposure is included into the current profit and loss, and its book value has been measured at fair value and no adjustment is required; If the hedged item is the non-trading equity instrument investment (or its component) measured at fair value and whose changes are included into other comprehensive income, the gain or loss arising from the hedged risk exposure included into other comprehensive income, and its book value has been measured at fair value and no adjustment is required;

③In fair value hedging, if the hedged item is a financial instrument (or its component) measured at amortized cost, the adjustment made by the enterprise to the book value of the hedged item should be amortized according to the actual interest rate recalculated on the amortization date and included into the current profit and loss. The amortization can start from the adjustment date, but it should not be later than the time when the hedged gains and losses are adjusted for the termination of the hedged item. If the hedged item is a financial asset measured at fair value and whose changes are included into other comprehensive income (or its component), the enterprise shall amortize the accumulated recognized hedging gains or losses in the same manner and include current profit and loss, but does not adjust the book value of financial assets (or its component).

(2) Cash flow hedge

If the cash flow hedge meets the requirements for the use of hedge accounting methods, it shall be treated in accordance with the following provisions:

①The part of gains or losses generated by the hedging instrument are as the effective hedging, which is regarded as the cash flow hedging reserve, and are recorded into other comprehensive income. The amount of cash flow hedge reserve is determined according to the lower of the absolute amounts of the following two items: the cumulative gain or loss of the hedging instrument since the hedging; the cumulative change in the present value of the expected future cash flow of the hedged item since hedging;

②The part of gains or losses generated by hedging instruments that are invalid for hedging is recorded into the current profit and loss.

The cash flow hedge reserve shall be subject to follow-up treatment in accordance with the following provisions:

①The hedged item is an expected transaction, and the expected transaction causes the enterprise to subsequently confirm a non-financial asset or non-financial liability, or the expected transaction of non-financial asset or non-financial liability forms a fair value hedge accounting when confirming the commitment, the enterprise shall transfer out the amount of the cash flow hedge reserve originally recognized in other comprehensive income and include in the initial recognition amount of the asset or liability;

②For cash flow hedges that are not covered by the above ①, the enterprise should transfer the amount of cash flow hedge reserves originally recognized in other comprehensive income in the same period in which the expected cash flow of the hedge affects profit or loss, and be included into the current profit and loss;

③If the amount of the cash flow hedge reserve recognized in other comprehensive income is a loss, and the loss is wholly or partly expected to be irreparable in the future period, the enterprise shall transfer the part that it expects to irreparable from other comprehensive income and included into the current profit and loss.

(3) Overseas net investment hedging

The part of gains or losses generated by the hedging instrument is as the effective hedging is included into other comprehensive income. When disposing of overseas operations in whole or in part, the gains or losses of hedging instruments included into other comprehensive income should be transferred out accordingly and included into the current profit and loss.

The part of gains or losses generated by hedging instruments that is invalid for hedging is included into the current profit and loss.

(X) Inventories

1. Category of inventory

Inventory refers to the finished goods or goods that the Company holds for sale in its daily activities, the products in the process of production, the materials and materials consumed in the process of production or in the process of providing services, etc. Inventory mainly includes raw materials, in-process products, finished products (inventory goods), issued goods, contract performance costs and so on.

2. Pricing method of inventory

Inventories are determined at the actual cost when acquired. Cost of inventories included purchasing cost, processing cost and other cost. When acquired and approved the subsidiaries of the Company measure the cost by the following two methods:

Actual cost: Cost of inventories is determined using the weighted average method.

Intended cost: difference between the intended cost and the actual cost will be calculated by cost variance account, and the cost difference assumed for the inventories will be pay by installment, so as to adjust the intend cost to the actual cost.

3. Amortization of low-value consumables and packaging materials

Low-value consumables and packaging are a mortised using the immediate write-off method.

4. Determination basis of net realizable value of inventories and provision method of inventory depreciation reserve

After a full inspect of the inventory at the end of the period, the provision for decline in value of inventories shall be withdrawn or adjusted at the lower of the cost of inventory and the net realizable value.

If the following situations exist, it indicates that the net realizable value of the inventory is lower than the cost, and the inventory depreciation reserve is drawn according to the difference between the cost of a single inventory item and its net realizable value. With regard to the provision for inventory depreciation, the net realizable value is determined based on the estimated selling price minus the estimated cost of completion, sales expenses and related taxes.

(1) The market price of inventories continues to fall, and there is no hope of recovery in the foreseeable future;

(2) The cost of products produced using this raw material is greater than the sales price of the product;

(3) Due to product replacement, the original raw materials in stock have no longer met the needs of

new products, and the market price of the raw materials is lower than its book cost;

(4) The outdated commodities or services provided or changes in consumer preferences have caused changes in market demand, leading to a gradual decline in market prices;

(5) Other circumstances sufficient to prove that the inventory has actually been impaired.

(XI) Contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The Company's right to charge the consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) shall be presented as contract assets.

Please see IV.VIII financial instruments, 6.impairment for the determination method and accounting treatment for the expected credit loss of contract assets.

(XII) Long-term equity investments

1. Determination of investment cost

For long-term equity investments acquired through business combination under the same control, the investment cost is the share of the book value of the merged party's owner's equity in the final controller's consolidated financial statements on the merger date.

For long-term equity investments obtained by business combination not under the same control, the cost of the long-term equity investment shall be regarded as the investment cost of the long-term equity investment.

For long-term equity investments obtained by means other than business combinations: long-term equity investments obtained by paying cash, the actual purchase price is used as the initial investment cost; long-term equity investments obtained by issuing equity securities are based on the fairness of issuing equity securities value as initial investment cost.

2. Subsequent measurement and recognition of profit or loss

(1) Cost method

The company is able to use the cost method accounting for long-term equity investments that are controlled by the investee. Except for the actual consideration paid for the acquisition of investment or the declared but not yet distributed cash dividends or profits which are included into the consideration, investment gains are recognized as the Company's shares of the cash dividends or profits declared by the investee.

(2) Equity method

The company adopts equity method to account for long-term equity investments of associates and jointly controlled entities. For part of the equity investments of associate ventures indirectly through venture capital institutions, mutual funds, trust companies or similar entities including investment-linked insurance funds, the fair value measurement is adopted and their changes are recorded into profit or loss.

According to the share of net profit and loss and other comprehensive income realized by the invested unit that should be enjoyed or shared, the investment income and other comprehensive income are recognized separately, and the book value of the long-term equity investment is adjusted; the distributed profits or cash dividends announced by the invested unit calculate the portion that should be enjoyed, and reduce the book value of the long-term equity investment accordingly; for other changes in the owner's equity other than net profit and loss, other comprehensive income and profit distribution of the investee, adjust the book value of the long-term equity investment and recorded it in the owner's equity.

When confirming the share of the investee's net profit or loss, the fair value of the investee's identifiable net assets at the time of obtaining the investment is used as the basis, and the net profit of the investee is adjusted in accordance with the Group 's accounting policies and accounting period after confirmation. During the period of holding the investment, the invested unit prepares consolidated financial statements based on the net profit, other comprehensive income and other changes in owner's equity in the consolidated financial statements. The unrealized internal transaction gains and losses that occur with associates and joint ventures are calculated according to the proportions that should be attributed to the group and offset, and investment income is recognized on this basis. Unrealized internal transaction losses with the investee that belong to asset impairment losses are fully recognized.

In recognition of share of losses in the investee, the Company treats it in the following order: Firstly, the Company will write off the carrying value of long-term equity investments. Secondly, in the event the aforesaid carrying value is insufficient for write off, it shall continue to recognize investment loss and write off carrying values of long-term receivables to the extent of the carrying amount of the long-term equity which substantively constitutes the net investment in the investee. Finally, after the above treatment, for the additional obligations which shall be still assumed by entities according to investment contract or agreement, the estimated liabilities shall be recognized based on the obligations which are expected to assume and recorded into the investment loss for the current period. If the investee realizes profit in the future period, after deducting the unrecognized loss sharing amount, the company will process it in the reverse order to write down the book balance of the confirmed estimated liabilities and resume recognizing the return on the investment after deducting the book balance of the recognized expected liability and restoring the book value of other long-term equity and long-term equity investment that substantially constitute net investment of the investee.

(3) Disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between the book value and the actual purchase price is recorded into the current profit and loss.

Long-term equity investments accounted for using the equity method will use the same basis as the investee to directly dispose of related assets or liabilities when disposing of the investment, and account for the portion originally included into other comprehensive income at a corresponding rate, Owner's equity recognized due to changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee are carried forward in proportion to the current profit and loss.

If the joint control or significant influence on the invested unit is lost due to the disposal of part of the equity investment, etc., the remaining equity after disposal shall be accounted according to the financial instrument recognition and measurement standards. The fair value and the date of loss of joint control or significant impact the difference between the book value is recorded in the current profit and loss. Other comprehensive income recognized by the original equity investment due to the equity method of accounting shall be accounted for on the same basis as the investee's direct disposal of related assets or liabilities when the equity method of accounting is terminated. The owner's equity recognized due to changes in the owner's equity other than the net profit and loss, other comprehensive income and profit distribution of the investee shall be transferred to the current profit and loss when the equity method is terminated.

If the control of the invested unit is lost due to the disposal of part of the equity investment, etc., when preparing the individual financial statements, if the remaining equity after the disposal can exercise joint control or significant influence on the invested unit, the equity method is used for accounting, and the remaining equity is treated as if it had been adjusted by the equity method when it was acquired; if the remaining equity after disposal cannot exercise joint control or exert significant influence on the investee, it shall be accounted for in accordance with the relevant provisions of the financial instrument recognition and measurement standards. The difference between its fair value and book value on the date of loss of control is recorded in the current profit and loss.

Disposal of equity is obtained through business combination due to additional investment and other reasons. When preparing individual financial statements, the remaining equity after disposal is accounted for using the cost method or the equity method. Recognized other comprehensive income and other owner's equity are carried forward in proportion; if the remaining equity after disposal is accounted for according to the financial instrument recognition and measurement standards, all other comprehensive income and other owner's equity are carried forward.

3. Determine the basis for control, joint control, and significant impact on the investee

Joint control refers to the common control of an arrangement in accordance with the relevant agreement, and related activities of the arrangement must be agreed upon by the parties sharing control rights before they can make decisions. If the Group and other joint ventures jointly exercise control over the investee and have rights to the investee's net assets, the investee is a joint venture of the group.

Significant influence refers to the power to participate in making decisions on the financial and operating policies of an enterprise, but not the power to control, or jointly control, the formulation of such policies with other parties.

4. Impairment test method and accrual method for impairment preparation

At the end of the period, the long-term equity investment is checked, and the long-term equity investment impairment provision is accrued based on the difference between its recoverable amount and the book value. Once the long-term equity investment impairment provision is accrued, it shall not be transferred back in the future accounting period.

For a long-term equity investment without a market price, if there is one of the following signs, it indicates that the long-term equity investment may be impaired:

①Changes in the political or legal environment affecting the operation of the invested unit, such as the promulgation or revision of regulations such as taxation and trade, may result in huge losses for the invested unit;

②The commodities supplied by the investee or the services provided by the investee change the market demand due to the outdated products, resulting in a serious deterioration of the financial status of the investee;

③The production technology of the invested company's industry has undergone major changes, and the invested company has lost its competitiveness, resulting in serious deterioration of the financial situation, such as cleaning up, rectification, and liquidation;

④Evidence shows that the investment can no longer bring other economic benefits to the enterprise.

(XIII) Investment properties

1. Classification of investment real estate

Investment property includes land use rights that have been leased; land use rights that are held and ready to be transferred after appreciation; buildings that have been leased out.

2. Pricing of investment property

The investment property is based on its cost as the book value. The cost of outsourcing investment properly includes the purchase price, related taxes and other expenses that can be directly attributed to the asset; the cost of self-built investment property is determined by the construction of the asset. The necessary expenditure structure incurred before the usable state.

Subsequent measurement of investment property adopts the cost model, and the depreciation or amortization of buildings and land use rights is accrued according to its expected service life and net residual value rate.

3. Confirmation standards and accrual methods for impairment of investment property

The company inspects investment property at the end of the period and evaluates its recoverable amount to determine whether the asset has been impaired. For investment property whose recoverable amount is lower than its book value, the provision for impairment is made based on the difference between the recoverable amount of the individual asset and its book value. The provision for impairment of leased land use rights shall be handled in accordance with the relevant provision for impairment of land use rights in intangible assets, and the provision for impairment of leased buildings shall be treated in accordance with the relevant provision for impairment of fixed assets. Once an investment property impairment provision is accrued, it cannot be reversed in a subsequent accounting period.

4. Conversion and disposal of investment property

When the use of investment property is changed to self-use, the company will convert the investment property into fixed assets or intangible assets from the date of change. When the purpose of self-use property is changed to earn rent or capital appreciation, the company will convert fixed assets or intangible assets into investment property from the date of change. When a conversion occurs, the book value before conversion is used as the book value after conversion.

When the investment property is disposed of or withdrawn permanently from use and it is expected that no economic benefits can be obtained from its disposal, the confirmation of the investment property is terminated. The amount of disposal income from the sale, transfer, scrap or damage of investment property after deducting its book value and related taxes is recorded into the current profit and loss.

(XIV) Fixed assets

1. Fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have a useful life of more than one accounting year.

Fixed asset is recognized when it meets the following conditions: It is probable that the economic benefits associated with the fixed asset will flow to the enterprise; its cost can be reliably measured.

2. Pricing of fixed assets

The fixed assets of the company are initially measured at cost, including : the cost of outsourcing fixed assets includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributed to the asset before they reach their intended usable state; the cost of self-built fixed assets is determined by the necessary expenditures incurred before the assets reach the expected usable state ; for fixed assets invested by investors, the value agreed in the investment contract or agreement is regarded as the book value, but the value agreed in the contract or agreement is not accounted for at fair value.

3. Classification and depreciation of fixed assets

Except for fixed assets that are fully depreciated and continue to be used and land that is separately accounted, fixed assets are depreciated by categories using the average age method, and the work method is used for special devices and equipment. The estimated residual value of fixed assets is 0 to 5% of the original value of the asset. The depreciation period and annual depreciation rate of various fixed assets are as follows:

Categories	Depreciation period (year)	Annual depreciation rate (%)
Houses and buildings	8-40	2.38-12.50
Machinery and equipment	4-30	3.17-25.00
Transportation equipment	5-20	4.75-20.00
Others	5-12	7.92-20.00

4. Impairment test method of fixed assets and accrual method of impairment provision

At the end of each period, the company judges whether the fixed assets may show signs of impairment. If there are signs of impairment of fixed assets, the recoverable amount should be estimated. The recoverable amount is determined based on the higher one between the net amount of the fair value of the fixed assets minus the disposal expenses and the current value of the estimated future cash flow of the fixed assets. When the recoverable amount of a fixed asset is lower than its book value, the book value of the fixed asset is written down to the recoverable amount. The amount of write-down is recognized as impairment loss of fixed assets and recorded in the current profit and loss, and meanwhile accrue impairment of assets.

After the impairment loss of fixed assets is confirmed, the depreciation of the impaired fixed assets shall be adjusted accordingly in the future period so that the book value of the adjusted fixed assets (after deducting the estimated net residual value) will be systematically amortized over the remaining useful life of the fixed assets.

Where there are indications that a fixed asset may be impaired, the group estimates the recoverable amount based on a single fixed asset. Where it is difficult for an enterprise to estimate the recoverable amount of a single fixed asset, the recoverable amount of the asset group is determined on the basis of the asset group to which the fixed asset belongs.

Once the impairment loss of fixed assets is confirmed, it will not be reversed in the future accounting periods.

5. Subsequent expenditure on fixed assets

Subsequent expenditures related to fixed assets that meet the conditions for confirmation of fixed assets are included into the cost of fixed assets; those that do not meet the conditions for confirmation of fixed assets are included into the current profit and loss when they occur.

6. Disposal of fixed assets

When a fixed asset is disposed of or no economic benefit is expected to result from use or disposal, the recognition of the fixed asset is terminated. The amount of income from disposal of fixed assets sold, transferred, scrapped or damaged after deducting their book value and related taxes is included into the current profit and loss.

(XV) Construction in progress

At the end of the period, determine whether there is any sign of possible impairment of the construction in progress. If there are signs of impairment of the construction in progress, the recoverable amount is estimated. If there are signs that a construction in progress may be impaired, the Group estimates its recoverable amount based on the single construction in progress. If it is difficult for the Group to estimate the recoverable amount of a single construction in progress, the recoverable amount of the asset group is determined based on the asset group to which the construction in progress belongs.

The recoverable amount is determined based on the higher of the net value of the fair value of the construction in progress minus the disposal expenses and the present value of the expected future cash flow of the construction in progress. When the recoverable amount of the construction in progress is lower than its book value, the book value of the construction in progress s written down to the recoverable amount. The amount of written-down is recognized as the impairment loss of the construction in progress and recorded in the current profit and loss, and meanwhile accrue impairment of construction in progress.

Once the impairment loss of the construction in progress is confirmed, it will not be reversed in future accounting periods.

(XVI) Borrowing costs

1. Criteria for recognition of capitalized borrowing costs

The borrowing costs that can be directly attributed to the acquisition and construction of assets that take a long time to complete the acquisition and construction activities to reach the predetermined usable state. The asset expenditure and borrowing costs have already occurred and are necessary for the asset to reach the predetermined usable state. Only when the purchase and construction activities have begun, can it be capitalized and included into the cost of the asset. Capitalization ceases when the purchased and constructed assets reach the intended usable state, and the borrowing costs incurred thereafter are included into the current profit and loss.

2. Capitalization period of borrowing costs

Borrowing costs incurred on assets eligible for capitalization for the construction or production meet the above capitalization conditions, those incurred before the asset reaches the intended use or sale state shall be included into the cost of assets; If the production activities are abnormally interrupted, and the interruption lasts for more than 3 months, the capitalization of borrowing costs is suspended, and it is recognized as current expenses until the construction or production activities of the assets restart; when reaching the state, the capitalization of borrowing costs is stopped, and the borrowing costs incurred thereafter are directly included into the financial expenses in the current period.

3. Calculation method of capitalization amount of borrowing costs

If special loans are borrowed for the purchase or construction or production of assets that meet the capitalization conditions, the interest expenses actually incurred in the current period of the special loans minus the interest income obtained by depositing unused loan funds into the bank or the amount of investments obtained by making temporary investments after the income is determined; the amount of interest that should be capitalized for the general borrowing borrowed for the purchase or construction or production of assets that meet the capitalization conditions is calculated and determined based on the weighted average of the asset expenditures in which the accumulated asset expenditure exceeds the special borrowing multiplied by the capitalization rate of the general borrowing.

(XVII) Oil and gas assets

1. Oil and gas asset

Oil and gas assets refer to wells and related facilities and mining interests owned or controlled by oil and gas field enterprises, and other facilities whose cost recovery in product sharing contracts directly depends on oil and gas reserves.

2. Pricing of oil and gas assets

The cost to acquire mining interests is capitalized when incurred, and the initial measurement is based on the cost at the time of acquisition. Royalties for exploration right, royalties for mining right and rents incurred after the acquisition of mining interests are included into the current profit and loss.

3. Depletion of oil and gas assets

No depletion is charged for equity in unproved mining interests, and other oil and gas assets are amortized according to the production method. Within the current period of the mining license, the production method depletion rate is determined on the estimated production capacity of the oil and gas reserves in the existing facility.

4. Provision for impairment of oil and gas assets

When the recoverable amount of oil and gas assets other than unproved mining interests is lower than its book value, the book value is written down to the recoverable amount; when the fair value of the unproved mining interests is lower than its book value, the book value is written down to fair value.

For unproved mining interests, an impairment test is conducted once a year. If the acquisition cost of a single mining area is large, an impairment test shall be conducted on the basis of the single mining area and the amount of impairment of unproved mining interests shall be determined. If the acquisition cost of a single mining area is relatively small and has the same or similar geological structural characteristics or reservoir conditions as other adjacent mining areas, the impairment shall be tested according to a group of adjacent mining areas with the same or similar geological structural characteristics or reservoir conditions.

Once the provision for impairment of oil and gas assets is confirmed, it shall not be transferred back in subsequent accounting periods.

(XVIII) Right -of-use asset

The right-of-use asset is initially measured at cost, including: the initial measurement amount of the lease liability; the lease payments made on or before the start date of the lease term, if there is a lease incentive, deduct the relevant amount of the lease incentive already enjoyed; initial direct costs incurred by the lessee; costs expected to be incurred to dismantle and remove the leased asset, restore the site on which the leased asset is located, or restore the leased asset to the condition agreed upon in the terms of the lease (excluding costs incurred to produce inventory).

After the lease commencement date, the right-of-use asset is subsequently measured using the cost model.

The principle of determining the depreciation period of the right-of-use asset: if the lessee can reasonably determine that the leased asset will be acquired at the expiration of the lease term, depreciation shall be accrued within the remaining useful life of the leased asset. If it cannot be reasonably determined that the ownership of the leased asset can be obtained at the expiration of the lease term, depreciation shall be accrued within the shorter of the lease term and the remaining useful life of the leased asset. If the remaining useful life of the right-of-use asset is shorter than the first two, the depreciation is accrued over the remaining useful life of the right-of-use asset.

Impairment of the right-of-use asset: on the commencement date of the lease term, the lessee determines whether the right-of-use asset is impaired in accordance with the relevant provisions on asset impairment, and performs accounting treatment on the identified impairment loss.

(XIX) Intangible assets

1. Intangible assets

Intangible assets refer to identifiable non-monetary assets without physical form owned or controlled by the company, mainly including land use rights, patented technologies and non-patented technologies.

When the following conditions are met at the same time, intangible assets are recognized:

①The economy related to the intangible assets is likely to flow into the Group;

②The cost of the intangible asset can be measured reliably.

2. Pricing of intangible assets

The costs of an externally purchased intangible asset include the purchase price, relevant taxes and expenses paid, and other expenditures directly attributable to putting the asset into condition for its intended use. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of financing nature in effect, the cost of the intangible assets shall be ascertained based on the present value of the purchase price.

The amount of intangible assets acquired from debt restructuring should be recorded at the fair value of such intangible assets, and the difference between the carrying amount of the restructured debt and the fair value of the intangible assets acquired from debt restructuring should be included into the profit or loss for the current period.

If the non-monetary assets transaction is commercial in nature and the fair value of the assets received or surrendered can be reliably measured, the intangible assets received in the non-monetary assets transaction, shall be measured on the basis of the fair value of the assets surrendered, unless there are concrete evidence that the fair value of the assets received is more reliable; For non-monetary assets transaction which does not meet the above conditions, the cost of intangible assets received shall be the book value of the assets surrendered and the relevant taxes and expenses payable, and the profit or loss will not be recognized.

The intangible assets acquired by the enterprise under the same control are determined based on the book value of the merged party; the intangible assets acquired by the enterprises under the same control are determined at fair value.

Intangible assets developed by the company itself, whose costs include: materials used in the development of the intangible assets, labor costs, registration fees, amortization of other patents and concessions used in the development process, and interest charges to meet capitalization conditions, and other direct costs incurred to bring the intangible asset to its intended use.

3. Amortization method and period of intangible assets

For intangible assets with finite useful life, amortization is carried out by the straight-line method within the period of bringing economic benefits to the enterprise. For intangible assets with uncertain service life, they are not amortized during the holding period. At the end of each period, the service life and amortization method of intangible assets with limited useful life and the service life of intangible assets with uncertain service life are reviewed. For the evidence that the service life of intangible assets is limited, the service life is estimated and amortized within the expected service life.

4. Provision for impairment of intangible assets

At the end of each half year, determine whether there are signs of possible impairment of intangible assets. If the asset is impaired, the recoverable amount should be estimated first. When the recoverable amount of intangible asset is lower than its book value, the book value of the intangible asset is written down to the recoverable amount. The amount of write-down is recognized as impairment loss of intangible assets and recorded into the current profit and loss, and meanwhile accrue impairment of intangible assets.

Intangible assets with uncertain service life, regardless of whether there are signs of impairment, at least every six months should be tested for impairment.

Once the provision for impairment of intangible assets is confirmed, it shall not be transferred back in the subsequent accounting period.

(XX) Research and Development Expenditures

Research expenditures are included into the current profit and loss when it occurred; the expenses in the development phase are capitalized if the following conditions are fulfilled:

(1) It is technically feasible to complete this intangible asset so that it can be used or sold;

(2) Have the intention to complete the intangible assets and use or sell them;

(3) The ways in which intangible assets generate economic benefits include the existence of a market for intangible assets that are capable of proving the existence of a market for the products produced using such intangible assets. Intangible assets are used internally and can prove their usefulness;

(4) Sufficient technical, financial, and other resources to support the development of this intangible asset and the ability to use or sell the intangible asset;

(5) Expenditure attributable to the development phase of intangible assets can be reliably measured.

If it does not meet the conditions mentioned above, it is included into the current profit or loss when it occurred. Development expenditures that have been included into profit or loss in previous periods are not reconfirmed as assets in subsequent periods. The capitalized development expenditures are listed as development expenditures on the balance sheet, and are converted into intangible assets from the date when the project reaches its intended use.

(XXI) Goodwill

Goodwill is the difference between the cost of business combination exceeding the fair value share of the identifiable net assets of the acquired party that should be acquired in the business combination on the acquisition date or the purchase date.

Goodwill listed separately in the financial statements is tested for impairment at least annually. During the impairment test, the book value of goodwill is allocated to the beneficiary asset group or combination of asset groups based on the synergistic effect of the business combination.

(XXII) Long-term deferred expenses

The company's long-term prepaid expenses refer to expenses that have been paid but have been amortized for more than one year. Including: train rooms equipped for field operations, mobile rooms, drilling tools, downhole instruments, tools, well control and solid control devices, leased fixed assets improvement expenses, etc. in use for field operations. Other long-term deferred expenses are usually amortized equally over the benefit period.

(XXIII) Contract liabilities

The Company recognizes the obligation to transfer goods to customers after receiving or receiving consideration from customers as contractual liabilities. Before transferring the goods to the customer, if the customer has already paid the contract consideration or the Group has obtained the right to receive the contract consideration unconditionally, the Group will, at the earlier point of time when the customer actually pays the amount and the amount due and payable, will pay the amount received or receivables are presented as contract liabilities.

(XXIV) Employee Remuneration

Employee remuneration refers to the various forms of remuneration or compensation given by the company to obtain the services provided by the employees or to terminate the labor relationship. Employee remuneration includes short-term remuneration, dismissal benefits, retirement benefits and other long-term employee benefits.

1. Short-term remuneration

During the accounting period in which employees provide services, the company recognizes the short-term remuneration payable as a liability and accounts for the relevant asset costs and expenses based on the beneficiaries of the employees providing services.

The social insurance premiums and housing provident funds paid by the company for employees, as well as the union funds and employee education funds drawn according to the regulations, are calculated and determined according to the prescribed withholding basis and withholding ratio during the accounting period when the employees provide services for the company.

Health care, living allowances, internal welfare department expenditures, hardship subsidies, retired non-retirement expenses, heating subsidies and other welfare expenses paid to employees are included into employee benefits. If the employee benefits are non-monetary benefits, they shall be measured at fair value.

2. Dismissal benefits

The company will pay dismissal benefits when the Group can no longer withdraw the offer of termination plan or layoff proposal and when the Group recognizes costs for restructuring which involving the payment of dismissal benefits (whichever the earliest). The remuneration incurred by the dismissal benefits will be recognized as liabilities which would be recorded into current profits and loss.

3. Retirement benefits

The company will pay basic pension insurance and unemployment insurance in accordance with the relevant provisions of the local government for the staff. During the accounting period when the staff provides service, the company will calculate the amount payable in accordance with the local stipulated basis and proportions which will be recognized as liabilities, and the liabilities would be recorded into current profits and loss or costs of assets.

The company establishes an enterprise annuity, and the enterprise annuity funds are jointly paid by the company and the individual.

(XXV) Lease liabilities

The Company initially measures the lease liabilities according to the present value of the unpaid lease payment on the start date of the lease term. When calculating the present value of the lease payment, the company adopts the lease embedded interest rate as the discount rate; If the interest rate of the lease cannot be determined, the incremental borrowing rate of the Company shall be used as the discount rate. The lease payment amount includes: Fixed payment amount and substantial fixed payment amount after deducting the relevant amount of lease incentive; Variable lease payment amount depending on index or ratio; When the Company reasonably determines that the option will be exercised, the lease payment amount includes the exercise price for purchasing the option; In the case that the lease period reflects that the Company will exercise the option to terminate the lease, the lease payment amount includes the amount to be paid for exercising the option to terminate the lease; Estimated amount to be paid according to the residual value of guarantee provided by the Company.

The Company calculates the interest expenses of the lease liabilities in each period of the lease term according to a fixed discount rate, which is included in the current profits and losses or related asset costs.

The variable lease payments that are not included in the measurement of lease liabilities shall be included in the current profits and losses or related asset costs when they actually occur.

(XXVI) Bonds payable

Bonds payable are priced according to the actual issue price; the difference between the total issue price and the total face value of the bond is regarded as the premium or discount of the bond, and is amortized during the life of the bond when the interest rate is accrued according to the actual interest rate method, and in accordance with the principle of borrowing cost. The year-end balance of bonds payable is the amortized value.

(XXVII) Accrued liabilities

1. Recognition criteria for accrued liabilities

When the obligations related to the contingent events meet the following conditions at the same time, the company recognizes the accrued liabilities:

(1) The obligation is a present obligation of the Group;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation;

(3) The amount of the obligation can be measured reliably.

2. Method of measuring the various accrued liabilities

The company's estimated liabilities are initially measured at the best estimate of the expenditure required to perform the relevant current obligations. When determining the best estimate, the company considers factors such as risks, uncertainties and time value of money related to contingent events. For the significant impact of the time value of money, the best estimate is determined by discounting the relevant future cash outflows. On the balance sheet date, the book value of the estimated liabilities is reviewed, and the book value is adjusted to reflect the current best estimate.

(XXVIII) Safety production fee

From January to October 2022, the Group extracts and uses safe production fee in accordance with the provisions of the "Administrative Measures on the Extraction and Use of Enterprise Safe Production Fee " (Caizi[2012] No. 16)of the Ministry of Finance and the State Administration of Work Safety; From November to December 2022, the Group extracts and uses safe production fee in accordance with the provisions of the" Administrative Measures on the Extraction and Use of Enterprise Safe Production Fee " (Caizi[2012] No. 136)of the Ministry of Finance and the State Administration of Work Safety.

(XXIX) Preference shares, perpetual bonds and other financial instruments

The Group classifies these financial instruments or their components as financial assets, financial liabilities or equity instruments at initial recognition based on the contract terms of preference shares or perpetual bonds issued and the economic substance reflected, combined with the definition of financial assets, financial liabilities and equity instruments.

The Group treats the preference shares or perpetual bonds issued by it that contain both equity and liability components in accordance with the same accounting policies as convertible instruments with equity components. The Group treats the preference shares or perpetual bonds that do not contain equity components in accordance with the same accounting policies as convertible instruments that do not contain equity components.

The Group's preference shares issued by it that shall be classified as equity instruments are recorded in equity instruments based on the actual amount received. If dividends and interest are distributed during the existence period, it shall be treated as profit distribution. If the preference shares are redeemed in accordance with the terms of the contract, the equity shall be written off at the redemption price.

(XXX) Revenue

After fulfilling the performance obligations in the contract, that is, when the customer obtains control of the relevant goods or services, the revenue is recognized.

If the contract contains two or more performance obligations, the transaction price shall be allocated to each individual performance obligation on the start date of the contract according to the relative proportion of the individual selling prices of the goods or services promised by each individual performance obligation and the transaction price of the performance obligation measures income.

The transaction price is the amount of consideration that you are expected to be entitled to the customer due to the transfer of goods or services, excluding payments collected on behalf of third parties. The confirmed transaction price does not exceed the amount that the accumulated confirmed income is unlikely to be materially reversed when the relevant uncertainty is eliminated. Expected to be refunded to the customer as a return liability, not included into the transaction price. If there is a significant financing component in the contract, the transaction price is determined according to the amount of cash payable when the customer assumes control of the goods or services. The difference between the transaction price and the contract consideration is amortized using the actual interest rate method during the contract period. On the start date of the contract, if it is estimated that the interval between the customer obtaining control of the goods or services and the price paid by the customer does not exceed one year, the major financing component existing in the contract is not considered.

If one of the following conditions is met, it is a performance obligation to be performed within a certain period of time; otherwise, it is a performance obligation at a certain point in time:

①The customer obtains and consumes the economic benefits brought by the performance of the enterprise at the same time as the company performs the contract.

②The customer can control the goods under construction in the process of corporate performance.

③The goods produced during the performance of the enterprise have irreplaceable uses, and the enterprise has the right to receive payment for the part of the performance that has been completed so far throughout the contract period.

For performance obligations performed within a certain period of time, revenue is recognized in accordance with the progress of performance within that period of time. When the performance progress cannot be reasonably determined, if the costs incurred are expected to be compensated, the revenue shall be recognized according to the amount of costs incurred until the performance progress can be reasonably determined.

For performance obligations performed at a certain point in time, the Group shall earn income when the customer obtains control of the relevant commodity. In determining whether a customer has acquired control of a commodity, the Group should consider the following signs:

①The enterprise has the current right to collect the goods.

②The enterprise has transferred the physical goods to the customer.

③The enterprise has transferred the main risks and rewards of ownership of the goods to the customer.

④The customer has accepted the goods.

The right to receive consideration for the transfer of goods or services to the customer (and the right depends on factors other than the passing of time) is listed as a contract asset, and the contract asset is impaired based on expected credit losses "Note IV (VIII) Financial instruments 6. Impairment ". The Group's right to collect consideration from customers unconditionally (depending only on the passing of time) is listed as accountants receivable financing. The Group's obligation to transfer goods or services received or receivable from customers for consideration is listed as contract liabilities.

The accounting policies related to the main activities for income generation are described as follows:

1. Sales revenue

Revenue is recognized when the customer obtains control of related commodities. Obtaining control of related commodities means that customers can lead the use of the commodities and obtain almost all economic benefits from them.

2. Income from the provision of labor services

The customer obtains and consumes the economic benefits brought by the performance of the Group while performing the performance of the Group. It belongs to the performance obligations performed within a certain period of time, and the revenue is recognized according to the progress of performance. Otherwise, it belongs to performance obligations performed at a certain point in time, and the revenue is recognized when the customer obtains control of related services.

3. Interest income

The interest income is calculated and determined according to the time for lending the monetary funds and the actual interest rate.

(XXXI) Contract costs

Contract costs include incremental costs incurred in obtaining the contract and contract performance costs.

Incremental costs incurred in obtaining a contract refer to costs that the Group would not incur without obtaining a contract. If the cost is expected to be recovered, the Group recognizes it as a contract acquisition cost as an asset. Other expenses incurred by the Group in order to obtain the contract, in addition to the incremental costs expected to be recovered, are included into the current profit and loss when incurred.

Assets recognized for contract acquisition costs and assets recognized for contract performance costs (hereinafter referred to as "assets related to contract costs") are amortized on the same basis as the recognition of the income from commodities or services related to the asset and included into the current profit and loss. When the amortization period does not exceed one year, it is included into the current profit and loss when it occurs.

When the book value of the asset related to the contract cost is higher than the difference between the following two items, the Group makes an impairment provision for the excess and recognizes it as an asset impairment loss:

1. The remaining consideration that the Group expects to obtain due to the transfer of goods or services related to the asset;

2. Estimate the costs that will be incurred for the transfer of the relevant goods or services.

(XXXII) Government grants

1. Types

Government grants are mainly for financial allocation, financial interest discount, tax return and free allocation of non-monetary assets.

2. Government grant confirmation

The group shall be recognized when it is able to meet the conditions attached to government grants and when it is able to receive government grants.

3. Accounting treatment method

Government subsidies related to assets should be recognized as deferred income. If the government subsidies related to assets are recognized as deferred income, they are recorded into the current profit and loss in a reasonable and systematic manner within the useful life of the assets constructed or purchased.

A government grant related to income is used for compensation for related expenses or losses to be incurred by the Company in subsequent periods, the grant shall be recognized as deferred income. And in the period of confirming the related cost, expense or loss, it shall be included into the current profit and loss or offset related costs. For the compensation of related costs and losses already incurred by the company, it shall be directly included into the current profit and loss or offset related costs.

4. Measurement of government grant

If the government grant is a monetary asset, it shall be measured according to the amount received or receivable.

If the government grant is a non-monetary asset, it shall be measured at its fair value; if its fair value cannot be obtained reliably, it shall be measured at its nominal amount, which shall be 1 yuan.

(XXXIII) Deferred tax assets and liabilities

Deferred income tax assets are recognized for deductible temporary differences to the extent of taxable income that is probable in the future to deduct deductible temporary differences.

The company recognizes the taxable temporary difference between the current period and the previous period that has not been paid as deferred income tax liabilities. However, it does not include the goodwill and the temporary difference formed by the taxable income or deductible losses when transaction formed by non-business combinations occurs.

When the following conditions are met at the same time, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offset:

(1) The deferred income tax assets and deferred income tax liabilities are related to the income tax levied by the same tax collection authority on the same taxpayer in the Group;

(2) The enterprise has the legal right to settle the current income tax assets and current income tax liabilities on a net basis.

(XXXIV) Leases

Lease refers to a contract in which the lessor transfers the right to use the asset to the lessee within a certain period to obtain consideration.

On the contract start date, the company evaluates whether the contract is a lease or includes a lease. If one of the parties in a contract transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is a lease or includes a lease.

In order to determine whether the contract cedes the right to control the use of the identified assets within a certain period, the Group conducts the following assessment:

①Whether the contract involves the use of the identified assets. The identified asset may be specified explicitly in the contract or implicitly when the asset is available to the customer, and the asset is physically distinguishable, or if a portion of the asset's capacity or other parts are physically indistinguishable but represent the full production capacity of the asset, so that customers receive almost all the economic benefits arising from the use of the asset. If the supplier of the asset has a substantial right to replace the asset during the entire period of use, the asset is not an identified asset;

②Whether the lessee is entitled to obtain almost all economic benefits arising from the use of the identified assets during the period of use;

③Whether the lessee has the right to lead the use of the identified assets during the period of use.

If the contract contains multiple separate leases at the same time, the lessee and the lessor split the contract, and each separate lease is accounted for separately. If the contract includes both lease and non-lease parts, the lessee and the lessor will separate the lease and non-lease parts. When splitting the lease and non-lease parts included in the contract, the lessee shall allocate the contract consideration in accordance with the relative proportion of the sum of the individual price of each lease part and the individual price of the non-lease part. The lessor shall apportion the contract consideration in accordance with the accounting policies of the provisions on transaction price apportionment as described in Note IV. (XXX).

1. The Group as a lessee

At the beginning of the lease period, the Group recognizes right-of-use asset and lease liabilities for leases. The right-of-use asset is initially measured at cost, including the initial measurement amount of the lease liability, the lease payment paid on or before the start of the lease period (deducting the amount related to the lease incentives already enjoyed), the initial direct costs incurred and costs expected to be incurred to dismantle and remove the leased asset, restore the leased asset to its location or restore the leased asset to its agreed status under the terms of the lease.

The Group uses the straight-line method to accrue depreciation for right-of-use assets. For those who can reasonably determine the ownership of the leased asset when the lease term expires, the Group accrues depreciation within the remaining useful life of the leased asset. Otherwise, the leased asset is depreciated within the shorter of the lease period and the remaining useful life of the leased asset.

Lease liabilities are initially measured at the present value of the lease payments that have not been paid at the beginning of the lease period, and the discount rate is the interest rate implicit in lease. If the interest rate implicit in lease cannot be determined, the Group's incremental borrowing rate is used as the discount rate.

The Group calculates the interest expense of the lease liability for each period of the lease term at a fixed periodic interest rate and includes it into the current profit or loss or the cost of related assets. Variable lease payments that are not included in the measurement of lease liabilities are included into current profit or loss or the cost of related assets when they actually occur.

After the start of the lease period, when the following situations occur, the Group remeasures the lease liability according to the present value of the lease payment after the change:

①The expected payable amount changes according to the guarantee residual value;

②The index or ratio used to determine the lease payment has changed;

③The Group's evaluation results of purchase options, lease renewal options, or lease termination options have changed, or the actual exercise of lease renewal options or lease termination options is inconsistent with the original evaluation results.

When the lease liability is remeasured, the Group adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, but the lease liability still needs to be further reduced, the Group records the remaining amount into the current profit and loss.

The Group has chosen not to recognize right-of-use assets and lease liabilities for short-term leases (leases with a lease period not exceeding 12 months) and leases of low-value assets, and the related lease payments are recorded on a straight-line basis into the current profit and loss or the cost of the related assets for each period of the lease term.

2. The Group as a lessor

On the lease start date, the Group divided leases into financing lease and operating lease. Financial lease refers to a lease that transfers almost all risks and rewards related to ownership of leased assets regardless of whether the ownership is eventually transferred. Operating lease refers to a lease other than finance leases.

The lease receipts of operating leases are recognized as rental income using the straight-line method during the lease term. The Group capitalizes the initial direct costs incurred in relation to operating leases allocates them on the same basis as the recognition of rental income during the lease period, and is included into the current profit and loss in installments. Variable lease payments that are not included in the lease receipts are included into the current profit and loss when they actually occur.

(XXXV) Classified as assets held for sale

Confirm non-current assets or disposal groups that simultaneously meet the following conditions as assets held for sale:

(1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;

(2) The sale is very likely to happen, that is, the company has already made a resolution on a sales plan, approved by the regulatory authorities (if applicable) and obtained a certain purchase commitment. It is expected that the sale will be completed within one year. If the relevant regulations require approval by the relevant authority of the enterprise or the regulatory authority before it can be sold, it should have been approved.

Non-current assets (excluding financial assets and deferred income tax assets) that are eligible for holding for sale are measured at the lower of book value and the net value of fair value minus sales expenses. The amount which the fair value minus the selling expenses is lower than the original book value is recognized as an asset impairment loss.

Similarly, non-current liabilities classified as held for sale should be classified as current liabilities and listed in the "liabilities held for sale" item in the balance sheet.

(XXXVI) Fair value measurement

When measuring related assets or liabilities at fair value, it is based on the following assumptions:

(1) The transactions of market participants selling assets or transferring liabilities on the measurement date are orderly transactions under current market conditions;

(2) The orderly transactions of selling assets or transferring liabilities are conducted in the main market of related assets or liabilities. If there is no major market, it is assumed that the transaction is conducted in the most favorable market for related assets or liabilities;

(3) Adopt the assumptions that market participants use to maximize their economic benefits when pricing the asset or liability.

When measuring non-financial assets at fair value, consider the ability of market participants to use the asset for optimal use to generate economic benefits, or sell the asset to other market participants that can be used for optimal use to generate economic benefits.

When fair value is classified into three levels as a whole, it is based on the lowest level among the three levels to which each important input value used in fair value measurement belongs. The three levels are defined as follows:

The first level input value is unadjusted quotes for the same assets or liabilities that can be obtained on the measurement date in an active market.

The second level input value is the input value that is directly or indirectly observable for the relevant assets or liabilities except for the first level input value.

The third level input value is unobservable inputs to related assets or liabilities.

(XXXVII) Segment report

The Company determines operating segments based on internal organizational structure, management requirements, and internal reporting systems, and determines reporting segments based on operating segments.

V. CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES, AND CORRECTIONS OF ACCOUNTING ERRORS

(I) Changes in Accounting Policies

The Group has implemented the relevant provisions of Accounting Standards Interpretation for Business Enterprises No. 15 (Caikuai [2021] No. 35) since January 1, 2022, and has had no material impact on the financial statements of the Group.

(II) Changes in Accounting Estimates

There is no change in important accounting estimates in this period.

(III) Corrections of Accounting Errors of Prior Period

The Group has no correction of significant accounting errors in the previous period.

VI. TAXATION

(I) The principal taxations

Tax Type	Tax basis	Tax rate
Value-added tax(VAT)	The tax is calculated on the basis of the sales goods and taxable service income calculated according to the tax law. After deducting the input tax amount that is allowed to be deducted in the current period the difference is partly due to the value-added tax.	13%、9%、6%
Consumption tax	The payment is calculated based on the sales volume of taxable products, The taxable amount of gasoline, naphtha, solvent oil and lubricating oil is 1.52 yuan per liter, and diesel and fuel oil is 1.20 yuan per liter.	Quantitative Levy
City maintenance and construction tax	Based on VAT and sale tax paid	7%、5% or 1%
Education surcharge	Based on VAT and sale tax paid	3%
Resource tax	Based on sales of crude oil, natural gas and shale gas	1-6%
Special oil gain	Based on the excess income obtained by selling domestic crude oil prices above a certain level	20%-40%
business income tax	Calculated on taxable income	25%、15%

(II) Important tax incentives and Written approval

1. Value-added tax

According to the Ministry of Finance, the State Administration of Taxation, and the Genera Administration of Customs "Notice on Import Tax Policies for Exploration, Development and Utilization of Energy Resources during the "14th Five-Year Plan" Period (Cai Guan [2021] No. 17), from January 1,2021to December 31,2025,for the construction of cross-border natural gas pipelines and imported LNG receiving, storage and transportation equipment projects approved by the National Development and Reform Commission, as well as the natural gas imported from the expansion projects of imported LNG receiving, storage and transportation equipment approved by the provincial government(including pipeline gas and liquefied natural gas), the import value-added tax will be refunded according to a certain proportion.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Issuing the "Measures for the Administration of Value-Added Taxes in Oil and Gas Field Enterprises" (Caishui [2009] No. 8) and the "Supplementary Notice on VAT in Oil and Gas Field Enterprises" by the Ministry of Finance and the State Administration of Taxation (Caishui [2009] No. 97), the company pays value-added tax for productive services provided by crude oil and natural gas production. Goods and taxable services transferred or provided for production between each oil and gas field enterprise and its non-independent accounting unit are not pay VAT.

The Ministry of Finance and the State Administration of Taxation issued the Announcement on Further Accelerating the Progress of the implementation of the Tax refund Policy of the final period of VAT Credit (Caishui [2022] No. 19) , Since April 1, 2022, the State has implemented a new combined tax support policy,and implemented a large-scale tax refund of the VAT credit in advance. Eligible large enterprises in manufacturing and other industries shall refund the increment VAT tax credit in full on a monthly basis, and apply to the competent tax authorities for a one-time refund of the stock tax credit from the tax return period in June 2022. Before June 30, 2022, on the basis of the voluntary application of taxpayers, the centralized refund of large enterprises' stock tax credits.

Local tax rates apply to overseas subsidiaries.

2. Consumption tax

According to the Notice of the Ministry of Finance and the State Administration of Taxation on Continuing to Increase Consumption Tax on Refined Oil (Caishui [2015] No. 11), from January 13, 2015, the unit tax amount of consumption tax for gasoline, naphtha, solvent oil and lubricants, was increased from 1.4 yuan/liter to 1.52 yuan/liter, and the unit tax amount of consumption tax for diesel, aviation kerosene and fuel oil was increased from 1.1 yuan/liter to 1.2 yuan/liter. Aviation kerosene continued to be suspended.

According to the Notice of the Ministry of Finance and the State Administration of Taxation on the Exemption of Consumption Tax on Self-use Oils Produced by Refined Oi Production Enterprises (Caishui [2010] No. 98), from January 1, 2009, during the production of refined oil, the company's self-produced refined oil consumed as fuel, power and raw materials is exempt from consumption tax.

According to the "Interim Measures for the Refund (Exemption) of Consumption Tax on Naphtha and Fuel Oil for the Production of Ethylene and Aromatic Hydrocarbon Chemical Products" (State Administration of Taxation Announcement No. 36 of 2012), the company will be exempt from consumption tax when it is used for the continuous production of ethylene and aromatic hydrocarbon chemical products by the enterprises in the group and the sale of self-produced naphtha and fuel oil under the fixed-point direct supply plan of naphtha and fuel oil issued by the State Administration of Taxation.

According to the Notice of the Ministry of Finance and National Development and Reform Commission on implementation of phased price subsidies after international oil prices hit the upper limit of regulation (Caishui [2022] No. 185) ,Starting from June 14, 2022, when the price of crude oil in the international market is higher than the state-prescribed upper limit of refined oil price control (US $130 per barrel), the central government will implement phased price subsidies for refined oil production and operation enterprises (refining enterprises) that produce, process and import gasoline and diesel in China. The amount of subsidies is calculated based on the actual sales volume of gasoline and diesel oil paid by oil refining enterprises in a 10-working day period.

3. Resource tax

According to the "Resource Tax Law of the People's Republic of China", crude oil and natural gas used for heating in the process of mining crude oil and transporting crude oil within the oilfield are exempt from resource tax; Crude oil and natural gas mined from low-abundance oil and gas fields are reduced by 20% resource tax; Natural gas with high sulfur content, tertiary oil recovery and crude oil and natural gas extracted from deep-water oil and gas fields shall be reduced by 30% resource tax; Heavy oil and high pour point oil will be reduced by 40%.

On March 29,2018, according to the Notice of the Ministry of Finance and the State Administration of Taxation on Reducing Resource Tax on Shale Gas (Caishui [2018] No. 26), in order to promote the development and utilization of shale gas, effectively increase the supply of natural gas. From April 1, 2018 to March 31, 2021, the shale gas resource tax (at the prescribed rate of 6%) will be reduced by 30%.On March 15, 2021, the Ministry of Finance and the State Administration of Taxation issued the "Announcement on Extending the Implementation Period of Some Preferential Tax Policies" (Announcement No. 6 [2021] of the Ministry of Finance and the State Administration of Taxation), and the preferential tax policies will be implemented on March 31,2021.After the expiry, the enforcement period was extended to December 31,2023.

4. Special oil gain

According to the Ministry of Finance's "Notice on Increasing the Starting Point of Special Oil Gain (Caishui [2014] No.115), with the approval of the State Council, the Ministry of Finance decided to increase the oil special gain starting point to 65 USD / barrel from January 1,2015,level 5 excess progressive ad valorem rate calculation is still implemented.

5. Business income taxes

On April 23, 2020, the Ministry of Finance, the State Taxation Administration of The People's Republic of China and the National Development and Reform Commission jointly issued the Announcement on Continuation of Enterprise Income Tax Policy for Western Development (Announcement No.23, 2020 of the National Development and Reform Commission of the Ministry of Finance and the State Administration of Taxation). From January 1, 2021 to December 31, 2030, the encouraged industrial enterprises located in the western region continued to collect enterprise income tax at a reduced rate of 15%.

According to the provisions of the "Enterprise Income Tax Law of the People's Republic of China"," Implementation Regulations of the Enterprise Income Tax Law of the People's Republic of China"," Measures for the Administration of the Identification of High-tech Enterprises" and "Guidelines for the Administration of the Identification and Management of High-tech Enterprises" ,the enterprise income tax is levied at a tax rate of 15%, and subsidiaries of the Group that have obtained the "High-tech Enterprise Certificate" enjoy a preferential tax rate of 15%.

The Ministry of Finance and the State Administration of Taxation jointly issued the "Announcement on Further Improving the Pre-tax Deduction Policy for R&D Expenses" (Announcement No. 13 of 2021), which stipulates that from January 1, 2021, the R&D expenses of manufacturing enterprises will be deducted. The ratio has been increased from 75% to 100%, reducing the tax burden of manufacturing enterprises.

The Ministry of Finance and the State Administration of Taxation and the Ministry of Science and Technology jointly issued the Announcement on Strengthening the Pre-Tax Deduction for Scientific and Technological Innovation (Caishui [2022] No.28) . From October 1, 2022 to December 31, 2022, the new equipment and appliances purchased by high-tech enterprises during this period are allowed to be deducted in the calculation of taxable income in the same year, and are allowed to implement 100% additional deduction before tax. For enterprises that currently apply a pre-tax deduction of 75% of R&D expenses, the pre-tax deduction will be increased to 100%.

The Ministry of Finance and the State Administration of Taxation issued the Announcement of the State Administration of Taxation of the Ministry of Finance on Preferential Tax Policies for Enterprises to Invest in Basic Research(Caishui [2022]No.32). Starting from January 1, 2022, the expenditure on basic research funded by enterprises to non-profit scientific and technological research and development institutions, institutions of higher learning and government natural science funds shall be restricted. When calculating the taxable income amount, it can be deducted before tax according to the actual amount incurred, and can be deducted at the rate of 100% before tax. The income from basic research funds received by non-profit scientific research institutions and institutions of higher learning from enterprises, individuals and other organizations shall be exempted from enterprise income tax.

The Ministry of Finance and the State Administration of Taxation issued the "Announcement on the Extension of the Implementation Period of Some Preferential Tax Policies"(Caishui [2022]No.4). From January 1, 2022 to December 31, 2023, the qualified third-party enterprises engaged in pollution prevention and control shall be taxed at a reduced tax rate of 15%.

The projects and subsidiaries invested by the Group abroad are paid in accordance with the contract and the relevant tax regulations of the country where the taxes payable are paid in the country where they are locate.

VII. BUSINESS COMBINATION AND CONSOLIDAEDE FINANCIAL STATEMENTS

(I) Main Subsidiaries

No	Company Name	Subsidiary type	Mode of acquisition	Place of registration	Main place of business	Business nature	Registered capital (Ten thousand yuan)	Shareholding ratio (%)	Voting rights ratio (%)	Actual contribution	Acquisition methods
1	CNPC Natural Gas Co., Ltd.	Level 2	1	Beijing	Domestic	Oil and gas new energy, refining chemical and new materials, refined oil and natural gas sales, trade, scientific research	18,302,098	82.62	82.62	21,332,642	1
2	CNPC international exploration and development co., Ltd.	Level 2	1	Beijing	Domestic	Oil and gas new energy	17,641,898	100.00	100.00	18,767,320	1
3	China United Petroleum Co. , Ltd.	Level 2	1	Beijing	Domestic	Trade	127,174	70.00	70.00	90,989	1
4	CNPC Engineering Co. , Ltd.	Level 2	1	Karamay	Domestic	Engineering construction	558,315	72.20	72.20	1,892,647	2
5	China Petroleum Group Capital Co. , Ltd.	Level 2	2	Karamay	Domestic	Capital and finance	1,264,208	79.26	79.26	7,213,679	2

Note:(1) Subsidiary type: 1. Domestic non-financial sub-enterprise, 2. Domestic financial sub-enterprise, 3. Overseas sub-enterprise, 4. Public institution, 5. Infrastructure unit;

(2) Acquisition methods: 1. Investment establishment, 2. Business combination, 3. Others

(3) The level of the group company is level 1, the subsidiaries of the group company are level 2, and so on.

(II) Original subsidiaries no longer included in the scope of consolidation in this period

During the current period, PetroChina Linyuan Refining Co., LTD., a subsidiary of the Group, is no longer included in the scope of the merger due to cancellation, with a date of April 21, 2022.

(III) Entities newly included in the scope of consolidation in this period

The company has no new entities included in the scope of consolidation this year.

(IV) Relevant information of structured entities included in the scope of consolidated financial statements

Investment entity	Current period		Previous period	
	Quantity	Amount	Quantity	Amount
CNPC Asset Management Co., Ltd.	71	2,235,030	50	2,510,733
Kunlun Bank Co., Ltd.	33	2,866,817	30	2,685,927

Judgment basis for the implementation of control over important structured entities included in the scope of consolidation:

The Group periodically re-evaluates, judges whether to control structured entities, and decides whether to include them in the scope of consolidation. In the evaluation and judgment, the Group comprehensively considers the following facts and circumstances: the purpose of the establishment of the structured entity, the activities and decisions that have a significant impact on the structured entity's return, the dominant rights over the structured entity, and the variable return enjoyed by the participants in the relevant activities of the structured entities , influence on variable returns of structured entities, and relationships with other parties of structured entities.

At the same time, when determining whether the group is an agent or a principal, comprehensive consideration should be given to: whether there is a single party with substantive rights that can unconditionally remove the decision-maker, the scope of its decision-making power, the substantive rights held by other parties, the reasons for remuneration levels for providing management and other services, exposure to variable returns from any other arrangements, etc.

VIII. NOTES TO IMPORTANT ITEMS FINANCIAL STATEMENTS

In addition to the special note, the unit of amount is CNY ten thousand yuan; "End of period" refers to December 31, 2022, and "beginning of the year" refers to January 1, 2022; the current period refers to 2022, and the previous period refers to 2021.

(I) Cash and bank

Item	Closing balance	Opening balance
Cash	28,839	33,065
Bank deposit	28,259,604	23,560,133
Other cash and cash equivalents	3,845,487	3,545,946
Total	32,133,930	27,139,144

As of December 31,2022,the limited amount of ownership in the balance of monetary funds was 8,784,767 million yuan which was mainly in the form of time deposits maturing over three months, the monetary funds deposited with the central banks statutory reserve, the central bank's fiscal deposits, etc.

(II) Placements with banks and other financial institutions

Item	Closing balance	Opening balance
Call loan to non-bank financial institutions	6,743,637	5,979,581
Interest receivable of Funds lent	77,466	81,732
Due from Placements with Banks and Other Financial Institutions	22,773,264	17,139,340
Interest receivable of Deposit interbank funds	184,996	57,478
Less: bad debt provision for funds lent	146,710	132,063
Less: bad debt provision for interbank deposit	994	19,863
Total	29,631,659	23,106,205

(III) Held for trading financial assets

Items	Fair value at the end of the period	Fair value at the beginning of the period
Debt instrument investment	5,423,434	5,475,489
Equity instrument investment	284,717	131,397
Hybrid instrument investment	5,575,590	5,050,798
Other	19,982	21,459
Total	11,303,723	10,679,143

(IV) Notes receivable

Type	Closing balance	Opening balance
Bank acceptance	5,135	10,283
Trade acceptance	1,574	34,933
Total	6,709	45,216

(V) Accounts receivable

Age	Closing balance	Opening balance
Within 1 year	9,649,833	7,582,333
1 - 2 years	622,931	606,672
2 - 3 years	434,175	538,977
Over 3 years	2,705,321	2,357,481
Sub-total	13,412,260	11,085,463
Less: provision for bad debts	3,153,140	2,670,506
Total	10,259,120	8,414,957

(VI) Receivables financing

Type	Closing balance	Opening balance
Notes receivable	394,097	254,043
Total	394,097	254,043

(VII) Prepayments

Age	Closing balance	Opening balance
Prepayments	11,900,132	15,396,963
Less: Bad debt provision	61,365	58,609
Total	11,838,767	15,338,354

(VIII) Other receivables

Items	Closing balance	Opening balance
Interest receivable	50,738	56,458
Dividend receivable	718,354	110,300
Other receivables	6,042,129	5,591,200
Total	6,811,221	5,757,958

1. Interest receivable

Items	Closing balance	Opening balance
Fixed deposits	40,534	32,861

Items	Closing balance	Opening balance
Entrusted Loan	141	
Bond investment	1,791	20,573
Others	8,272	3,024
Total	50,738	56,458

2. Dividend receivable

Items	Closing balance	Opening balance
Dividend receivable within one year	678,631	66,308
Dividend receivable over one year	39,723	43,992
Total	718,354	110,300

3. Other receivables

Age	Closing balance	Opening balance
Within 1 year	4,782,075	4,389,213
1 - 2 years	563,794	531,572
2 - 3 years	310,173	300,932
Over 3 years	1,405,571	1,264,194
Sub-total	7,061,613	6,485,911
Less: provision for bad debts	1,019,484	894,711
Total	6,042,129	5,591,200

(IX) Buying back the sale of financial assets

Items	Closing balance	Opening balance
Bond	2,859,378	6,001,543
Others	2,200	205,020
Less: Bad debt provision		654
Total	2,861,578	6,205,909

(X) Inventories

Items	Closing balance	Opening balance
Raw materials	4,106,937	2,877,127

Items	Closing balance	Opening balance
Goods in process	1,985,373	2,074,722
Inventory goods (finished products)	13,760,913	12,727,471
Contract performance cost	1,521,680	1,105,178
Others	158,347	115,996
Total	21,533,250	18,900,494

(XI) Contract assets

Items	Closing balance	Opening balance
Contract assets	6,712,899	7,555,350
Less: Provision for impairment of contract assets	152,507	129,461
Total	6,560,392	7,425,889

(XII) Non-current assets due within one year

Items	Closing balance	Opening balance
Loans and advances due within one year	10,639,520	14,282,524
Debt investment measured at amortized cost due within one year	904,287	2,781,973
Other debt investments measured at fair value and whose changes are included into other comprehensive income due within one year	402,696	1,357,389
Long-term receivables due within one year	1,080,964	999,298
Others		295,832
Total	13,027,467	19,717,016

(XIII) Other current assets

Items	Closing balance	Opening balance
Reclassified tax payable	6,427,969	5,808,962
Others	6,567,430	5,376,816
Total	12,995,399	11,185,778

(XIV) Loans and advances to customers

Items	Closing balance	Opening balance
Personal loans and advances	5,741,887	5,218,373

Items	Closing balance	Opening balance
credit card	65,710	76,890
Housing mortgage	2,181,370	2,144,420
Others	3,494,807	2,997,063
Corporate loans and advances	6,949,767	6,068,456
loan	3,383,728	6,102,722
Discount	3,519,046	2,424,588
Others	46,993	-2,458,854
Total loans and advances	12,691,654	11,286,829
Less: reserve for loan losses	967,492	1,141,377
Among: combined accrual amount	967,492	1,141,377
Book value of loans and advances	11,724,162	10,145,452

(XV) Debt investments

Items	Closing balance	Opening balance
Treasury bond investment	45,275	1,504,340
Enterprise bond investment	300	5,852
Entrusted loan	224,711	280,798
Bond investment	3,513,299	1,378,892
Trust products	2,762,201	4,020,954
Interest receivable	74,487	64,139
Others	2,304,400	2,962,896
Subtotal	8,924,673	10,217,871
Less: Non-current liabilities due within one year	904,287	2,781,973
Other current assets	258,236	368,273
Total	7,762,150	7,067,625

(XVI) Other debt investments

Items	Closing balance	Opening balance
Treasury bond investment	213,658	41,180
Financial bond investment	1,386,599	1,285,584
Enterprise bond investment	958,966	749,492

Items	Closing balance	Opening balance
Others	46,262	39,863
Total	2,605,485	2,116,119

(XVII) Long-term receivables

Items	Closing balance	Opening balance
Financing lease	3,976,910	3,611,595
Among: unrealized financing gains	701,746	633,804
Installment sales	4,894	1,389
Installment service	12,576	26,776
Others	1,283,315	1,118,183
Total	5,277,695	4,757,943

(XVIII) Long-term equity investments

1. Classification of Long-term equity investments

Items	**Opening balance**	**Increase during the period**	**Decrease during the period**	**Closing balance**
Investment in joint venture	4,251,883	723,838	424,866	4,550,855
Investment in associated enterprise	27,657,070	3,271,671	2,534,935	28,393,806
Subtotal	31,908,953	3,995,509	2,959,801	32,944,661
less: impairment for long term equity investments	114,384	519,454	10,103	623,735
Total	31,794,569	3,476,055	2,949,698	32,320,926

2. Details of Long-term equity investments

Name of entity	Investment cost	Opening balance	Increases/decreases in 2022								Closing balance	Provision for bad debts as at December 31, 2022
			Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
Total	29,722,070	31,908,953	890,241	175,930	2,466,149	1,048,985	-409,494	2,783,871	497,260	-372	32,944,661	623,735
1. Joint ventures	3,272,687	4,251,883	421,940	129,820	304,855	-60,329	57,372	295,046	26,088		4,550,855	75,083
China-Italy China Life Insurance Company Limited	301,602	514,559			56,320	-93,235		21,392			456,252	
Mangistau Investments B.V.	2,100	462,052			74,347	19,559		134,355			421,603	
PetroChina Central Asia Natural Gas Pipeline Co., Ltd.	250,000	2,140,841			205,698	45,994		33,486			2,359,047	
Grand Rapids Pipeline Limited Partnership	304,243	442,701			29,291	-63,437	39,680				448,235	
PP Oil & Gas Holding Inc.	44,966	54,428			39,390	5,351		30,268			68,901	
Others	2,369,776	637,302	421,940	129,820	-100,191	25,439	17,692	75,545	26,088		796,817	75,083
2. Associates	26,449,383	27,657,070	468,301	46,110	2,161,294	1,109,314	-466,866	2,488,825	471,172	-372	28,393,806	548,652

Name of entity	Investment cost	Opening balance	Increases/decreases in 2022								Closing balance	Provision for bad debts as at December 31, 2022
			Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
Arctic LNG2 LLC	1,585,755	1,549,495				143,121					1,692,616	
Mozambique Rovuma Venture S.P.A	3,201,856	2,975,161	798		-521,951	256,325					2,710,333	
Yamal LNG	691,069	867,840			1,465,471	558,332		1,661,138		-372	1,230,133	
Petrolera Sinovensa S.A.	530,680	524,125			79,279	51,223					654,627	
National Petroleum and Natural Gas Pipeline Network Group Co., Ltd.	14,950,000	15,733,778			783,747		-381,773	431,237			15,704,515	
Others	5,490,023	6,006,671	467,503	46,110	354,748	100,313	-85,093	396,450	471,172		6,401,582	548,652

(XIX) Other non-current financial assets

Items	Closing Fair value	Opening Fair value
Debt instrument investment	3,098,581	3,120,820
Equity instrument investment	25,823	245,407
Total	3,124,404	3,366,227

(XX) Fixed assets

Items	Closing balance	Opening balance
Fixed assets	63,028,097	58,247,156
Fixed assets cleanup	95,577	86,484
Total	63,123,674	58,333,640

Details of fixed assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	155,159,066	13,396,298	2,828,783	165,726,581
Among: Housing and buildings (including land, oil gas station)	37,170,004	2,532,305	559,561	39,142,748
Machinery and equipment	106,424,984	10,213,990	1,719,363	114,919,611
Transportation equipment	5,427,319	206,002	321,669	5,311,652
Others	6,136,759	444,001	228,190	6,352,570
II、Accumulated depreciation	86,715,031	6,887,341	1,934,609	91,667,763
Among: Housing and buildings (including land, oil gas station)	16,144,620	1,537,218	300,044	17,381,794
Machinery and equipment	63,328,034	4,742,989	1,147,781	66,923,242
Transportation equipment	3,497,217	250,287	280,197	3,467,307
Others	3,745,160	356,847	206,587	3,895,420
III、Net value	68,444,035	—	—	74,058,818
Among: Housing and buildings (including land, oil gas station)	21,025,384	—	—	21,760,954
Machinery and equipment	43,096,950	—	—	47,996,369
Transportation equipment	1,930,102	—	—	1,844,345
Others	2,391,599	—	—	2,457,150
IV、Provision for impairment	10,196,879	1,122,400	288,558	11,030,721
Among: Housing and buildings (including land, oil gas station)	1,924,049	475,067	130,709	2,268,407
Machinery and equipment	7,178,773	508,642	130,224	7,557,191

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Transportation equipment	248,946	3,872	22,392	230,426
Others	845,111	134,819	5,233	974,697
V、Book value	58,247,156	—	—	63,028,097
Among: Housing and buildings (including land, oil gas station)	19,101,335	—	—	19,492,547
Machinery and equipment	35,918,177	—	—	40,439,178
Transportation equipment	1,681,156	—	—	1,613,919
Others	1,546,488	—	—	1,482,453

(XXI) Construction in progress

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Oil and gas new energy	18,110,731	823,962	17,286,769	15,636,533	783,005	14,853,528
Refining new materials	2,804,828	103,817	2,701,011	5,793,078	230,116	5,562,962
Sales	744,842	43,472	701,370	989,894	56,118	933,776
Natural gas sales	1,323,541	262,833	1,060,708	1,427,635	225,844	1,201,791
Oilfield technical service	167,838	19,583	148,255	117,890	376	117,514
Engineering construction	34,341		34,341	32,439		32,439
Equipment Manufacturing	59,413	6,832	52,581	36,623	6,699	29,924
Headquarters and others	3,411,272	197,089	3,214,183	2,628,157	459,954	2,168,203
Engineering materials	576,914	10,966	565,948	1,093,663	11,806	1,081,857
Total	27,233,720	1,468,554	25,765,166	27,755,912	1,773,918	25,981,994

(XXII) Oil and gas assets

Details of Oil and gas assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	279,135,526	30,833,773	7,273,579	302,695,720
Among:mineral interest	10,004,872	1,112,422		11,117,294
Wells and related facilities	269,130,654	29,721,351	7,273,579	291,578,426
II、Accumulated depletion	173,235,161	24,720,780	5,108,369	192,847,572
Among:mineral interest	2,231,820	288,493		2,520,313
Wells and related facilities	171,003,341	24,432,287	5,108,369	190,327,259

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
III、Oil and gas assets provision for impairment	10,640,715	1,700,341	187,513	12,153,543
Among:mineral interest	3,276,588	584,751		3,861,339
Wells and related facilities	7,364,127	1,115,590	187,513	8,292,204
IV、Oil and gas assets book value	95,259,650	——	——	97,694,605
Among:mineral interest	4,496,464	——	——	4,735,642
Wells and related facilities	90,763,186	——	——	92,958,963

(XXIII) Right-of-use assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	6,285,698	1,427,478	1,015,442	6,697,734
Among: Land	383,066	191,559	118,194	456,431
Housing and buildings	5,260,919	653,094	554,048	5,359,965
Machinery and Transportation equipment	409,541	548,869	235,428	722,982
Others	232,172	33,956	107,772	158,356
II、Accumulated depreciation	1,701,473	1,117,193	554,829	2,263,837
Among: Land	117,275	65,381	48,273	134,383
Housing and buildings	1,364,387	751,806	342,185	1,774,008
Machinery and Transportation equipment	135,238	265,658	124,025	276,871
Others	84,573	34,348	40,346	78,575
III、Net value	4,584,225	——	——	4,433,897
Among: Land	265,791	——	——	322,048
Housing and buildings	3,896,532	——	——	3,585,957
Machinery and Transportation equipment	274,303	——	——	446,111
Others	147,599	——	——	79,781
IV、Provision for impairment	816	6,795		7,611
Among: Land				
Housing and buildings	816	6,795		7,611
Machinery and Transportation equipment				
Others				
V、Book value	4,583,409	——	——	4,426,286
Among: Land	265,791	——	——	322,048

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Housing and buildings	3,895,716	——	——	3,578,346
Machinery and Transportation equipment	274,303	——	——	446,111
Others	147,599	——	——	79,781

(XXIV) Intangible assets

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
I、Original carrying value	16,829,624	1,382,001	624,934	17,586,691
Among: Software	1,840,032	233,001	141,922	1,931,111
Land use rights	11,382,685	738,722	272,966	11,848,441
Patent	540,226	189,201	145,593	583,834
Non-patented technology	372,485	158,343	3,115	527,713
Trademark right	64,317	5,216		69,533
Copyright	947			947
Franchise	2,372,538	44,749	15,334	2,401,953
Others	256,394	12,769	46,004	223,159
II、Accumulated amortization	6,099,748	791,647	296,630	6,594,765
Among: Software	1,362,778	175,897	95,027	1,443,648
Land use rights	2,948,146	361,617	42,794	3,266,969
Patent	430,244	29,737	126,972	333,009
Non-patented technology	306,825	137,658	2,295	442,188
Trademark right	8,759	141		8,900
Copyright	427	93		520
Franchise	926,320	77,046	3,815	999,551
Others	116,249	9,458	25,727	99,980
III、Provision for impairment	131,916	50,741	20,661	161,996
Among: Software	22,261	2,427	1,963	22,725
Land use rights	39,294	18,163	399	57,058
Patent	21,054	241		21,295
Non-patented technology	13,744			13,744
Trademark right	6,596	609		7,205
Copyright				
Franchise	23,545	11,002		34,547

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Others	5,422	18,299	18,299	5,422
V、Net book value	10,597,960	——	——	10,829,930
Among: Software	454,993	——	——	464,738
Land use rights	8,395,245	——	——	8,524,414
Patent	88,928	——	——	229,530
Non-patented technology	51,916	——	——	71,781
Trademark right	48,962	——	——	53,428
Copyright	520	——	——	427
Franchise	1,422,673	——	——	1,367,855
Others	134,723	——	——	117,757

(XXV) Goodwill

1. Book value of goodwill

Name of investee or matters forming goodwill	Opening balance	Increase in the period	Decrease in the period	Closing balance
Tianjin Yingluowa Overseas Subsidiary	50,995			50,995
Others (Note)	812,200	60,789	452	872,537
Less: provision for impairment of goodwill	55,400	126,972		182,372
Total	807,795	-66,183	452	741,160

Note : It is mainly related to the acquisition of Singapore Petroleum Company and Petroineos Trading Limited in 2009 and 2011 respectively; This year's changes are mainly affected by exchange rate changes.

2. Goodwill impairment reserve

Name of investee or matters forming goodwill	Opening balance	Increase in the period	Decrease in the period	Closing balance
Tianjin Yingluowa Overseas Subsidiary	50,995			50,995
Others (Note)	4,405	126,972		131,377
Total	55,400	126,972		182,372

Note :At the end of each year, the Group conducts impairment test in combination with asset groups related to goodwill. The discount rate is the pre-tax interest rate that reflects the time value of the current market currency and the specific risks of related asset groups. After comparing the present value of the recoverable amount with the book value of the asset group containing goodwill, the Group recognizes the corresponding impairment.

(XXVI) Deferred tax assets and Deferred tax liabilities

Deferred tax assets or liabilities after the offset and the corresponding after-offset deductible or taxable temporary differences

Items	Deferred income tax assets or liabilities after offsetting at the end of the reporting period	Deductible or taxable temporary differences after offsetting at the end of the reporting period	Deferred income tax assets or liabilities after offsetting at the beginning of the reporting period	Deductible or taxable temporary differences after offsetting at the beginning of the reporting period
I、Deferred income tax assets				
Impairment on assets	1,485,495	6,618,571	1,191,879	5,360,911
Deductible loss	371,239	1,517,732	400,950	1,658,377
Asset depreciation and depletion	48,304	194,792	50,411	192,536
Payroll payable	154,037	664,790	147,531	770,282
Estimate liabilities	55,829	238,919	76,345	337,157
Others	2,388,661	10,177,038	1,802,442	9,812,725
Subtotal	4,503,565	19,411,842	3,669,558	18,131,988
Offset	-1,551,051		-1,500,124	
Total	2,952,514	19,411,842	2,169,434	18,131,988
II、Deferred income tax liabilities				
Changes in fair value of financial assets included in other comprehensive income	4,116	16,464	1,139	4,558
Changes in fair value of trading financial assets	243,403	975,540	274,116	1,076,112
Asset depreciation and depletion	2,468,249	9,353,180	2,898,766	12,735,923
Others	2,824,018	12,888,534	2,754,614	11,517,097
Subtotal	5,539,786	23,233,718	5,928,635	25,333,690
Offset	-1,551,051		-1,500,124	
Total	3,988,735	23,233,718	4,428,511	25,333,690

(XXVII) Other non-current assets

Items	Closing balance	Opening balance
Commercial reserve crude oil	2,432,667	1,909,901
Others	1,148,347	1,116,489
Total	3,581,014	3,026,390

(XXVIII) Short-term loans

Items	Closing balance	Opening balance
Pledged loan		10,500
Mortgage loan		15,360
Guaranteed loan	139,292	49,032
Credit loan	7,160,098	6,828,819
Total	7,299,390	6,903,711

(XXIX) Deposit funds

Items	Closing balance	Opening balance
Inter-bank lending	5,718,875	4,905,504
Total	5,718,875	4,905,504

(XXX) Notes payable

Type	Closing balance	Opening balance
Bank acceptance	933,688	500,323
Trade acceptance	4,631,250	6,355,976
Total	5,564,938	6,856,299

(XXXI) Accounts payable

Age	Closing balance	Opening balance
Within 1 year (incluing 1 year)	35,850,743	31,408,403
1-2year (incluing 2 year)	2,365,084	2,068,844
2-3 year (induing 3 year)	1,052,064	889,621
Over 3 year	2,127,171	1,862,643
Total	41,395,062	36,229,511

(XXXII) Deposit received

Age	Closing balance	Opening balance
Within 1 year (incluing 1 year)	100,582	117,412
Over 1 year	93,644	154,449
Total	194,226	271,861

(XXXIII) Contract liabilities

Items	Closing balance	Opening balance
Sales amount of natural gas, crude oil and refined oil	7,733,659	7,848,065
Engineering construction and technical services	2,165,042	1,787,921
Others	1,050,349	922,394
Total	10,949,050	10,558,380

(XXXIV) Absorption of deposits and interbank deposits

Items	Closing balance	Opening balance
Deposit absorption		
Current deposit	4,849,065	4,352,882
Among: corporate customers	1,847,341	2,095,382
individual customer	3,001,724	2,257,500
Time deposit	13,439,435	10,803,839
Among: corporate customers	5,783,055	4,705,072
individual customer	7,656,380	6,098,767
Other deposits (including outward remittance and payable remittance, etc.)	1,198,174	1,179,401
Among: Fiscal deposits	10,162	6,098
Security deposit	1,161,452	1,139,118
Remittance payable	26,560	34,185
Interest payable	497,838	498,909
Total	19,984,512	16,835,031
Interbank deposit	3,717,502	3,589,409
Total	23,702,014	20,424,440

(XXXV) Employee benefits payable

Items	Closing balance	Opening balance
Short term salary	6,336,614	4,568,380
Post-employment benefits-set up a contribution plan	7,589	33,026

Items	Closing balance	Opening balance
Termination benefits	29,356	6,000
Other benefits due within one year	12,197	12,917
Others	1,781	15
Total	6,387,537	4,620,338

(XXXVI) Taxes payable

Items	Closing balance	Opening balance
VAT	1,043,208	950,815
Consumption tax	843,624	4,380,334
Resource tax	244,713	294,813
Enterprise income tax	2,284,449	1,555,694
Urban maintenance and construction tax	133,033	215,814
Property tax	25,321	22,927
Land use lax	54,477	77,766
Individual income tax	229,329	178,611
Education surcharge (including local education surcharge)	164,423	214,619
Others	1,720,950	920,943
Total	6,743,527	8,812,336

(XXXVII) Other payables

Items	Closing balance	Opening balance
Interest payable	503,322	774,353
Dividend payable	65,707	59,133
Other payables	7,270,030	7,039,600
Total	7,839,059	7,873,086

1. Interest payable

Items	Closing balance	Opening balance
Interest on long-term borrowings due in installments	7,213	13,561
Interest of corporate bond	472,751	740,105
Interest payable of short-term borrowings	474	417

Items	Closing balance	Opening balance
Others	22,884	20,270
Total	503,322	774,353

Note: The Company has no significant overdue and unpaid interest this year.

2. Dividends payable

Items	Closing balance	Opening balance
Common stock dividends	65,707	59,133
Total	65,707	59,133

Note: The Group has no significant unpaid dividends payable for more than one year at the end of the year.

3. Other payables

Items	Closing balance	Opening balance
Deposit and security deposit received	939,942	793,224
Rent payable for fixed assets and packaging from operating leases	329	7,298
Settlement amount payable for joint venture and cooperation, etc.	493,732	379,131
Others	5,836,027	5,859,947
Total	7,270,030	7,039,600

Note: Others mainly include residential maintenance funds, social security funds and other escrow funds, collection and payment, etc.

(XXXVIII) Non-current liabilities due within one year

Items	Closing balance	Opening balance
Long-term borrowings due within one year	4,061,175	17,624
Bonds payable due within one year	8,635,041	8,919,798
Long-term accounts payable due within one year	20,171	50,176
Other long-term liabilities due within 1 year	522,089	499,540
Total	13,238,476	9,487,138

(XXXIX) Other current liabilities

Items	Closing balance	Opening balance
Interbank certificate of deposit	3,797,777	3,661,855
Commercial paper	341,072	802,366
Short-term bonds payable	3,400,000	
Others	1,752,094	1,023,316
Total	9,290,943	5,487,537

(XL) Long-term loans

Items	Closing balance	Opening balance	Ending interest rate range (%)
Pledged loan	425,160	533,141	1.20-5.39
Mortgage loan	170,212	303,439	3.35-8.19
Guaranteed loan	690,003	669,063	2.00-5.80
Credit loan	3,702,295	7,641,722	1.02-6.80
Total	4,987,670	9,147,365	——

(XLI) Bonds payable

1. Bonds payable

Items	Closing balance	Opening balance
Medium-term notes	9,868,000	16,100,000
Enterprise bonds	1,998,096	1,997,587
Corporate bonds	1,100,000	3,495,859
Financial bonds		449,617
Offshore bonds	1,661,696	2,386,677
Total	14,627,792	24,429,740

2. Details of Bonds payable:

Name of Bond	Issue date	Term(year)	Annual interest rate(%)	Closing balance
(1) Medium-term notes	——	——	——	——
19PetroChina MTN001	2019.01.07	5	3.77	1,000,000
19PetroChina MTN002	2019.01.14	5	2.15	130,000
19PetroChina MTN005	2019.10.16	5	3.58	1,000,000
19PetroChina MTN006	2019.10.16	5	3.58	1,000,000

Name of Bond	Issue date	Term(year)	Annual interest rate(%)	Closing balance
20PetroChina MTN002	2020.03.20	5	2.99	1,000,000
20PetroChina MTN003	2020.03.20	5	2.99	1,000,000
22PetroChina MTN001	2022.07.05	2	2.35	900,000
19PetroChina MTN001	2019.01.22	5	3.45	313,000
19PetroChina MTN002	2019.01.22	5	3.45	275,000
19PetroChina MTN003	2019.02.21	5	3.66	1,000,000
19PetroChina MTN004	2019.02.21	5	3.66	1,000,000
19PetroChina MTN005	2019.04.22	5	3.96	1,000,000
22PetroChina GN001	2022.04.27	3	2.26	50,000
22PetroChina GN002	2022.06.15	3	2.19	200,000
(2) Enterprise bonds	——	——	——	——
10PetroChina 02	2010.08.13	15	4.16	999,265
12PetroChina 04	2012.02.21	15	5	998,831
(3) Corporate bonds	——	——	——	——
12PetroChina 03	2012.11.22	15	5.04	200,000
16PetroChina 02	2016.01.18	10	3.5	470,000
16PetroChina 04	2016.03.01	10	3.7	230,000
16PetroChina 06	2016.03.22	10	3.6	200,000
(4) Offshore bonds	——	——	——	——
11PetroChina Offshore bonds	2011.04.20	30	5.95	343,286
20PetroChina Offshore bonds	2020.06.16	5	1.35	625,812
20PetroChina Offshore bonds	2020.06.16	10	2	345,776
Kunlun Energy Co., Ltd. Senior Notes	2015.05.13	10	3.75	346,822
Total	——	——	——	14,627,792

(XLII) Accrued liabilities

Items	Closing balance	Opening balance
ARO	14,952,049	13,588,566
External guarantee	30,279	192,231
Pending litigation	203,896	279,877
Others	912,780	948,507
Total	16,099,004	15,009,181

(XLIII) Other non-current liabilities

Items	Closing balance	Opening balance
Other trust stakeholders' rights	118,162	256,413
Deposit margin	1,000	1,000
Bank agency business net liabilities	31,810	14,850
Others	8,454	8,565
Total	159,426	280,828

(XLIV) Paid-in capital

Investors	Opening balance		Increase in the period	Decrease in the period	Closing balance	
	Investment amount	Percentage (%)			Investment amount	Percentage (%)
State capital	48,685,500	100.00	20,000		48,705,500	100.00
Total	48,685,500	100.00	20,000		48,705,500	100.00

(XLV) Capital reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Capital (share) premium	4,204,191			4,204,191
Other capital reserve	22,698,143	1,644,183	1,721,333	22,620,993
Total	26,902,334	1,644,183	1,721,333	26,825,184

(XLVI) Surplus reserve

Items	Opening balance	Increase in the period	Decrease in the period	Closing balance
Statutory surplus reserve	14,445,673	362,757		14,808,430
Discretionary surplus reserve	94,085,474			94,085,474
Others	38			38
Total	108,531,185	362,757		108,893,942

(XLVII) Operating revenue and operating cost

Items	Amount for this period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
1. Main operating	336,842,729	252,987,230	277,641,396	213,845,612

Items	Amount for this period		Amount for previous period	
	Revenue	Cost	Revenue	Cost
Including: Selling goods	349,120,388	266,995,158	284,918,609	222,746,871
Providing services	32,605,548	30,655,633	29,699,867	28,489,510
Transferring the right to use assets	142,711	80,941	459,641	351,811
Reclassification adjustment and offset	-45,025,918	-44,744,502	-37,436,721	-37,742,580
2. Other operating	421,917	215,428	498,553	374,826
Including: Material sales	231,387	134,966	332,256	310,158
Rental of fixed assets	190,310	80,462	166,006	64,668
Others	220		291	
Total	337,264,646	253,202,658	278,139,949	214,220,438

(XLVIII) Selling expenses

Items	Amount for this period	Amount for previous period
Employee benefits	2,753,316	2,738,353
Depreciation, depletion and amortization expenses	1,554,004	1,581,937
Shipping fee	1,156,891	1,661,925
Technical service fee	267,422	280,129
Warehousing and storage fee	183,751	171,725
Rental fees	158,861	215,184
Maintenance and repair costs	112,871	129,641
Electricity fee	82,406	78,672
Fuel and material consumption	53,481	75,852
Loading fee	73,102	72,721
Other fees	1,085,590	934,308
Total	7,481,695	7,940,447

(XLIX) General and administrative expenses

Items	Amount for this period	Amount for previous period
Employee benefits	6,677,582	5,606,491
Safety production cost	708,459	589,995
Depreciation, depletion and amortization expenses	634,539	714,164
Maintenance fee of information system	314,850	279,174

Items	Amount for this period	Amount for previous period
Rental fees	257,835	248,585
Technical service fee	211,643	197,648
Property management fee	169,289	146,815
Consulting audit fee	159,733	144,077
Maintenance and repair costs	99,629	112,220
Shipping fee	94,560	85,661
Other fees	29,916	315,810
Total	9,358,035	8,440,640

(L) Financial expenses

Items	Amount for this period	Amount for previous period
Interest expense	2,064,548	2,120,179
Less: Interest income	1,125,802	711,569
Net exchange gains	1,105,820	-737,613
Others	121,234	97,992
Total	-45,840	2,244,215

(LI) Other income

Items	Amount for this period	Amount for previous period
Import of natural gas / LNG VAT levied first and then returned	1,400,636	860,601
Subsidy for Tight Gas Development and Utilization	146,586	212,829
Subsidy for development and utilization of shale gas	140,490	195,811
Subsidy for development and utilization of coalbed methane	25,144	26,180
VAT will be levied and refunded after VAT reform	12,060	16,319
National Oil and Gas Project	7,685	10,251
Others	182,463	236,567
Total	1,915,064	1,558,558

(LII) Investment income

Sources of investment income	Amount for this period	Amount for previous period
Long-term equity investment income accounted by equity method	2,474,927	1,911,695
Investment income from disposal of long-term equity investment	-17,532	2,080,735
Investment income from holding trading financial assets	447,563	382,361
Investment income from disposal of trading financial assets	9,839	6,495
Interest income during the holding period of other debt investments	67,040	44,202
Interest income during the holding period of debt investment	225,895	301,514
Income from disposal of other debt investment	14	8,097
Dividend income obtained during holding other equity instruments	2,220	2,086
Investment income from disposal of other equity instruments	2,630	22,179
Investment losses arising from the disposal of derivative financial instruments	-2,893,119	
Others	124,373	-137,057
Total	443,850	4,622,307

(LIII) Credit impairment losses

Items	Amount for this period	Amount for previous period
Bad debt loss	-715,641	-363,643
Credit impairment loss of debt investment	-160,291	-175,625
Impairment loss of loans	85,048	-46,672
Other credit impairment losses	-54,926	8,564
Total	-845,810	-577,376

(LIV) Asset impairment losses

Items	Amount for this period	Amount for previous period
Impairment loss of oil and gas assets	-1,547,482	-2,104,990
Inventory falling price loss	-1,061,057	-533,252
Impairment loss of fixed asset	-778,363	-541,859
Impairment loss of long-term equity investment	-497,260	-44,426
Impairment loss of construction in progress	-205,793	-395,478
Impairment loss of contract assets	-46,815	-16,792
Impairment loss of intangible assets	-28,987	-10,433
Others	-311,436	-8,899
Total	-4,477,193	-3,656,129

(LV) Gains from asset disposals

Items	Amount for this period	Amount for previous period
Net income from non-current asset disposals	119,472	125,655
Net income from non-monetary asset exchange	29,968	9,734
Others	49	14,758
Total	149,489	150,147

Note: The net income from non-current asset disposals is mainly the net income from disposals of fixed assets and intangible assets.

(LVI) Non-operating income

Items	Amount for this period	Amount for previous period
Government subsidies unrelated to the daily activities of the enterprise	157,845	402,928
Accounts payable that cannot be paid	79,007	89,924
Compensation income	30,133	26,740
Penalty income	24,809	11,341
Accept donations	526	309
Others	302,611	266,443
Total	594,931	797,685

(LVII) Non-operating expenses

Items	Amount for this period	Amount for previous period
Gains from destruction and retirement of non-current assets	2,137,967	2,093,087
External donation	64,949	67,391
Expenditure on maintaining stability	594,593	565,122
Others	959,452	1,921,081
Total	3,756,961	4,646,681

(LVIII) Income tax expense

Items	Amount for this period	Amount for previous period
Current income tax	9,909,117	5,404,194
Adjustment deferred income tax	-1,258,079	1,217,148
Total	8,651,038	6,621,342

(LIX) Other comprehensive income attributable to the parent company

Items of other comprehensive income and the impact of income tax and transferred to profit or loss

Items	Amount for this period			Amount for previous period		
	Amount before tax	Income tax	Net after tax	Amount before tax	Income tax	Net after tax
I、 Other comprehensive income will not be reclassified to profit or loss subsequently	-418,504	4,266	-422,770	8,102	-6,943	15,045
1. Changes in re-measurement on the defined benefit plans	4,097		4,097	175		175
2.0ther comprehensive income attributable to investees under equity method that maybe reclassified to profit or loss						
3. Changes in fair value of investments in other equity instruments	-422,609	4,266	-426,875	7,927	-6,943	14,870
4. Changes in the fair value of the company's own credit risk						
5. Others	8		8			
II、 Other comprehensive income that will be reclassified into profit or loss in the future	4,660,907	-8,337	4,669,244	-1,016,266	10,128	-1,026,394

Items	Amount for this period			Amount for previous period		
	Amount before tax	Income tax	Net after tax	Amount before tax	Income tax	Net after tax
1. Share in other comprehensive income that the investee will later reclassify to profit or loss under the equity method	-23,306		-23,306	42,294	9,469	32,825
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period						
subtotal	-23,306		-23,306	42,294	9,469	32,825
2. Changes in fair value of other debt investments	-55,622	-8,816	-46,806	7,517	808	6,709
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period	9,636		9,636			
subtotal	-65,258	-8,816	-56,442	7,517	808	6,709
3. Provision for credit impairment of other debt investments	1,424	479	945	-733	-149	-584
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period						
subtotal	1,424	479	945	-733	-149	-584
4. Cash flow hedge reserve (effective part of cash flow hedge profit and loss)	940,695		940,695			
Less: Adjustment transferred to the initially recognized amount of the hedged item						
Included in other comprehensive income in the previous period and transferred to profit or loss in the current period						
subtotal	940,695		940,695			
5. Differences in translation of foreign currency financial statements	3,807,352		3,807,352	-1,065,344		-1,065,344
Less: included in other comprehensive income in the previous period and transferred to profit or loss in the current period						
subtotal	3,807,352		3,807,352	-1,065,344		-1,065,344
III、 Total other comprehensive income	4,242,403	-4,071	4,246,474	-1,008,164	3,185	-1,011,349

(LX) Segment reporting

Items	Oil and gas new energy		Refining new materials		Sales		Natural gas sales	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Total operating income	106,494,585	77,863,803	117,673,726	98,820,887	91,730,923	78,139,066	51,921,086	41,702,208
Including: Foreign transaction income	27,413,215	20,171,675	34,078,079	33,714,575	91,854,849	77,580,191	49,705,711	39,749,640
Inter-segment transaction revenue	79,081,370	57,692,128	83,595,647	65,106,312	-123,926	558,875	2,215,375	1,952,568
II. Investment income of joint ventures and joint ventures	1,464,796	877,601	9,450	11,740	136,931	160,683	832,314	756,975
III. Impairment loss of assets	-2,364,034	-2,255,250	-548,876	-500,479	-136,526	-120,058	-486,988	-21,384
IV. Loss of credit impairment	-502,556	-40,342	1,191	-2,723	-2,828	-36,169	-49,768	-2,785
V. Depreciation and amortization expenses	18,200,028	17,253,094	2,260,493	2,248,632	1,508,620	1,581,431	455,257	496,602
VI. Total profit	23,308,391	10,061,627	3,617,027	4,837,803	153,376	389,877	2,187,843	4,910,505
VII. Income tax expenses	5,300,257	2,975,566	103,982	176,689	109,761	113,976	287,271	406,824
VIII. Net profit	18,008,134	7,086,060	3,513,045	4,661,114	43,615	275,901	1,900,572	4,503,681
IX. Total assets	192,720,536	182,398,412	47,094,975	44,220,257	28,548,522	28,817,582	31,643,310	30,641,393
X. Total liabilities	64,369,922	63,878,340	22,784,354	21,895,683	18,213,876	17,857,536	11,048,599	10,158,610
XI. Other important non-cash items								
Including: Non-cash expenses other than depreciation and amortization expenses								
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	1,464,796	877,601	9,450	11,740	136,931	160,683	832,314	756,975

(Continued)

Items	Oilfield technical services		Engineering Construction		Equipment Manufacturing		International Trading	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Total operating income	14,670,757	13,497,442	10,765,504	10,544,214	4,732,321	3,946,575	187,746,347	144,824,453
Including: Foreign transaction income	13,888,035	12,638,064	10,608,653	10,355,276	4,509,884	3,723,972	135,893,297	105,289,443
Inter-segment transaction revenue	782,722	859,378	156,851	188,938	222,437	222,603	51,853,050	39,535,010
II. Investment income of joint ventures and joint ventures	12,141	10,456	2,558	1,954	-7,173	824	-156,411	-92,618
III. Impairment loss of assets	-199,365	-230,220	-64,284	-113,377	-122,872	-315,689	-446,348	-59,789
IV. Loss of credit impairment	159	-152,966	-46,710	-31,845	-2,294	-61,968	-113,183	-19,686
V. Depreciation and amortization expenses	961,775	926,413	157,811	151,589	97,117	82,885	271,116	258,184
VI. Total profit	-321,871	-619,730	-256,132	-154,095	-107,280	-348,253	1,076,171	925,389
VII. Income tax expenses	64,633	40,404	61,261	48,022	48,351	6,064	339,921	229,612
VIII. Net profit	-386,504	-660,134	-317,393	-202,117	-155,631	-354,318	736,250	695,777
IX. Total assets	19,939,696	19,811,817	14,698,273	14,496,226	5,776,499	5,524,687	34,357,887	26,477,161
X. Total liabilities	11,063,306	11,075,175	12,556,700	12,048,460	4,642,504	4,245,993	23,481,685	18,088,985
XI. Other important non-cash items								
Including: Non-cash expenses other than depreciation and amortization expenses								
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	18,009	10,456	2,800	1,954	6,792	824	-156,411	-92,618

(Continued)

Items	Headquarter and others		Offset		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
I. Total operating income	20,460,748	18,693,715	-266,195,184	-207,304,856	340,000,813	280,727,507
Including: Foreign transaction income	18,732,675	16,889,620	-46,683,585	-39,384,949	340,000,813	280,727,507
Inter-segment transaction revenue	1,728,073	1,804,095	-219,511,599	-167,919,907		
II. Investment income of joint ventures and joint ventures	448,452	373,214	-268,131	-189,134	2,474,927	1,911,695
III. Impairment loss of assets	-400,538	-85,949	292,638	46,066	-4,477,193	-3,656,129
IV. Loss of credit impairment	-80,030	-240,705	-49,791	11,813	-845,810	-577,376
V. Depreciation and amortization expenses	959,515	939,078	-509,594	-478,256	24,362,138	23,459,652
VI. Total profit	3,592,351	1,114,089	-6,563,290	-4,469,538	26,686,586	16,647,674
VII. Income tax expenses	257,198	2,394,343	2,078,403	229,842	8,651,038	6,621,342
VIII. Net profit	3,335,153	-1,280,254	-8,641,693	-4,699,378	18,035,548	10,026,332
IX. Total assets	458,760,571	451,373,871	-394,034,900	-384,517,988	439,505,369	419,243,418
X. Total liabilities	190,534,660	191,589,914	-170,083,848	-164,766,569	188,611,758	186,072,127
XI. Other important non-cash items						
Including: Non-cash expenses other than depreciation and amortization expenses						
Calculate the increase amount of long-term equity investment in joint ventures and joint ventures by equity method	448,208	373,214	-272,991	-189,150	2,489,898	1,911,679

(LXI) Consolidated cash flow statement

1. Adjust the Net Profit to the Cash Flow Information of Operating Activities

Items	Amount for this period	Amount for pervious period
1. Net profit adjusted to cash flows from operating activities	——	——
Net profit	18,035,548	10,026,332
Plus: Provision for asset impairment	4,477,193	3,656,129
Losses from credit impairment	845,810	577,376
Depreciation of fixed assets, depletion of oil and gas assets and depreciation of productive biological assets	21,987,222	21,714,533
Depreciation of right-of-use assets	1,117,193	491,420
Amortization of intangible assets	576,261	531,164
Amortization of long-term deferred expenses	681,462	513,382
Losses on disposal of fixed assets, intangible assets and other long-term assets ("-" for income)	-149,489	-150,147
Losses from scrapping of fixed assets ("-" for income)	2,087,194	2,093,087
Losses from changes in fair value ("-" for income)	796,770	-639,771
Financial expenses ("-" for income)	1,039,190	2,120,180
Investment losses ("-" for income)	-443,850	-4,622,307
Decreases in deferred income tax assets ("-" for increases)	-828,702	933,077
Increases in deferred income tax liabilities ("-" for decreases)	-429,377	284,071
Decreases in inventories ("-" for increases)	-3,071,960	-1,544,502
Decreases in operating receivables ("-" for increases)	630,357	1,638,591
Increases in operating payables ("-" for decreases)	6,086,150	1,194,911
Others		1,418,750
Net cash flows from operating activities	53,436,972	40,236,276
2. Significant investing and financing activities not involving cash receipts and payments	——	——
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets acquired under financing lease		
3. Net changes in cash and cash equivalents	——	——
Ending balance of cash	35,335,146	23,672,499
Less: beginning balance of cash	23,672,499	20,659,802
Plus: ending balance of cash equivalents	4,959,598	8,449,619

Items	Amount for this period	Amount for pervious period
Less: beginning balance of cash equivalents	8,449,619	6,331,008
Net increase in cash and cash equivalents	8,172,626	5,131,308

2. Net cash obtained from subsidiaries and received and disposed of subsidiaries in this period

Items	Amount
1. Cash or cash equivalents paid in the current period for business combinations occurring in the current period	6,179
Less: cash and cash equivalents held by the company on the date of purchase	1,831
Plus: cash or cash equivalents paid in the current period for business combinations occurring in previous periods	41,652
Obtain the net cash paid by the subsidiary	46,000
2. Dispose of cash or cash equivalents received by subsidiaries in the current period	155,110
Less: cash and cash equivalents held by the company on the date of loss of control	
Plus: dispose of cash or cash equivalents received by subsidiaries in the current period in previous periods	344,494
Net cash received from disposal of subsidiaries	499,604

3. Composition of cash and cash equivalents

Items	Closing balance	Opening balance
1. Cash	35,335,146	23,672,499
Including: cash on hand	28,839	33,065
Unrestricted bank deposit	20,288,020	11,575,445
Other unrestricted cash and cash equivalents	3,843,781	3,543,835
Unrestricted deposits in central bank	123,566	161,340
Deposits in banks and other financial institutions	11,050,940	8,358,814
Loans to banks and other financial institutions		
2. Cash equivalents	4,959,598	8,449,619
Including: bond investments maturing within three months	555,591	907,409
3. Ending balance of cash and cash equivalents	40,294,744	32,122,118
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries in the Group		

IX. CONTINGENCIES

(I) Contingent liabilities

1. Contingent liabilities arising from unresolved litigation or arbitration

As at 31 December 2022, the subject matter of the Group due to pending litigation or arbitration amounted to RMB224,3.95 million.

2. Contingent liabilities arising from the provision of debt guarantees for other units

As at 31 December 2022, the Group provided guarantees amounting to RMB851,181,682 million, of which: RMB78,860,5.85 million were provided for subsidiaries; The guarantees provided to the participating enterprises amounted to RMB 494.266.35 million, mainly for financing guarantees and performance guarantees; Guarantees provided to external units of the Group amounted to $1,378,4.62 million, mainly for financing guarantees and performance guarantees.

(II) Contingent assets

The Group has no significant contingent assets during the period.

X. EVENTS AFTER THE BALANCE SHEET DATE

As of the approval date of the financial report, the Group has no significant events after the balance sheet date that should be disclosed.

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

The Group did not have any significant related party transactions during the year.

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