COSL

中海油田服務股份有限公司
China Oilfield Services Limited

(Incorporated in the People's Republic of China as a joint stock limited liability company)

(Stock Code: 2883)

ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS - ENTERING INTO THE MASTER SERVICES FRAMEWORK AGREEMENT

ENTERING INTO THE MASTER SERVICES FRAMEWORK AGREEMENT

As disclosed in the announcement dated 30 October 2019 and the circular dated 11 November 2019, the Company has entered into the Current Framework Agreement with CNOOC on 30 October 2019, the term of which will expire on 31 December 2022.

The Company has entered into a new Framework Agreement with CNOOC on 27 October 2022. Pursuant to the Framework Agreement, the Group has agreed to continue to provide the Oilfield Services to the CNOOC Group, and the CNOOC Group has agreed to continue to provide the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services as well as the Property Services to the Group for the three years ending 31 December 2023, 2024 and 2025. Upon approval at the Second EGM, the Framework Agreement will be effective from 1 January 2023.

CNOOC holds 50.53% interest in the Company, and is the controlling shareholder of the Company. As such, CNOOC is a connected person of the Company under the Hong Kong Listing Rules, and the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the Framework Agreement, as the highest applicable percentage ratio regarding the Proposed Annual Caps for the Continuing Connected Transactions contemplated under the Framework Agreement exceed 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company and the Independent Board Committee have reviewed the Framework Agreement and the Proposed Annual Caps. The Company has appointed Halcyon Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms, the Proposed Annual Caps of and the transactions contemplated under the Framework Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders on how to vote.

A circular containing, among other things, further details regarding the above-mentioned continuing connected transactions, a letter from the Independent Board Committee and an opinion of the Independent Financial Adviser will be dispatched to the Shareholders in due course.

ENTERING INTO THE MASTER SERVICES FRAMEWORK AGREEMENT

Background

The Company is one of the leading integrated oilfield services providers in the world. Its services cover each phase of oil and gas exploration, development and production.

CNOOC is the largest offshore oil and gas producer and operator in the PRC. CNOOC is the controlling shareholder of the Company. As at the date hereof, CNOOC holds 50.53% interest in the Company.

As disclosed in the announcement dated 30 October 2019 and the circular dated 11 November 2019, the Company has entered into the Current Framework Agreement with CNOOC on 30 October 2019, the term of which will expire on 31 December 2022.

The Company has entered into a new Framework Agreement with CNOOC on 27 October 2022. Pursuant to the Framework Agreement, the Group has agreed to continue to provide the Oilfield Services to the CNOOC Group, and the CNOOC Group has agreed to continue to provide the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services as well as the Property Services to the Group for the three years ending 31 December 2023, 2024 and 2025. Upon approval at the Second EGM, the Framework Agreement will be effective from 1 January 2023.

Framework Agreement

Details of the Framework Agreement are set out as follows.

Date

27 October 2022

Parties

The Company and CNOOC

Details of the transaction

The terms of the Framework Agreement have been reached after arm's-length negotiation between the Company and CNOOC.

Pursuant to the Framework Agreement, the Company and the CNOOC Group have agreed to the provision of the following services between the parties:

(a) *Provision by the Group of the Oilfield Services to the CNOOC Group*

The Group, and its predecessors, has been providing such oilfield services to the CNOOC Group since 1982. Pursuant to the Framework Agreement, the Group will continue to provide the Oilfield Services to the CNOOC Group in relation to its oil and gas exploration, development and production activities.

(b) *Provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group*

In the past, the CNOOC Group has been providing the Group with warehousing and storage, supply and transportation of materials, communication, wharf services, construction services, medical services, technical training, accommodation and personnel transportation services, offshore facility monitoring, maintenance and repair services, catering services, insurance arrangements, labour services, energy services, machinery leasing and vehicle leasing. Pursuant to the Framework Agreement, the CNOOC Group will continue to provide the Group with such services.

(c) *Provision by the CNOOC Group of the Property Services to the Group*

The Group has leased certain properties from the CNOOC Group for office, living quarters, canteen and production premises' uses. Pursuant to the Framework Agreement, the CNOOC Group will continue to lease the properties to the Group and provide the Group with property administration services.

Historical Transaction Amounts and Proposed Annual Caps

The existing annual caps for the three years ended/ending 31 December 2020, 2021 and 2022 and historical transactional amounts of the continuing connected transactions for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 under the Current Framework Agreement, and the Proposed Annual Caps of the Continuing Connected Transactions for each of the years ending 31 December 2023, 2024 and 2025 are set out as below:

	For the year ended 31 December 2020 (RMB million)	For the year ended 31 December 2021 (RMB million)	For the year ending 31 December 2022 (RMB million)	For the six months ended 30 June 2022 (RMB million)	For the year ending 31 December 2023 (RMB million)	For the year ending 31 December 2024 (RMB million)	For the year ending 31 December 2025 (RMB million)
– Provision by the Group of the Oilfield Services to the CNOOC Group							
Proposed Annual Caps	40,044	52,058	67,675		45,104	47,478	49,925
Historical Transaction Amounts *(Note 1)*	21,645	25,123		12,764			
– Provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group							
Proposed Annual Caps	5,397	7,169	9,534		6,256	6,837	7,496
Historical Transaction Amounts *(Note 2)*	1,848	1,992		847			
– Provision by the CNOOC Group of the Property Services to the Group							
Proposed Annual Caps	600	797	1,059		673	734	804
Historical Transaction Amounts *(Note 2)*	91	155		93			

Notes:

1. The difference between the actual historical transaction amounts and the approved annual caps for the three years ended/ending 31 December 2020, 2021 and 2022 was mainly due to the significant decline in investment in oil and gas in the domestic and overseas with the severe impact of the COVID-19 pandemic (hereinafter the "Pandemic") resulting in the slow recovery of oilfield service market, despite the international oil price rebounded amid fluctuation.

2. The difference between the actual historical transaction amounts and the approved annual caps for the three years ended/ending 31 December 2020, 2021 and 2022 was mainly due to the fact that the Company continuously improved the lean cost management capacity and built a "systematic, structural and long-term" mechanism for cost reduction in consideration of the industry in recovery following the globally oil price fluctuation.

Basis for the Proposed Annual Caps

The Company is of the view that the historical transaction amounts of the continuing connected transactions being significantly lower than the existing annual caps for the three years ended/ending 31 December 2020, 2021 and 2022 could be said to be attributable to the Company's cost control management capacity and the impact caused by the Pandemic. Notwithstanding that these factors could be said to be relevant at the material times due to its specific set of circumstances (in particular the Pandemic impact), they are not the only factors that the Company should be taking into account when determining the proposed annual caps of the continuing connected transactions for the next three years.

In estimating the applied limits for the three years ending 31 December 2023, 2024 and 2025, the Proposed Annual Caps of the continuing connected transactions were determined by the Company with reference to a basket of factors including (i) the historical transaction amounts between the CNOOC Group and the Group for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022 (with a particular consideration over the effectiveness and efficiency of the Company's cost control management and the impact caused by the Pandemic at the material times), (ii) the investment considerations of the global oilfield services industry in the post-epidemic era, (iii) the anticipated business volume between the CNOOC Group and the Group for the three years ending 31 December 2023, 2024 and 2025 (based on a combined consideration of (a) the historical percentage of revenue generated from the CNOOC Group, and (b) the revenue forecasts for the next three years ending 31 December 2023, 2024 and 2025 based on the existing services offered by the Group to the CNOOC Group), and (iv) a prudent consideration of a 15% buffer based on the current efficiency of operation (representing a reduction of 5% over the previous estimation).

The transaction amounts of continuing connected transactions are closely linked to oil prices and capital expenditure of the CNOOC Group in exploration and production activities in offshore China. During the years 2021 and 2022, the international oil price fluctuated upward in the fourth quarter of 2021 with the influence of geopolitical conflict, and remained above USD70. The international oil price increased sharply by approximately 55% in the first quarter of 2022 as compared with the beginning of 2022, followed by a slowing rise of approximately 5% in the second quarter of 2022. According to the estimation in EIA's short-term energy forecast in September 2022, the Brent oil price will be USD104.21/bbl for the year 2022 and USD96.91/bbl for the year 2023, being stable after featuring a slow but steady downward adjustment. Following the rising oil prices to a relatively high level, the growth rate of capital expenditure in upstream oil exploration and production is also expected to peak in 2023 and remain stable thereafter.

According to Rystad's data, the global expenditure in offshore exploration and development has increased by 21% year-on-year in 2022 with growth expected to reach a peak in 2024 and remain basically stable thereafter. Along with the continuous adjustment of capital expenditure in the international market, the CNOOC Group will appropriately increase their overseas investment in the future. In consideration of the "Seven-year Action Plan" of the CNOOC Group and CNOOC's operation arrangement to "increase reserve and promote production", it is expected that the domestic and overseas operation volume of the Company from the CNOOC Group will increase stably in the next three years. Therefore, the market anticipates that oil prices will adjust at high level during the next three years, and capital expenditure of the CNOOC Group in exploration and production activities in offshore China will increase first and then tend to be stable. The Company has reviewed past performance of the industry, including the performance of the Company's peers and the industry reports published by IHS Markit, and the Company is of the view that the Company has been prepared for the steady growth of the business volume. Therefore, the historical transaction amounts for the two years ended 31 December 2020 and 2021 and six months ended 30 June 2022 as a whole are valuable indicators for future transaction amounts during the next three years, and the anticipated business volume between the CNOOC Group and the Group for the three years ending 31 December 2023, 2024 and 2025 will increase slowly and become stable which is in line with the capital expenditure of the CNOOC Group. The year on year growth rate of the Proposed Annual Caps for the three years ending 31 December 2023, 2024 and 2025 is also consistent with the expected trend of oil prices and the capital expenditure of the CNOOC Group.

Additionally, the Company estimates that its revenues from other customers will also increase during the next three years. The provision by the Group of the Oilfield Services to the CNOOC Group in 2021 represented approximately 86% of the total revenue of the Group. Since the Oilfield Services have been the main contributor to the Group's revenue, the Proposed Annual Caps and the actual historical transaction amounts being at a similar percentage against the total revenue of the respective period is an appropriate basis to assess the fairness and reasonableness of the Proposed Annual Caps. Considering the "Seven-Year Action Plan" and the future capital expenditure expectation of the CNOOC Group, it is estimated that the percentage of revenue from the Continuing Connected Transactions during the three years 2023 to 2025 will be slightly higher than that of the year 2022. Therefore, a 86% of revenue contribution, representing an increase as compared with a 84% contribution by the Continuing Connected Transactions in the total revenue in the first half of 2022, will be used for the estimation of the percentage contribution of the annual caps.

As for the cost of the Continuing Connected Transactions, considering that the Company's production and operation model will not face significant change and that the cost from the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services as well as the Property Services provided by the CNOOC Group to the Group will remain relatively stable, the Company expects that the percentage of costs from the Continuing Connected Transactions in the total cost of the Group will not encounter any major changes in the next three years. Therefore, the Company, having taken into account the impact of oil price on the cost of raw materials in projecting the cost of Continuing Connected Transactions for the next three years, estimates that the percentage of the cost from the Continuing Connected Transactions to total costs of the Group from 2023 to 2025 will be 8% (the average percentage from 2020 to the first half of 2022 is 7%). In addition, based on the average historical percentage of the cost from property lease-related Continuing Connected Transactions in the total cost from the Continuing Connected Transactions from 2020 to the first half of 2022, being 8%, the Company estimated that the cost from property lease-related Continuing Connected Transactions will be 10% of the total cost from the Continuing Connected Transactions for the following three years.

The detailed basis of calculating the 15% buffer is based on the historical data of the revenue of the Company as well as CNOOC for the past few years. The revenues of the Company and CNOOC have a noticeable amount of fluctuation for the past few years which implies that the future revenue can also be volatile. In addition, the fluctuation of oil price will also significantly affect the revenue and cost of the Company and CNOOC as explained above. Although the Company estimated that the future oil price remained relatively stable, future global geopolitical uncertainties still have an impact on the energy security and capital expenditure in global energy market continued to maintain at a high level, thus resulting in an expected increase in sales. Therefore, the Company has set such buffer to allow the Company to have flexibility to cater to the expansion of new energy business and increase in operation volume without being aggressive and overly optimistic. The Company considers the buffer is fair and reasonable.

Taking the above factors into account, the Company considers that the Proposed Annual Caps are fair and reasonable and in the interest of the Company and Shareholders as a whole.

The estimated revenue of the Group from the Continuing Connected Transactions for the three years ending 31 December 2023, 2024 and 2025 is based on the Company's estimation of the operation volume and may be different at various degrees from the actual revenue to be disclosed in future performance results of the Company. Shareholders and potential investors are advised to exercise caution when dealing in the Shares of the Company.

Term and termination

Upon approval by the Shareholders at the Second EGM, the Framework Agreement will take effect from 1 January 2023 for a term of three years and will expire on 31 December 2025.

Implementation agreements and payments

The Company and each subsidiary of the Company may, from time to time and as necessary, enter into separate implementation agreement for each specific transaction contemplated under the Framework Agreement with CNOOC and each subsidiary of CNOOC. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the provision of service as contemplated by the Framework Agreement, and as such, they do not constitute new categories of connected transactions. Any such implementation agreement will stay within the bounds of the Framework Agreement and the annual caps.

All payments made pursuant to the Framework Agreement and its implementation agreements will be in cash.

Fairness of the Continuing Connected Transactions and Their Impact on the Independency of the Company

The Framework Agreement is signed on normal commercial terms which are fair and reasonable, with the prices/fees agreed and confirmed by both parties by negotiating and concluding with arm's length terms, taking into account the then prevailing market price and conditions, and in any event the terms of the relevant agreement and its transaction under such agreement given to the Group by the CNOOC Group and their associates shall be no less favourable than those offered by independent third parties to the Group for the same or similar type of services. The Group will sign necessary written agreements on detailed transactions with the CNOOC Group and their associates within the range set by the Framework Agreement according to actual conditions, and pay and/or charge the relevant prices/fees based on the agreed method set forth in the relevant agreements.

The Company will, through the Framework Agreement and a series of management arrangements in accordance with the regulatory requirements, endeavour to maintain its independency in decision-making, the fairness of the prices and the flexibility in contemplating the continuing connected transactions so as to alleviate the independence on its controlling shareholder. Such arrangements shall include without limitation to the Company's right to make independent decisions as to the price and quantity of purchase and to access and obtain market information through various means so that the terms obtained by the Group from the CNOOC Group and their associates will be no less favorable than those available from independent third parties.

Based on the above, the Company is of the opinion that the Framework Agreement and the Continuing Connected Transactions under it are in the interests of the Company and the Shareholders as a whole. Meanwhile, the Company has its complete business system and ability to operation independently facing the market, therefore the Framework Agreement and the Continuing Connected Transactions under it do not affect the independency of the Company.

Pricing Policy and Measures to Safeguard the Interest of the Independent Shareholders

The basis of determining the prices for the continuing connected transactions will be in accordance with: (1) the State-quoted price (including local government-quoted price), if the pricing of such a transaction is governed by the pricing policies of the PRC; (2) a comparable market price (as compared against local, national or international price), if the transaction is not governed by the pricing policies of the PRC; or (3) by agreement between the parties based on prices no less favourable to/from third parties or reasonably agreed between the parties, if no comparable market price can be taken as a reference.

For each type of continuing connected transaction, the specific pricing policies are set out as follows:

The Group is the leading provider of oilfield services in the offshore China. For the Oilfield Services provided by the Group to the CNOOC Group, the prices are mainly determined through arm's-length negotiation with reference to international oil prices and market prices of oilfield services that are released by major consultancy institutions such as IHS Markit (www.ihsmarkit.com), Clarkson (www.crsl.com) and Rigzone (www.rigzone.com). IHS Markit and Clarkson provide information and analysis to support the decision-making process of businesses and governments in a number of industries, while Rigzone mainly provide information related to the oil & gas industry. In offshore oil & gas sector, IHS Markit, Clarkson and Rigzone provide regional market data on equipment of drilling companies, contract terms, operators, operating areas and blocks, daily rates, estimated project volume and historic operation conditions. IHS Markit and Clarkson update their data on monthly basis, while Rigzone update its data timely when obtaining new drilling rig contract. IHS Markit and Clarkson publish a number of well-known industry reports such as IHS Markit Petrodata World Rig Forecast, IHS Markit Petrodata Seismic Quarterly Report, Clarkson Offshore Drilling Rig Monthly and Clarkson Offshore Intelligence Monthly. The prices for the Oilfield Services provided by the Group to the CNOOC Group are mainly determined according to the average price of the prices published by the above-mentioned institutions during the last 12 months for nearby or similar areas we operate at, and will be adjusted in a ±10% range with reference to historical transactions and current market supply and demand condition. When determining contract prices for the Oilfield Services provided to the CNOOC Group, the Company will consider specific conditions of contract, including functions of specific equipment, depth of water, complexity of operation and term of contract, etc., as well as market demand and historical transaction prices. The Company will ensure that the prices are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

For the provision of utilities by the CNOOC Group to the Group, including water, power and gas, the prices are under the guidance of State-quoted price promulgated by NDRC. Such prices are updated by NDRC from time to time and are published on websites of Pricing Bureaus.

For the provision of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services other than utilities, the prices are primarily determined by market price. In determining such prices, the Company will undergo a tendering process which promotes market competition to obtain best available rate. The tendering process is organized strictly following the requirements under the Tendering and Bidding Law of the PRC. In a typical procurement procedure, the Company invites not less than three bidders to submit its fee proposal and commercial proposal before the designated deadline. The procurement department of the Company that is separated from and independent of other departments will compare proposals and make decision.

However, for the provision of the Machinery Leasing and Equipment by the CNOOC Group to the Group, due to the nature of the industry and in special circumstances, only the CNOOC Group has oilfield service machines and equipment that can satisfy special operation conditions in certain offshore areas of China. In this case, a tendering process is not feasible and the Company will ensure that the price will not be higher than the average price from three independent third-party providers for comparable equipment obtained by the Company through inquiry. The Company will also consider the specific conditions of the contract, including the function of specific equipment, water depth, difficulty of operation, contract period, etc., to ensure the price is fair and reasonable.

According to the Company's procurement policy, in addition to the offer of same or more favourable terms by the counterparty in a transaction, the Company will also consider other factors, including the corporate background of the counterparty, its reputation and reliability; its ability to conduct the transaction in accordance with the terms of the contract; and its understanding of the Company's needs, in order to maximise the Company's interest in the transaction, and at the same time reduce the Company's time and costs of transaction.

For the provision of the Property Services by the CNOOC Group to the Group, the prices are primarily determined by market price. The Company will have regard to the then prevailing market rent for similar types of properties in the nearby locations and/or consult not less than three reputable local real estate agents for benchmarks of assessment. Where no comparable market price can be taken as a reference, the Group will, having taken into account the location, scope, scale and term of the transaction and historical comparable transactions, determine the price of the relevant transaction based on arm's length negotiations and on terms which are no less favourable from third parties.

The Directors and senior management of the Company will monitor closely and review regularly each continuing connected transaction of the Company. The Company will adopt a series of risk management arrangements, and endeavour to maintain, in relation to each continuing connected transaction, the independence of the Company; the fairness of the price of the transaction; the fairness of the terms of the transaction; and the right of the Company to conduct transactions with independent third parties other than the CNOOC Group. The relevant arrangements include:

- the Continuing Connected Transactions contemplated under the Framework Agreement are conducted on a non-exclusive basis;

- Upon the signing of the Framework Agreement and its approval by the Independent Shareholders, the marketing and international business department and the procurement department of the Company will be responsible for the execution of the Framework Agreement, and before the signing of each individual agreement, other functional departments of the Company, including the risk control department, will evaluate the terms, including the fairness of the price, of the agreement;

- In addition to the annual review of the performance of specific contracts by the independent non-executive Directors and the Company's auditors, the Company's Supervisory Committee will also monitor the working arrangements involved in the Company's continuing connected transactions, and review whether the Company's transactions are fair, and whether the transaction prices are reasonable.

In addition to the annual review by the auditors of the Company and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, as part of the Group's internal control systems to ensure that the transactions between the CNOOC Group and the Group are conducted in accordance with the terms of the Framework Agreement, the Company will implement the following internal control arrangements:

(i) the Company has set up a specific and designated team to monitor and record (including collecting and keeping the relevant transactions and accounting records) on a monthly basis the Continuing Connected Transactions between the CNOOC Group and the Group pursuant to the terms of the Framework Agreement, and to submit Continuing Connected Transactions reports to the Board regularly on an semi-annual basis in order for the Board to review, assess, supervise and monitor the Continuing Connected Transactions on an on-going basis and to have cumulative amounts of the Continuing Connected Transactions controlled within the Proposed Annual Caps.

(ii) The designated term will also check the terms and implementation status of the Group's policies and requirements related to Continuing Connected Transactions, including identifying connected persons, reviewing the accounting entries and checking the procedures of the Company in handling the Continuing Connected Transactions. It is also responsible for monitoring the prices and terms of the transactions with connected persons by sampling and reviewing from time to time contracts relating to the Continuing Connected Transactions to ensure that the prices and terms as such are in compliance with that provided for under the Framework Agreement.

(iii) In the event that the designated team or the Board would anticipate that the limit or the Proposed Annual Caps pursuant to the existing terms of the Framework Agreement might be exceeded due to business expansion and needs of the Company, after due consideration and confirmation having been given by the Board (including confirmation by the independent non-executive Directors), the Company will comply with the relevant requirements of the Hong Kong Listing Rules in order to revise and increase the upper limit of the Proposed Annual Caps as the case may be.

Reasons for and Benefits of Entering into the Framework Agreement

The Company, including its predecessors, has been providing Oilfield Services to CNOOC and its associates since 1982. In addition, the CNOOC Group has also been providing Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group since 1982. CNOOC is the single largest customer of the Company, and the business, results of operations and financial condition of the Company depend in large on the performance of the Framework Agreement. However, as CNOOC is the largest offshore oil and gas producer and operator in the PRC, holding the dominant position in offshore oil production in China that is the principal market of the Company, the Company will ensure secured revenues and a stable source of supply of Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services through the performance of the Framework Agreement. Therefore, the Company considers that it is in the interest of the Company to continuously enter into the Continuing Connected Transactions with CNOOC.

The properties leased from the CNOOC Group are essential to the Group's operations. Thus, the Company considers that it is in the interest of the Company to continue with the Property Services, as relocating to alternative premises would be costly and could lead to interruption to the Group's operations.

Principal Activities of the Parties

The Company is one of the leading integrated oilfield services providers in the world. Its principal businesses cover each phase of oil and gas exploration, development and production.

CNOOC is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC and is the largest offshore oil and gas producer and operator in the PRC. Its core of business mainly includes exploration and development of oil and gas, professional technical services, refining and sales, natural gas and power generation and financial services and so on, and it actively develops offshore wind power and other new energy business.

HONG KONG LISTING RULES IMPLICATIONS

CNOOC holds 50.53% interest in the Company, and is the controlling shareholder of the Company. As such, CNOOC is a connected person of the Company under the Hong Kong Listing Rules, and the Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the Framework Agreement, as the highest applicable percentage ratio regarding the Proposed Annual Caps for the Continuing Connected Transactions contemplated under the Framework Agreement exceed 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Framework Agreement and the transactions contemplated thereunder are subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction (other than those carried out pursuant to the Framework Agreement) entered into between the Group and the CNOOC Group and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with transactions under the Framework Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rules 14A.81 of the Hong Kong Listing Rules.

GENERAL INFORMATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that the terms, the Proposed Annual Caps of and the transactions contemplated under the Framework Agreement set out in this announcement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

The Board has resolved and approved the resolution in respect of the above matters. The Independent Board Committee has been formed according to Hong Kong Listing Rules and voted on the Board resolutions in respect of the Continuing Connected Transactions. Of the Directors attending the Board meetings, Mr. Wu Wenlai and Mr. Liu Zongzhao were considered to have material interests by virtue of being employed by the CNOOC Group, and had thus abstained from voting on the Board resolutions in respect of the Continuing Connected Transactions. Accordingly, the Board recommends that the Shareholders vote in favour of and approve the resolution(s) in relation to the above matters to be proposed at the Second EGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Framework Agreement and the Proposed Annual Caps. The Independent Board Committee has also approved the appointment of Halcyon Capital Limited as the Independent Financial Adviser to advise the Independent Board Committee and Independent Shareholders in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the Framework Agreement and transactions contemplated thereunder. A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the resolution(s) in relation to the above matter.

A circular containing, among other things, further details regarding the above-mentioned continuing connected transactions, a letter from the Independent Board Committee and an opinion of the Independent Financial Adviser will be dispatched to the Shareholders in due course.

DEFINITIONS

"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
"A Share(s)"	domestic share(s) of nominal value of RMB1.00 each in the share capital of the Company which are listed on the Shanghai Stock Exchange;
"associates"	has the same meaning ascribed thereto under the Hong Kong Listing Rules;
"bbl"	a barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at an API gravity of 33 degrees);
"Board"	the board of Directors;
"CNOOC"	China National Offshore Oil Corporation, a state-owned enterprise incorporated under the laws of the PRC, the controlling shareholder of the Company, as well as the controlling shareholder of another two companies listed in Hong Kong, namely, CNOOC Limited (HKSE: 0883.HK) and China BlueChemical Limited (HKSE: 3983.HK), and another three companies listed in PRC (excluding Hong Kong);
"CNOOC Group"	CNOOC and its subsidiaries, excluding the Group;
"Company"	中海油田服務股份有限公司 (China Oilfield Services Limited), a joint stock company incorporated in the PRC with limited liability, the A Shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on the Main Board of the Stock Exchange;
"Company Law"	the Company Law of the PRC;

"Continuing Connected Transactions"	the continuing connected transactions under the Framework Agreement, including the provision of the Oilfield Services by the Group to CNOOC Group, the provision of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services by CNOOC Group to the Group, and the provision of the Property Services by CNOOC Group to the Group;
"Current Framework Agreement"	the Master Services Framework Agreement entered into between the Company and CNOOC on 30 October 2019, which will expire on 31 December 2022;
"Director(s)"	the director(s) of the Company;
"Framework Agreement"	the Master Services Framework Agreement entered into between the Company and CNOOC on 27 October 2022;
"Group"	the Company together with its subsidiaries;
"H Share(s)"	overseas listed foreign share(s) of nominal value of RMB1.00 each in the share capital of the Company which are listed on the Main Board of the Stock Exchange and subscribed for in HK dollars;
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC;
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
"Independent Board Committee"	an independent committee of the Board, comprising the independent non-executive Directors, which has been appointed by the Board to advise the Independent Shareholders on the Framework Agreement and the relevant annual caps in relation to the Continuing Connected Transactions contemplated thereunder;
"Independent Financial Adviser"	Halcyon Capital Limited, a licensed corporation under the SFO licensed to carry out Type 6 (advising on corporate finance) regulated activities, which has been appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Framework Agreement and the relevant annual caps in relation to the Continuing Connected Transactions contemplated thereunder;

"Independent Shareholders"	the Shareholders of the Company other than CNOOC and its associates;
"Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services"	the provision of machineries for leasing, kinetic energy, supply and transportation of materials, wharf services, construction services, energy services, labour, utilities and other ancillary services by the CNOOC Group to the Group;
"NDRC"	the National Development and Reform Commission;
"Oilfield Services"	the provision of oilfield services by the Group to the CNOOC Group, including drilling services, well services, marine support services, geophysical acquisition and surveying services and new energy business services;
"PRC"	the People's Republic of China;
"Property Services"	the leasing of certain properties in relation to the Group's operations from the CNOOC Group;
"Proposed Annual Caps"	the proposed maximum annual aggregate value(s) for each type of the Continuing Connected Transactions under the Framework Agreement for each of the three years ending 31 December 2023, 2024 and 2025;
"RMB"	Renminbi, the lawful currency of the PRC;
"Second Extraordinary General Meeting" or "Second EGM"	the extraordinary general meeting of the Company to be held at Room 311, Main Building of COSL, 201 Haiyou Avenue, Yanjiao Economic & Technological Development Zone, Sanhe City, Hebei Province, the PRC on Thursday, 15 December 2022 at 10:00 a.m., or any adjournment thereof;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
"Share(s)"	A Shares and H Shares of the Company;
"Shareholder(s)"	the holder(s) of the Share(s) of the Company;

"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"US dollar" or "USD"	United States dollars, the lawful currency of the United States.

By Order of the Board
China Oilfield Services Limited
Sun Weizhou
Joint Company Secretary

27 October 2022

As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Shunqiang (Chairman) and Yu Feng; the non-executive directors of the Company are Messrs. Wu Wenlai and Liu Zongzhao; and the independent non-executive directors of the Company are Ms. Chiu Lai Kuen, Susanna, Messrs. Kwok Lam Kwong, Larry and Yao Xin.