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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in China Oilfield Services Limited, you should at once hand this circular, together with the enclosed proxy form, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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The logo for COSL, consisting of the letters 'C', 'O', 'S', and 'L' in a bold, sans-serif font. The 'C' and 'O' are blue, while the 'S' and 'L' are red.

**中海油田服务股份有限公司**  
**China Oilfield Services Limited**

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

**(Stock Code: 2883)**

**(1) CONTINUING CONNECTED TRANSACTIONS - ENTERING INTO THE  
MASTER SERVICES FRAMEWORK AGREEMENT**  
**(2) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**  
**(3) PROPOSED US DOLLAR LOAN EXTENSION BY THE WHOLLY-OWNED  
SUBSIDIARY,  
COSL MIDDLE EAST FZE, AND THE PROVISION OF  
GUARANTEE BY THE COMPANY**  
**(4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**

The logo for HALCYON 鎧盛, featuring the word 'HALCYON' in a stylized, bold, sans-serif font with a small icon of a person's head above the 'H'. To the right of 'HALCYON' are the Chinese characters '鎧盛' in a traditional serif font.

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A letter from the Board is set out on pages 4 to 31 of this circular and a letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on page 32 of this circular.

A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 33 to 50 of this circular.

A notice convening the Second EGM 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, 22 December 2022 at 10:00 a.m. is set out on pages 55 to 57 of this circular.

The reply slip and proxy form for use at the said meeting are enclosed herewith. Shareholders who intend to attend the meeting shall complete and return the reply slip in accordance with the instructions printed thereon before Thursday, 1 December 2022 for the Company to assess whether or not it is necessary to dispatch the notice of general meeting again.

Shareholders who intend to appoint a proxy to attend the meetings are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

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## DEFINITIONS

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

“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;

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## DEFINITIONS

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“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;
“Latest Practicable Date”	2 November 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information for inclusion in this circular;
“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;

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## DEFINITIONS

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“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, 22 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.

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LETTER FROM THE BOARD

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**COSL**

**中海油田服务股份有限公司**  
**China Oilfield Services Limited**

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

**(Stock Code: 2883)**

*Board of Directors:*

Zhao Shunqiang (*Chairman*)

Yu Feng

Wu Wenlai\*

Liu Zongzhao\*

Chiu Lai Kuen, Susanna\*\*

Kwok Lam Kwong, Larry\*\*

Yao Xin\*\*

\* *Non-executive Director*

\*\* *Independent non-executive Director*

*Legal address in the PRC:*

No.1581, Haichuan Road,  
Tangu Ocean Hi-tech Zone,  
Binhai Hi-tech Development District,  
Tianjin, the PRC

*Registered Office in Hong Kong:*

65/F, Bank of China Tower,  
1 Garden Road,  
Hong Kong

9 November 2022

*To the Shareholders*

Dear Sir or Madam,

- (1) CONTINUING CONNECTED TRANSACTIONS - ENTERING INTO THE  
MASTER SERVICES FRAMEWORK AGREEMENT**
- (2) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**
- (3) PROPOSED US DOLLAR LOAN EXTENSION BY THE WHOLLY-OWNED  
SUBSIDIARY,  
COSL MIDDLE EAST FZE, AND THE PROVISION OF  
GUARANTEE BY THE COMPANY**
- (4) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
AND  
NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING**

**I. INTRODUCTION**

Reference is made to the announcement made by the Company on 27 October 2022 in relation to entering into the Framework Agreement.

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## LETTER FROM THE BOARD

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The purposes of this circular are to give you notice to the Second EGM and to provide you with, among other things, information regarding the resolutions relating to (i) continuing connected transactions - entering into the Master Services Framework Agreement, (ii) proposed appointment of executive director, (iii) proposed US dollar loan extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company; (iv) proposed amendments to the Articles of Association; (v) the recommendation from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Continuing Connected Transactions, and (vi) a notice of the 2022 Second EGM.

### II. CONTINUING CONNECTED TRANSACTIONS

#### 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

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## LETTER FROM THE BOARD

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### *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:



## LETTER FROM THE BOARD

	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)
<i>- Provision by the Group of the Oilfield Services to the CNOOC Group</i>							
<i>Proposed Annual Caps</i>	40,044	52,058	67,675		45,104	47,478	49,925
<i>Historical Transaction Amounts (Note 1)</i>	21,645	25,123		12,764			
<i>- Provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group</i>							
<i>Proposed Annual Caps</i>	5,397	7,169	9,534		6,256	6,837	7,496
<i>Historical Transaction Amounts (Note 2)</i>	1,848	1,992		847			
<i>- Provision by the CNOOC Group of the Property Services to the Group</i>							
<i>Proposed Annual Caps</i>	600	797	1,059		673	734	804
<i>Historical Transaction Amounts (Note 2)</i>	91	155		93			

*Notes:*

- 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.*
- 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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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.

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## LETTER FROM THE BOARD

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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](http://www.ihsmarkit.com)), Clarkson ([www.crsl.com](http://www.crsl.com)) and Rigzone ([www.rigzone.com](http://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  $\pm 10\%$  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.

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## LETTER FROM THE BOARD

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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

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## LETTER FROM THE BOARD

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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 a 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 team 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.

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## LETTER FROM THE BOARD

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### **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.



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## LETTER FROM THE BOARD

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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.

### III. PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

Pursuant to the Company Law and the Articles of Association, the Board proposes the appointment of Mr. Xiong Min as an executive director of the Company.

#### Background of Mr. Xiong Min

Mr. Xiong Min, Chinese, born in 1976, Deputy Party Secretary of COSL, is a senior engineer. Mr. Xiong graduated from China University of Petroleum in 1996 with major in oil engineering and obtained a Bachelor's degree, and then obtained a Master degree from the University of Science and Technology Beijing with major in vehicle engineering (mining machine). From July 1996 to January 1998, he was a junior engineer at Huanxiling Oil Production Plant in Liaohe Oilfield. From January 1998 to October 2001, he served as a junior engineer at Research Institute of Drilling and Production Technology of Liaohe Oilfield. From October 2001 to March 2004, he studied for Master's degree in University of Science and Technology Beijing with major in vehicle engineering (mining machinery). From March 2004 to April 2005, he served as Sales Engineer at Lincom Pty Ltd. From April 2005 to April 2007, he was the project manager of Tanggu Base, Cementing Center, COSL Well Tech Division. From April 2007 to February 2012, he served as Technology Supervisor and Manager of Cementing Operation Company, Tanggu Base, COSL Oilfield Chemicals Division. From February 2012 to November 2014, he was Vice Manager and Manager of Indonesia Base of COSL Oilfield Chemicals Division. From November 2014 to August 2016, he was Manager of Indonesia Operation Company of COSL Oilfield Chemicals Division. From August 2016 to September 2017, he served as Vice General Manager of COSL Oilfield Chemicals Division. From September 2017 to August 2021, he served as General Manager of Malaysian joint venture of COSL. From January 2019 to August 2021, he concurrently served as General Manager of COSL Drilling Pan Pacific (Malaysia) Company (CDPPM). From December 2020 to July 2022, he served as Vice President of COSL. He has also concurrently served as General Legal Counsel of COSL from July 2021 to November 2022. He has concurrently served as Chief Compliance Officer of COSL from May 2022 to November 2022 and served as Deputy Party Secretary of COSL since July 2022.

Save as disclosed above, Mr. Xiong has not held any directorship in other listed companies in the past three years, and has not held any positions in the Company and its subsidiaries.

Save as disclosed above, Mr. Xiong has no relationship with any directors, senior management or substantial or controlling shareholders of the Company. As at the date of this circular, Mr. Xiong does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

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(Note: Due to normal work adjustment, Mr. Xiong Min has ceased to be General Legal Counsel and Chief Compliance Officer of COSL since 7 November 2022.)

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## LETTER FROM THE BOARD

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Subject to the approval at the Second EGM, Mr. Xiong will enter into a service contract with the Company for a term of three years, and can be re-elected at the Company's general meeting. During the tenure of Mr. Xiong as an executive director of the Company, his remuneration will be implemented according to the remuneration management measures of the Company and with reference to the standard of senior management. The annual remuneration of Mr. Xiong is expected to be between RMB0.9 million and RMB1.4 million. The specific amount shall be determined after taking into account the recommendations made by the remuneration and assessment committee of the Board in accordance with its terms of reference, and with reference to (among other things) his duties and responsibilities. The Company will disclose the relevant remuneration when it is determined. For the specific remuneration, please refer to the annual reports to be published by the Company in due course.

Save as disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and the Company is not aware of any other matters that need to be brought to attention of the shareholders of the Company.

#### **IV. PROPOSED US DOLLAR LOAN EXTENSION BY THE WHOLLY-OWNED SUBSIDIARY, COSL MIDDLE EAST FZE, AND THE PROVISION OF GUARANTEE BY THE COMPANY**

The Board has reviewed and passed the resolution in relation to the US dollar loan extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company on 27 October 2022.

The Board has agreed to the USD400 million revolving loan agreement extension entered into between the wholly-owned subsidiary COSL Middle East FZE of the Company and Bank of China (Hong Kong) Limited and the provision of guarantee by the Company. Meanwhile, the Board will submit to the general meeting to authorize the Board to deal with matters relating to the guarantee for revolving loan upon approval at the general meeting; within the authorization given by the shareholders' general meeting, the Board will authorize executive director or chief financial officer of the Company to deal with, in its absolute discretion, matters relating to the US dollar revolving loan and its guarantee (including but not limited to determining the term and interest of the loan, signing relevant legal documents, etc.).

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## LETTER FROM THE BOARD

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### V. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

The Company will put forward to the Shareholders a proposal to amend the Article 7, Article 28, Article 29, Article 31, Article 57, Article 61, Article 64, Article 66, Article 76, Article 83, Article 102 and Article 107 of the Articles of Association of the Company.

No.	Original Articles	Amended Articles
1	Article 7	Article 7
	<p>The Articles of Association of the Company shall be binding upon the Company and its shareholders, directors, supervisors, CEO, president, vice president and other senior management staff. All the above persons may make claims related to Company matters in accordance with the Articles of Association.</p> <p>Shareholders may sue the Company in accordance with the Company Law and the Articles of Association of the Company. The Company may sue shareholders in accordance with the Company Law and the Articles of Association of the Company. Shareholders may sue shareholders in accordance with the Articles of Association of the Company. Shareholders may sue directors, supervisors, CEO, president, vice president and other senior management staff of the Company in accordance with the Company Law and the Articles of Association of the Company.</p> <p>For the purposes of the above paragraph, the term “sue” shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.</p> <p>For the purposes of the above paragraph, the term “other senior management staff” shall include chief finance officer (CFO) and secretary to the board of directors.</p>	<p>The Articles of Association of the Company shall be binding upon the Company and its shareholders, directors, supervisors, CEO, president, vice president and other senior management staff. All the above persons may make claims related to Company matters in accordance with the Articles of Association.</p> <p>Shareholders may sue the Company in accordance with the Company Law and the Articles of Association of the Company. The Company may sue shareholders in accordance with the Company Law and the Articles of Association of the Company. Shareholders may sue shareholders in accordance with the Articles of Association of the Company. Shareholders may sue directors, supervisors, CEO, president, vice president and other senior management staff of the Company in accordance with the Company Law and the Articles of Association of the Company.</p> <p>For the purposes of the above paragraph, the term “sue” shall include the initiation of proceedings in a court or the application of arbitration to an arbitration organization.</p> <p>For the purposes of the above paragraph, the term “other senior management staff” shall include chief finance officer (CFO), secretary to the board of directors <u>and general legal counsel. The general legal counsel directly reports to the chairman of</u></p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
		<u>the board of directors of the Company and guides the work of the legal affairs management institution.</u>
2	Article 28	Article 28
	<p>The Company may, in the following circumstances, buy back its own issued and outstanding shares following the adoption of a pertinent resolution in accordance with the procedures provided for in its Articles of Association, and submission to and approval by the relevant State authorities:</p> <p>(1) Cancellation of shares in order to reduce its capital;</p> <p>(2) Merger with another company holding shares in the Company;</p> <p>(3) Transfer of shares to the Company's employees as an award;</p> <p>(4) Any of the shareholders objects to the resolution of the shareholders' general meeting on the merger or division of the Company and requires the Company to buy back its shares;</p> <p>(5) Other circumstances where laws or administrative regulations so permit.</p>	<p><u>The Company shall not acquire its own shares, except in any of the following circumstances:</u></p> <p>(1) <u>Reducing the registered capital of the Company;</u></p> <p>(2) Merger with another company holding shares in the Company;</p> <p>(3) <u>Using the shares for employee share ownership plan or stock incentives;</u></p> <p>(4) Any of the shareholders objects to the resolution of the shareholders' general meeting on the merger or division of the Company and requires the Company to buy back its shares;</p> <p>(5) <u>Using the shares for conversion of shares to the corporate bonds issued by the Company that can be converted into shares;</u></p> <p>(6) <u>Where it is necessary for the Company to safeguard the value of the Company and the interests of shareholders;</u></p> <p>(7) Other circumstances where laws or administrative regulations so permit.</p>
3	Article 29	Article 29
	<p>After the Company is approved by relevant State authorities to buy back its own shares, it may proceed in any of the following manners:</p> <p>(1) Making of a buy-back offer to all shareholders on a pro rata basis;</p>	<p>After the Company is approved by relevant State authorities to buy back its own shares, it may proceed in any of the following manners:</p> <p>(1) Making of a buy-back offer to all shareholders on a pro rata basis;</p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
	<p>(2) Buy-back through open transactions on a securities exchange;</p> <p>(3) Buy-back by an agreement outside a securities exchange;</p> <p>(4) Other manners as permitted by laws and administrative regulations or the State Council's authorities in charge of securities.</p>	<p>(2) Buy-back through open transactions on a securities exchange;</p> <p>(3) Buy-back by an agreement outside a securities exchange;</p> <p>(4) Other manners as permitted by laws and administrative regulations or the State Council's authorities in charge of securities.</p> <p><u>If the Company acquires its own shares under the circumstance as described in Section (3), Section (5) and Section (6) of Article 28, it shall be conducted through open and centralized trading.</u></p>
4	Article 31	Article 31
	<p>After the Company has bought back its shares according to law under the circumstance as described in Section (1) of Article 28, it shall cancel the portion of shares concerned within ten days of the buy-back thereof; after the Company has bought back its shares according to law under the circumstance as described in Section (2) or Section (4) of Article 28, it shall transfer or cancel the portion of shares concerned within six months of the buy-back thereof. The amount of the Company's registered capital shall be reduced by the total par value of the shares so cancelled.</p> <p>The portion of its shares brought back by the Company under the circumstance as described in Section (3) of Article 28 shall not exceed 5% of the total number of shares that have been issued by the Company; and the money used to buy back such shares shall be sourced from the after-tax profit of the Company but in no event more than the amount of profits distributable to the investors during the then-current reporting</p>	<p>After the Company has bought back its shares according to law under the circumstance as described in Section (1) of Article 28, it shall cancel the portion of shares concerned within ten days of the buy-back thereof; after the Company has bought back its shares according to law under the circumstance as described in Section (2) or Section (4) of Article 28, it shall transfer or cancel the portion of shares concerned within six months of the buy-back thereof. The amount of the Company's registered capital shall be reduced by the total par value of the shares so cancelled.</p> <p><del>The portion of its shares brought back by the Company under the circumstance as described in Section (3), Section (5) and Section (6) of Article 28, provided that the aggregate number of its own share held by the Company shall not exceed 10% of the total number of shares that have been issued by the Company and shall be transferred or cancelled within three years; and the money used to buy back such shares shall be sourced from the after tax profit of the Company but in no event more</del></p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
	period; and the shares so brought back shall be transferred to its employees within one year.	<del>than the amount of profits distributable to the investors during the then current reporting period; and the shares so brought back shall be transferred to its employees within one year.</del>
5	Article 57	Article 57
	<p>The shareholders' general meeting shall exercise the following functions and powers:</p> <p>(1) Decide on the business policies and investment plans of the Company;</p> <p>(2) Elect and replace directors and decide on matters concerning the remuneration of directors;</p> <p>(3) Elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on matters concerning the remuneration of supervisors;</p> <p>(4) Examine and approve reports of the board of directors;</p> <p>(5) Examine and approve reports of the board of supervisors;</p> <p>(6) Examine and approve the Company's annual financial budget and final account proposals;</p> <p>(7) Examine and approve the Company's plans for profit distribution and making up losses;</p> <p>(8) Pass resolutions concerning the increase or reduction of the Company's registered capital;</p>	<p>The shareholders' general meeting shall exercise the following functions and powers:</p> <p>(1) Decide on the business policies and investment plans of the Company;</p> <p>(2) Elect and replace directors and decide on matters concerning the remuneration of directors;</p> <p>(3) Elect and replace the supervisors who are to be appointed from among the shareholders' representatives and decide on matters concerning the remuneration of supervisors;</p> <p>(4) Examine and approve reports of the board of directors;</p> <p>(5) Examine and approve reports of the board of supervisors;</p> <p>(6) Examine and approve the Company's annual financial budget and final account proposals;</p> <p>(7) Examine and approve the Company's plans for profit distribution and making up losses;</p> <p>(8) Pass resolutions concerning the increase or reduction of the Company's registered capital;</p>

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## LETTER FROM THE BOARD

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No.	Original Articles	Amended Articles
	(9) Pass resolutions on matters such as the merger, division, change in company form, dissolution or liquidation of the Company;	(9) Pass resolutions on matters such as the merger, division, change in company form, dissolution or liquidation of the Company;
	(10) Pass resolutions on the issuance of bonds by the Company;	(10) Pass resolutions on the issuance of bonds by the Company;
	(11) Pass resolutions on the employment, dismissal or refusal of employment of accounting firms by the Company;	(11) Pass resolutions on the employment, dismissal or refusal of employment of accounting firms by the Company;
	(12) Amend the Articles of Association of the Company;	(12) Amend the Articles of Association of the Company;
	(13) Examine and approve the guaranties as set forth in Article 58;	(13) Examine and approve the guaranties as set forth in Article 58;
	(14) Examine the purchase or sale of material assets within one year with a value exceeding thirty percent of the total assets of the Company as audited in the latest reporting period;	(14) Examine the purchase or sale of material assets within one year with a value exceeding thirty percent of the total assets of the Company as audited in the latest reporting period;
	(15) Examine and approve any change in the use of the raised funds;	(15) Examine and approve any change in the use of the raised funds;
	(16) Examine and approve stock incentive plan;	(16) Examine and approve stock incentive plan <u>and employee share ownership plan</u> ;
	(17) Examine and approve motions proposed by the shareholders who individually or jointly hold three percent or more of the Company's voting shares;	(17) Examine and approve motions proposed by the shareholders who individually or jointly hold three percent or more of the Company's voting shares;
	(18) Other matters that laws, administrative regulations and the Company's Articles of Association require to be resolved by the shareholders' general meeting; and	(18) Other matters that laws, administrative regulations and the Company's Articles of Association require to be resolved by the shareholders' general meeting; and
	(19) The shareholders' general meeting may delegate or entrust its matters to be handled by the board of directors.	(19) The shareholders' general meeting may delegate or entrust its matters to be handled by the board of directors.

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
6	Article 61	Article 61
	<p>When the Company is to hold a shareholders' general meeting, it shall issue a written notice 30 days prior to the meeting informing all the registered shareholders of the matters to be examined at the meeting as well as the date and place of the meeting. Shareholders that intend to attend the shareholders' general meeting shall, within 20 days prior to the meeting, deliver a written reply to the Company on meeting attendance.</p>	<p><u>When the Company convenes an annual general meeting, it shall notify each shareholder in the form of a written notice or a public announcement, subject to laws and administrative regulations and the listing rules of the stock exchange where the shares of the Company are listed, 21 days (excluding the date of meeting) prior to the annual general meeting; when the Company convenes an extraordinary general meeting, it shall notify each shareholder in the form of a written notice or a public announcement, subject to laws and administrative regulations and the listing rules of the stock exchange where the shares of the Company are listed, the longer of 10 business days or 15 days (excluding the date of meeting) prior to the meeting.</u></p>
7	Article 64	Article 64
	<p>Based on the written replies received 20 days prior to a shareholders' general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the shareholders' general meeting. If not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the shareholders' general meeting.</p> <p>Extraordinary shareholders' general meetings may not decide on matters not specified in the notice or announcement.</p>	<p><del>Based on the written replies received 20 days prior to a shareholders' general meeting, the Company shall calculate the number of voting shares represented by the shareholders intending to attend the meeting. If the number of voting shares represented by the shareholders intending to attend the meeting is more than half of the total number of the Company's voting shares, the Company may hold the shareholders' general meeting. If not, the Company shall within five days inform the shareholders once again of the matters to be examined at the meeting as well as the date and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the shareholders' general meeting.</del></p> <p><u>No resolutions shall be passed at a shareholders' general meeting on matters not listed in the notice.</u></p>



## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
8	Article 66	Article 66
	<p>The notice of a shareholder’s general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by assigned persons or pre-paid mail to the recipient’s address shown in the register of shareholders or by being published on the website of the Company. For holders of domestic investment shares, the notice of a shareholders’ general meeting may also be given by public announcement.</p> <p>The public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the State Council authorities in charge of securities during the period between 30 and 35 days before the meeting is held. Once the announcement is made, all holders of domestic investment shares shall be deemed to have received the notice of the relevant shareholders’ meeting. Such public announcement shall be published in Chinese and English in accordance with the Articles of Association.</p>	<p>The notice of a shareholder’s general meeting shall be delivered to the shareholders (whether or not entitled to vote thereat) by assigned persons or pre-paid mail to the recipient’s address shown in the register of shareholders or by <u>public announcement in accordance with laws, administrative regulations and the listing rules of the stock exchange where the shares of the Company are listed.</u></p> <p><u>For the public announcement referred to in the preceding paragraph shall be published in one or more newspapers or periodicals designated by the State Council authorities in charge of securities during the period between 30 and 35 days before the meeting is held. Once the announcement is made, once published,</u> all holders of domestic investment shares shall be deemed to have received the notice of the relevant shareholders’ meeting. <del>Such public announcement shall be published in Chinese and English in accordance with the Articles of Association.</del></p>
9	Article 76	Article 76
	<p>When shareholders (including proxies) vote at the shareholders’ general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall have one (1) vote. The shares held by the Company carry no voting rights and shall not be counted into the total number of shares with voting rights held by shareholders attending the meeting.</p> <p>Where any shareholder is, in accordance with the Company Law or other provisions of the laws and administrative regulation, or under the Listing Rules, required to abstain from voting on a particular resolution or restricted to voting only in favour of or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</p>	<p>When shareholders (including proxies) vote at the shareholders’ general meeting, they shall exercise their voting rights according to the number of voting shares that they represent. Each share shall have one (1) vote. The shares held by the Company carry no voting rights and shall not be counted into the total number of shares with voting rights held by shareholders attending the meeting.</p> <p><del>Where any shareholder is, in accordance with the Company Law or other provisions of the laws and administrative regulation, or under the Listing Rules, required to abstain from voting on a particular resolution or restricted to voting only in favour of or against any particular resolution, any votes cast by or on behalf of such shareholder in contravention of such requirement or restriction shall not be counted.</del></p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
	<p>Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.</p> <p>The board of directors, independent Directors and shareholders that meet the relevant requirements may publicly solicit voting rights. Information shall be fully disclosed to the shareholders to be solicited for such solicitation, and no payment or other form of de facto payment shall be made to the shareholders for such solicitation. The Company shall not impose any limitation related to minimum shareholding on the collection of voting rights.</p>	<p><u>Shareholders who purchase the shares of the Company with voting rights in violation of relevant requirements of the Securities Law shall not exercise the voting right of the shares that exceed the prescribed ratio within 36 months after the purchase, and such shares shall not be counted in the total number of shares with voting rights represented by shareholders attending the shareholders' general meeting.</u></p> <p>Where material issues affecting the interests of small and medium investors are being considered at the general meeting, the votes by small and medium investors shall be counted separately. The separate counting results shall be publicly disclosed in a timely manner.</p> <p>The board of directors, independent Directors and shareholders <u>holding more than 1% of the total voting shares of the Company or investor protection corporation established in accordance with laws, administrative rules and the provisions of the China Securities Regulatory Commission</u> may publicly solicit voting rights. Information shall be fully disclosed to the shareholders to be solicited for such solicitation, and no payment or other form of de facto payment shall be made to the shareholders for such solicitation. <u>Save for the statutory conditions,</u> <del>The</del> Company shall not impose any limitation related to minimum shareholding on the collection of voting rights.</p>

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**LETTER FROM THE BOARD**

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No.	Original Articles	Amended Articles
10	Article 83	Article 83
	<p>The following matters shall be resolved by way of a special resolution of the shareholders' general meeting:</p> <p>(1) Increase or reduction of the Company share capital and issuance of any category of shares, warrants or other similar securities;</p> <p>(2) Buying-back of Company's shares;</p> <p>(3) Issuance of Company's bonds;</p> <p>(4) Division, merger, dissolution and liquidation of the Company or change in company form;</p> <p>(5) Amendment of the Articles of Association of the Company;</p> <p>(6) Purchase or sale of material assets by the Company within one year exceeding thirty percent of the total assets of the Company, or provision of guaranty by the Company within one year the amount secured by which exceeds thirty percent of the total assets of the Company;</p> <p>(7) Other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.</p>	<p>The following matters shall be resolved by way of a special resolution of the shareholders' general meeting:</p> <p>(1) Increase or reduction of the Company share capital and issuance of any category of shares, warrants or other similar securities;</p> <p>(2) Buying-back of Company's shares;</p> <p>(3) Issuance of Company's bonds;</p> <p>(4) Division, <u>spin-off</u>, merger, dissolution and liquidation of the Company or change in company form;</p> <p>(5) Amendment of the Articles of Association of the Company;</p> <p>(6) Purchase or sale of material assets by the Company within one year exceeding thirty percent of the total assets of the Company, or provision of guaranty by the Company within one year the amount secured by which exceeds thirty percent of the total assets of the Company;</p> <p>(7) <u>Stock incentive plan</u>;</p> <p>(8) Other matters that, as resolved by way of an ordinary resolution of the shareholders' general meeting, may have a significant impact on the Company and require adoption by way of a special resolution.</p>

**LETTER FROM THE BOARD**

No.	Original Articles	Amended Articles
11	<p data-bbox="368 300 865 331">Article 102</p> <p data-bbox="368 353 865 757">When the Company is to hold a class meeting, it shall issue a written notice 45 days prior to the meeting informing all the registered shareholders of that class of the matters to be examined at the class meeting as well as the date and place of the meeting. Shareholders that intend to attend the class meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.</p> <p data-bbox="368 800 865 1321">If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the meeting of shareholders of different classes. If not, the Company shall within five days inform the shareholders once again of the agenda, time and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the class meeting.</p>	<p data-bbox="893 300 1374 331">Article 102</p> <p data-bbox="893 353 1391 981">When the Company is to hold a class meeting, it shall <u>notify each shareholder in the form of a written notice or a public announcement, subject to laws and administrative regulations and the listing rules of the stock exchange where the shares of the Company are listed, 21 days (excluding the date of meeting) prior to the meeting</u> informing all the registered shareholders of that class of the matters to be examined at the class meeting as well as the date and place of the meeting. <del>Shareholders that intend to attend the class meeting shall, within 20 days prior to the day of the meeting, deliver a written reply to the Company on meeting attendance.</del></p> <p data-bbox="893 1023 1391 1544"><del>If the number of shares carrying the right to vote at the meeting represented by the shareholders intending to attend the meeting is more than half of the total number of shares of that class carrying the right to vote at the meeting, the Company may hold the meeting of shareholders of different classes. If not, the Company shall within five days inform the shareholders once again of the agenda, time and place of the meeting in the form of a public announcement. Upon notification by public announcement, the Company may hold the class meeting.</del></p>
12	<p data-bbox="368 1572 865 1604">Article 107</p> <p data-bbox="368 1625 865 1768">The board of directors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p data-bbox="368 1810 865 1949">(1) To be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;</p>	<p data-bbox="893 1572 1390 1604">Article 107</p> <p data-bbox="893 1625 1391 1768">The board of directors shall be accountable to the shareholders' general meeting and shall exercise the following functions and powers:</p> <p data-bbox="893 1810 1391 1949">(1) To be responsible for convening shareholders' general meetings and to report on its work to the shareholders' general meeting;</p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
	<p>(2) To implement the resolutions of shareholders' general meetings;</p> <p>(3) To decide on the business plans and investment plans of the Company;</p> <p>(4) To formulate the proposed annual financial budgets and final accounts of the Company;</p> <p>(5) To formulate the plans for profit distribution and making up losses of the Company;</p> <p>(6) To formulate plans for the increase or reduction in the registered capital of the Company and for the issue of corporate bonds;</p> <p>(7) To draft plans for merger, division, change in company form and dissolution of the Company;</p> <p>(8) To decide on the establishment of the Company's internal management department;</p> <p>(9) To hire or dismiss the CEO of the Company;</p> <p>(10) Hire or dismiss the president, vice president(s) and other senior management staff as proposed by CEO, and to decide on their remuneration;</p> <p>(11) To formulate the basic management system of the Company;</p> <p>(12) To formulate proposals for amendment of the Articles of Association of the Company;</p>	<p>(2) To implement the resolutions of shareholders' general meetings;</p> <p>(3) To decide on the business plans and investment plans of the Company;</p> <p>(4) To formulate the proposed annual financial budgets and final accounts of the Company;</p> <p>(5) To formulate the plans for profit distribution and making up losses of the Company;</p> <p>(6) To formulate plans for the increase or reduction in the registered capital of the Company and for the issue <u>and listing</u> of corporate bonds <u>or other securities</u>;</p> <p>(7) To draft plans for <u>major acquisitions, purchase of the Company's shares or merger, division, change in company form and dissolution of the Company</u>;</p> <p>(8) <u>Within the scope of authorization by the shareholders' general meeting, to make decisions on external investments, purchases or sales of assets, assets pledges, external guarantees, entrusted wealth management, connected transactions, external donations, etc. (If the matters meet the criteria for consideration and approval at the shareholders' general meeting in accordance with laws, administrative regulations, and the requirements of the listing rules of the stock exchange where the shares of the Company are listed, such matters shall be submitted to the shareholders' general meeting for approval); and organize relevant experts and professionals to make assessments and</u></p>

## LETTER FROM THE BOARD

No.	Original Articles	Amended Articles
	<p>(13) Under the premise of observing relevant laws, administrative regulations, the Articles of Association of the Company and authorization by the shareholders' meeting, to exercise the Company's rights of financing and borrowing and to deal with lease and contract matters relating to the Company;</p> <p>(14) To propose to the shareholders' general meeting to hire or change accounting firms which audit the Company; and</p> <p>(15) To exercise any other powers conferred by the shareholders in general meetings and these Articles of Association.</p> <p>Resolutions by the board of directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in items (6), (7) and (12), which shall require the affirmative vote of more than two-thirds of the directors.</p>	<p><u>examination on material investment projects and report them to the shareholders' general meeting for approval;</u></p> <p>(9) To decide on the establishment of the Company's internal management department;</p> <p>(10) To hire or dismiss the CEO of the Company;</p> <p>(11) Hire or dismiss the president, vice president(s), <u>chief financial officer, secretary to the board of directors</u> and other senior management staff as proposed by CEO, and to decide on their remuneration, <u>rewards and punishments;</u></p> <p>(12) To formulate the basic management system of the Company;</p> <p>(13) To formulate proposals for amendment of the Articles of Association of the Company;</p> <p>(14) Under the premise of observing relevant laws, administrative regulations, the Articles of Association of the Company and authorization by the shareholders' meeting, to exercise the Company's rights of financing and borrowing and to deal with lease and contract matters relating to the Company;</p> <p>(15) To propose to the shareholders' general meeting to hire or change accounting firms which audit the Company; and</p> <p>(16) To exercise any other powers conferred by <u>the laws, administrative regulations or the</u> Articles of Association.</p>

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## LETTER FROM THE BOARD

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No.	Original Articles	Amended Articles
		Resolutions by the board of directors on matters referred to in the preceding paragraph may be passed by the affirmative vote of more than half of the directors with the exception of resolutions on matters referred to in items (6), (7) and (13) and as stipulated in the laws, <u>administrative regulations and the listing rules of the stock exchange where the shares of the Company are listed</u> , which shall require the affirmative vote of more than two-thirds of the directors.

The English version of the proposed amendments to the Articles of Association is an unofficial translation of its Chinese version. In case of any discrepancy between the two versions, the Chinese version of the proposed amendments to the Articles of Association shall prevail.

The Board believes that the Proposed Amendments to the Articles of Association are in the interests of the Company and its Shareholders.

### VI. SECOND EGM

A notice convening the Second EGM to be held at 10:00 a.m. on Thursday, 22 December 2022 at Room 311, Main Building of COSL, 201 Haiyou Avenue, Yanjiao Economic & Technological Development Zone, Sanhe City, Hebei Province, the PRC is set out on pages 55 to 57 of this circular.

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders at a general meeting must be taken by poll. Accordingly, all resolutions to be proposed at the Second EGM will be voted by poll.

For the purpose of determining the entitlement for attendance and voting at the Second EGM, the H Shares register of members of the Company will be closed from Friday, 16 December 2022 to Thursday, 22 December 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to attend and vote at the Second EGM, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Thursday, 15 December 2022. Holders of A Shares should contact the Secretary of the Board for details concerning registration of transfers of A Shares.

Shareholders of the Company is entitled to attend and vote at the Second EGM by himself or by proxy, if a proxy is appointed to attend the meeting, you are requested to complete the proxy form in accordance with the instructions set out therein and return it to the Office of the Secretary of the Board at the Company's principal place of business in the PRC for holders of the A Shares and at the H Share

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## LETTER FROM THE BOARD

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registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for holders of H Shares of the Company as soon as possible but in any event, not less than 24 hours before the time appointed for holding the Second EGM or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the Second EGM or any adjourned meeting (as the case may be) should you so wish.

Pursuant to the Hong Kong Listing Rules, CNOOC and its associates will abstain from voting on all resolutions relating to the continuing connected transactions to be proposed, considered and voted on at the Second EGM. As of the Latest Practicable Date, CNOOC and its associates hold in aggregate 2,410,849,300 Shares of the Company, which amounts to approximately 50.53% of total issued Shares of the Company.

Other than set out above and as of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is no connected person of the Company, Shareholder and their respective associates (other than CNOOC and its associates) with a material interest in the continuing connected transactions to be proposed, considered and approved at the Second EGM required to abstain from voting at the Second EGM, and there is no connected person of the Company, Shareholder and their respective associates with a material interest in the other matters to be proposed, considered and approved at the Second EGM required to be abstain from voting at the Second EGM.

### RECOMMENDATION

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 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 Directors also believe that, (i) proposed appointment of executive director, (ii) proposed US dollar loan extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company, and (iii) proposed amendments to the Articles of Association are in the interests of the Company and its shareholders as a whole.

The Board has resolved and approved the resolutions 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. The Board recommends that the Shareholders vote in favour of and approve all resolution(s) in relation to the above matters to be proposed at the Second EGM.

Halcyon Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to above continuing connected transactions. Having considered the advices given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advices, the Independent Board



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## LETTER FROM THE BOARD

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Committee is of the opinion that 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. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of and approve all resolution(s) in relation to the above matters to be proposed at the Second EGM.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 32, the letter from the Independent Financial Adviser set out on pages 33 to 50 and the other information set out in the appendices to this circular.

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

**COSL**

**中海油田服务股份有限公司**  
**China Oilfield Services Limited**

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

**(Stock Code: 2883)**

9 November 2022

*To the Independent Shareholders*

Dear Sir or Madam,

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

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, 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 how to vote.

Having considered the above and the advice of the Independent Financial Adviser in relation thereto as set out on pages 33 to 50 of this circular, we are of the opinion that 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.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve all resolution(s) in relation to the above Framework Agreement to be proposed at the Second EGM.

Yours faithfully,

For and on behalf of

**The Independent Board Committee of  
China Oilfield Services Limited**

**Chiu Lai Kuen, Susanna      Kwok Lam Kwong, Larry      Yao Xin**  
*Independent Non-executive Directors*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Halcyon Capital Limited to the Independent Board Committee and the Independent Shareholders which has been prepared for the purpose of the inclusion in this circular.*



11/F, 8 Wyndham Street  
Central  
Hong Kong

9 November 2022

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **CONTINUING CONNECTED TRANSACTIONS ENTERING INTO THE MASTER SERVICES FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the transactions contemplated thereunder (including the Proposed Annual Caps). Details of the Framework Agreement and the Proposed Annual Caps in respect of the transactions contemplated thereunder (the “**Transactions**”) are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 9 November 2022 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, capitalized terms used in this letter shall have the same meaning as those defined in the Circular.

As of the Latest Practicable Date, CNOOC and its associates hold in aggregate 2,410,849,300 Shares of the Company, which amounts to approximately 50.53% of total issued Shares of the Company, and is the controlling shareholder of the Company. By virtue of CNOOC’s shareholding in the Company, CNOOC is therefore a connected person of the Company under the Hong Kong Listing Rules, and the entering into the Framework Agreement and the Transactions constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios in respect of the Framework Agreement are on an annual basis over 5%, the Framework Agreement (including the Proposed Annual Caps) and the Transactions will be subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Pursuant to the Hong Kong Listing Rules, CNOOC and its associates will abstain from voting on all resolutions relating to the Transactions to be proposed, considered and voted on at the Second EGM.

The Independent Board Committee comprising all the independent non-executive Directors, namely Ms. Chiu Lai Kuen, Susanna, Messrs. Kwok Lam Kwong, Larry and Yao Xin, has been established to advise the Independent Shareholders as to whether the terms of the Framework Agreement (including the Proposed Annual Caps) and the Transactions are fair and reasonable so far as the Independent Shareholders

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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are concerned and are in the interest of the Company and the Independent Shareholders as a whole and how to vote on the relevant resolution in the Second EGM. We have been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

In the last two years from the date of our appointment we have no other relationships with or interests in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from the normal professional fees paid/payable to us in connection with our appointment, no arrangements exist whereby we had received any fees or benefits from the Company or any other party to the transactions, therefore we consider such relationship would not affect our independence. We are therefore independent under Rule 13.84 of the Hong Kong Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in connection with the Transactions.

### **BASIS OF OUR OPINION**

In formulating our opinion, we have relied on the information, financial information and facts supplied to us and representations expressed by the executive Directors and/or the management of the Company and have assumed that all such information, financial information and facts and any representations made to us or referred to in the announcement of the Company dated 27 October 2022 and the Circular, for which they are fully responsible, are true, accurate and complete as at the time they were made and as at the date hereof and made after due and careful inquiry by the executive Directors and/or the management of the Company. We have been advised by the executive Directors and/or the management of the Company that all relevant information has been supplied to us and that no material facts have been omitted from the information supplied and representations expressed to us. We have also relied on certain information available to the public and have assumed such information to be accurate and reliable. We have no reason to doubt the completeness, truth or accuracy of the information and facts provided and we are not aware of any facts or circumstances which would render such information provided and representations made to us untrue, inaccurate or misleading.

Our review and analyses were based upon, among others, the information provided by the Company, as permitted under the relevant rules and regulations, including the Framework Agreement and certain published information from the public domain. We have also discussed with the executive Directors and/or the management of the Company with respect to the terms of and reasons for the Transactions (including the Proposed Annual Caps) and considered that we have reviewed sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information nor have we conducted any form of in-depth investigation into the businesses, affairs, financial position or prospects of the Group, CNOOC Group, and each of their respective associates, and the parties involved in the Transactions.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our recommendations in respect of the Transactions (including the Proposed Annual Caps), we have considered the following principal factors and reasons:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 1. Background to and reasons for the entering into of the Framework Agreement

The Company is a joint stock company incorporated in the PRC with limited liability and is listed on both Hong Kong Stock Exchange and Shanghai Stock Exchange. 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, a state-owned enterprise incorporated under the laws of the PRC, who is the largest offshore oil and gas producer and operator in the PRC. It has become an international energy company with prominent core business, a complete industrial chain and business spreading across 40 countries and regions. The principal businesses of CNOOC include oil and gas exploration and development, engineering and technical services, refining and marketing, natural gas and power generation, financial services and integrated operation services and new energy services. CNOOC Group's core operation areas are Bohai, Western South China Sea, Eastern South China Sea and East China Sea in offshore PRC. For overseas, CNOOC Group has oil and gas assets in Asia, Africa, North America, South America, Oceania and Europe.

The Company, including its predecessors, has been providing Oilfield Services to CNOOC and its associates since 1982. In addition, the CNOOC Group has also since 1982 been providing Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group as well as leasing certain properties to the Group for the Group's daily operation. To govern the on-going co-operation and rental between CNOOC Group and the Group, relevant framework agreements have been entered into and renewed every three years or supplemented when necessary thereafter. As the latest effective agreement in place, the Current Framework Agreement, will expire by the end of 2022, on 27 October 2022, the Company and the CNOOC entered into the Framework Agreement to continue to govern the on-going connected transactions with the CNOOC Group and as well as to set annual caps for the coming three years ending 31 December 2025.

The executive Directors considered that the Framework Agreement provides flexibility, but not an obligation, to the Group or to the CNOOC Group to engage each other in their respective business operation whenever their respective management consider appropriate. Furthermore, the executive Directors are of the view that, given CNOOC Group had been co-operating with the Group since 1982 and as CNOOC is the largest offshore oil and gas producer and operator in the PRC, holding the dominant position in offshore oil and gas production in the PRC which is the principal market of the Company has been providing stable demand for the Group's Oilfield Services and CNOOC Group had also been providing a stable source of supply of Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group, we concur with the Company that, it is in the interest of the Company to continuously enter into the Transactions with CNOOC.

Furthermore, given the properties leased from the CNOOC Group are essential to the Group's operations. Thus, we concur with the Company 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Having considered that the Transactions between the Group and CNOOC Group have been and will be carried out in their respective ordinary and usual course of business, we considered that the entering into of the Framework Agreement is in the ordinary and usual course of business of the Group and is in the interests of the Company and Shareholders as a whole.

### **2. Principal terms of the Framework Agreement**

On 27 October 2022, the Company and CNOOC entered into the Framework Agreement. Set out below are the principal terms of the Framework Agreement:

#### *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.

#### *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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *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.

### *Proposed Annual Caps*

For terms regarding the Proposed Annual Caps, please refer to the section headed “**4. Basis of the Proposed Annual Caps**” below.

### **3. Pricing policies and internal control**

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.

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

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](http://www.ihsmarkit.com)), Clarkson ([www.crsl.com](http://www.crsl.com)) and Rigzone ([www.rigzone.com](http://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 updates 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 which the Group operate at, and will be adjusted in a  $\pm 10\%$  range

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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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.

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

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 to reduce the Company's time and costs of transaction.

The procurement department of the Company which is separated from and independent of other departments is responsible for comparing no less than three other independent third-party providers who have comparable equipment to that of CNOOC Group and ensure the average price from the other independent third-party providers would be less favourable to the prices offered by CNOOC Group to the Company. Taking into consideration the above mechanism, we consider that the price offered by CNOOC Group is on normal commercial term and fair and reasonable so far as the Independent Shareholders are concerned.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

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.

Furthermore, we have also reviewed the letter issued by the auditor of the Company regarding the continuing connected transaction of the Company for the year ended 31 December 2021, pursuant to which nothing has come to the attention of the auditor of the Company that the continuing connected transactions were not, in all material respects, in accordance with the pricing policies of the Company.

*(d) Internal control review on the Transactions*

As stated in the Annual Report of the Company for the year ended 31 December 2020 and 2021, the independent non-executive Directors have reviewed the continuing connected transactions for the respective years and have confirmed that the independent non-executive Directors have reviewed the above transactions and have confirmed that: (i) the transactions were entered into between the Group and the connected persons or their respective associates (where applicable) in the ordinary and usual course of business of the Group; (ii) the transactions were entered into on normal commercial terms or better; (iii) the transactions were executed in accordance with the relevant agreements governing such transactions, on terms that are fair and reasonable and in the interests of the shareholders as a whole; and (iv) the above transactions were entered into with the annual aggregate value within the relevant annual cap of each category.

Furthermore, Ernst & Young, the Company's auditor, has been engaged to report on the Group's continuing connected transactions for in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young has issued their letter (a copy of the auditors' letter has also been provided by the Company to the Stock Exchange) containing their findings and conclusions in respect of the continuing connected transactions as disclosed below by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules:

- a) nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have not been approved by the Board;
- b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- c) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d) with respect to the aggregate amount of each of the continuing connected transaction, nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

We have also reviewed certain continuing connected transactions documents entered into in 2020, 2021 and during the first eight months of 2022, including but not limited to price list as stipulated in sales contracts, pricing analysis memorandums as well as tender result price analysis of various types of procurement transactions of which such documents form part of the sales, procurement or tender documents of the Group, as the case may be.

For sales contracts entered into between the Group and CNOOC Group in respect of Oilfield Services provided by the Group to CNOOC Group, we noted that the averaged prices on the price list as stipulated in the respective sales contracts were within the ranges of the market prices as stated in the then latest IHS report. IHS report are issued on a monthly basis which provide information on the latest estimated market prices for oilfield services.

For awarding contract by way of tender, we also notice that despite CNOOC Group participated in the tender, the contract was awarded to the lowest price tender participant, which was an independent third party.

Pursuant to the above mentioned transactions documents and relevant explanation from the Management, we noted that the price offered to/by CNOOC Group are no less favourable to the market prices obtained from public sources/to those offered to/by independent third parties.

Taking into account the above-mentioned measure including the internal control arrangements as disclosed in the “Letter From the Board” of this Circular, we concurred with the Board’s view that, there are adequate pricing and review procedures in place for governing on-going transactions to ensure the pricing terms are no less favorable from third parties and appropriate measures are in place to ensure that the Transaction will be conducted on normal commercial terms and to safeguard the interests of the Independent Shareholders.

#### **4. Basis of the Proposed Annual Caps**

The Transactions are subject to the Hong Kong Listing Rules’ requirements and conditions as further discussed under the section headed “**5. Reporting requirements and conditions of the Transactions**” below. In particular, the Transactions are also subject to the Proposed Annual Caps as discussed below.

In assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management of the Group on the basis and assumptions underlying the anticipated volume of business transactions between the Group and CNOOC Group (including pricing) pursuant to the Framework Agreement entered into between the Company and CNOOC for the purpose of determining the Proposed Annual Caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(i) *Review of the historical figures*

Set out below are the historical transactions amounts between the Group and CNOOC Group for the two years ended 31 December 2020 and 2021 and for the 6 months ended 30 June 2022:

	<b>For the year ended 31 December 2020 <i>RMB' million</i></b>	<b>For the year ended 31 December 2021 <i>RMB' million</i></b>	<b>For the six months ended 30 June 2022 <i>RMB' million</i></b>
<b>(a) Provision by the Group of the Oilfield Services to the CNOOC Group</b>			
Historical transaction amount	21,645	25,123	12,764
Historical annual cap	40,044	52,058	33,837.5
			(Six months pro-rata)
			67,675
			(Historical annual cap)
Utilization rate	54.1%	48.3%	37.7%
			(Six months pro-rata)
<b>(b) Provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group</b>			
Historical transaction amount	1,848	1,992	847
Historical annual cap	5,397	7,169	4,767
			(Six months pro-rata)
			9,534
			(Historical annual cap)
Utilization rate	34.2%	27.8%	17.8%
			(Six months pro-rata)

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	For the year ended 31 December 2020 <i>RMB' million</i>	For the year ended 31 December 2021 <i>RMB' million</i>	For the six months ended 30 June 2022 <i>RMB' million</i>
<b>(c) Provision by the CNOOC Group of the Property Services to the Group</b>			
Historical transaction amount	91	155	93
Historical annual cap	600	797	529.5
			(Six months pro-rata) 1,059 (Historical annual cap)
Utilization rate	15.2%	19.4%	17.6% (Six months pro-rata)

During the past two and a half years, impacted by multiple factors such as the continuous lingering of the global COVID-19 pandemic, fluctuation in the international oil and gas industry, and accelerated transformation of the energy industry, oil companies remain prudent in the investment in oil and gas exploration and development as well as the oversupply of the international oilfield service market has limited improvement and intense competition in international oilfield service market, the Group's utilization rate of the historical annual caps regarding the provision of the Oilfield Services to the CNOOC Group by the Group continued to decline from 54.1% for the year ended 31 December 2020 to 37.7% for the six months ended 30 June 2022.

As a result of (i) the decline in provision of Oilfield Services to CNOOC Group; (ii) oil price fluctuation in 2020 and 2021; and (iii) pursuant to the 2021 annual report of the Group, the Group had adopted a cost leadership strategy, in which, the Group would enhance the ability of cost control and therefore resulted a lower demand for obtaining Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services as well as Property Services from CNOOC Group and therefore resulted in low utilization rate for the historical annual caps in respect of provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group and the provision by the CNOOC Group of the Property Services to the Group.

***(ii) Assessment of the Proposed Annual Caps***

When assessing the reasonableness of the Proposed Annual Caps, we have discussed with the management about the basis and assumptions underlying the projection of the Proposed Annual Caps. Set out below are the Proposed Annual Caps being proposed for the Transactions for the three years ending 31 December 2023, 2024 and 2025:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>For the years ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
(a) Provision by the Group of the Oilfield Services to the CNOOC Group	45,104	47,478	49,925
(b) Provision by the CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group	6,256	6,837	7,496
(c) Provision by the CNOOC Group of the Property Services to the Group	673	734	804

According to the “Letter From the Board” of this Circular, 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 the 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 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

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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 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 years ending 31 December 2023, 2024 and 2025 will also 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 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 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.

We have noted from Bloomberg on the data available of the peers of the Company that, in 2020 and 2021 the Group's revenue fluctuation has been less than the peers' average while in the first half of 2022, the Group's revenue growth rate was also higher than the average growth rate of the peers. In view of such, we concur with the Management that estimating a steady growth is appropriate as the Group's performance has been less fluctuated as compare to its peers. The peers of the

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Company have been recording revenue growth for the six months ended 30 June 2022, which could be one of the indicator showing a possible recovery of oilfield industry and hence, it is appropriate to estimate that demand from other customers may also increase accordingly.

As for the cost of the Transactions, considering that the Company's production and operation model will not face significant change and that the percentage of total cost accounted 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 Transactions in the total cost of the Group will not encounter any major changes. Therefore, the Company, having taken into account the impact of oil price on the cost of raw materials in projecting the cost of Transactions for the next three years, estimates that percentage of the cost from the 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 was 7%).

In addition, based on the average historical percentage of the cost from property lease-related Transactions in the total cost from the Transactions from 2020 to the first half of 2022, being 8%, the Company estimated that the cost from property lease-related Transactions will be 10% of the total cost from the 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.

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

When calculating the Proposed Annual Caps of the Group for provision by the Group of the Oilfield Services to the CNOOC Group, the Group estimated the revenue for the three years ending 31 December 2025 times an estimated percentage of revenue to be contributed by provision of Oilfield Services to the CNOOC Group and a 15% buffer.

We have examined the historical amounts of revenue generated from the Oilfield Services to the CNOOC Group as compared with the total revenues of the Group in the below:

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	<b>For the year ended</b>		<b>For the</b>
	<b>31 December</b>		<b>six months</b>
	<b>2020</b>	<b>2021</b>	<b>ended</b>
	<b>2020</b>	<b>2021</b>	<b>30 June</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<b>2022</b>
	<i>RMB' million</i>	<i>RMB' million</i>	<i>RMB' million</i>
Total revenue of the Group	28,925	29,168	15,196
Actual amount of revenue contributed by CNOOC Group	21,645	25,123	12,764
% of revenue contributed by CNOOC Group	74.8%	86.1%	84.0%

We note that the historical transaction amounts of revenue contributed by CNOOC Group represent approximately 74.8%, 86.1% and 84.0% of the total revenue of the Group for the year ended 31 December 2020 and 2021 and for the six months ended 30 June 2022 respectively. Since the Oilfield Services have been the main contributor to the Group's revenue, as such, 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. We consider that the percentage of approximately 86.1% as applied by the Company for the estimation of the percentage contribution of the Proposed Annual Caps in the next three years to the Group's total revenue which is comparable to the 84.0% recorded during the six months ended 30 June 2022 and representing the same level of contribution in 2021 to be an appropriate estimate.

In terms of estimated revenues, for 2023 the management estimated a growth based on the 2022 annual estimated revenue figure of which took into account the actual financial results of the first half of 2022 and according to the management, the 2022 annual estimate revenue have also factored in the revenue to be contributed from indicated orders of CNOOC Group for the second half of 2022 and for the year ending 31 December 2024 and 2025, the management further estimated a slight growth of 5%.

In assessing the year on year growth estimated by the Group for the three years ending 31 December 2023, 2024 and 2025 respectively, we have:

- (i) noted from the result announcement of the Group for the six months ended 30 June 2022 that, in the first half of 2022, the offshore oil and gas industry gradually recovered, and the market demand for drilling rigs increased. The Company continued to consolidate the foundation of safe production, improved the equipment management capability in the whole life cycle, actively responded to the government's call to strengthen reserves and production, continuously planned and expanded overseas markets, and comprehensively improved the operation and management capability of which the Group achieved a growth in revenue for the Company's drilling services segment of 16.3% and the overall revenue of the Group in the first half of 2022 increased 19.4%;



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- (ii) as noted from Rystad's data, the global expenditure in offshore exploration has increased by 21% in 2022 with growth expected to gradually reaches a peak in 2024; and
- (iii) crude oil price which have a direct relationship to the Group's revenue, despite being volatile, have record an increase in average price, we noted from Bloomberg – (Brent crude futures) that the one-year average between Sept 2020 to 2021 being USD57.12 per barrel while one-year average between Sept 2021 to 2022 being USD89.09 barrel, representing an increase of 56.0%;

In view of the above recovery noted from the Group's operation and the oil market, we concur with the management that, the estimated increase in revenue of the Group to be acceptable.

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

When calculating the Proposed Annual Caps of the Group for provision CNOOC Group of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group, the Group estimated the total cost of the Group for the three years ending 31 December 2025 times an estimated percentage of cost to be incurred in respect of services provided by CNOOC Group as 8% of the estimated total cost of the Group with an additional buffer of 15%.

Pursuant to the management, the Company's operation model will not face significant change based on the Company's recent development plan and that the cost from the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services will remain relatively stable in terms of the proportion to the total cost of the Group, hence it is expected that the percentage of costs payable to CNOOC Group in respect of the Transactions in proportion to the total cost of the Group will not encounter any substantial changes. We also noted that an increase in the Group's revenue will likely cause a corresponding increase in the amount of Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services demanded by the Group.

As cost would in generally increase in line with the increase in revenue, the Group estimated that the total cost of the Group in the next three years will increase at a similar magnitude as the estimated increase in revenue in the next three years.

We have reviewed the cost of provision of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group by CNOOC Group to the total cost of the Group for the period from 1 January 2018 to 30 June 2022:

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	<b>For the year ended</b>				<b>For the</b>
	<b>31 December</b>				<b>six months</b>
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>ended</b>
					<b>30 June</b>
					<b>2022</b>
Contribution of cost by CNOOC					
Group's provision of the					
Machinery Leasing, Kinetic					
Energy, Material and Other					
Ancillary Services	8.1%	7.0%	7.7%	7.6%	6.7%

From the above table we noted that the cost contributed by CNOOC Group's (including but not limited to, provision of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services) to the Group accounted for around 7.0% to 8.1% of the total cost of the Group in the past four full financial years and accounted for 6.7% during the six months ended 30 June 2022. Given such percentage of cost contribution have been stable between around 7.0% to 8.1%, we consider applying 8.0% in estimating the Proposed Annual Caps for contribution of cost by CNOOC Group's provision of the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to be appropriate.

Furthermore, when estimating the total cost of the Group in the coming three years, the Group have also factored in the potential inflation in materials, cost of raw material brought by operation volume, oil price, utilities, as well as labour cost, of which we concur with the management to be reasonable general estimates for calculating annual caps.

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

As discussed with the management an increase in the Group's revenue will likely cause a corresponding increase in the size of the office and working space demanded by the Group. Based on the average historical percentage of the cost from property lease-related transactions in the total cost from the Transactions during the periods from 2018 to 2021 ranged from 4.7% to 10.0%. As mentioned above, as the management do not consider a change in cost structure as the Company's operation model will not face significant change based on the Company's recent development plan. As by factoring in the potential inflation of land price as well as property services cost when determining the Proposed Annual Caps, we consider adopting a 10.0% ratio, (being the highest ratio in the past four years) in estimating the Proposed Annual Caps for provision of Property Services to the Group by CNOOC Group is acceptable.

*(d) The 15% buffer for the Proposed Annual Caps*

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

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also significantly affect the revenue and cost of the Company and CNOOC as explained above. With oil price trading between USD68.87 per barrel to USD127.98 per barrel represent a fluctuation of 85.8% between the highest and lowest price in the past twelve months from 27 October 2022 (the date of announcement in relation to the entering into the Framework Agreement), we therefore concur with the management that setting such buffer to allow the Company to have flexibility to cater to the expansion of new energy business and increase in operation from both the provision of services or receiving of services or goods perspective from/to CNOOC Group in the future three years.

Having considered all the above factors including the basis from which the executive Directors have determined the Proposed Annual Caps, we consider the Proposed Annual Caps for the three years ending 31 December 2025 are fair and reasonable.

### 5. Reporting requirements and conditions of the Transactions

Pursuant to Rules 14A.55 to 14A.59 of the Hong Kong Listing Rules, the Transaction are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Transactions and confirm in the annual report that Transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) each year the auditors of the Company (currently, Ernst & Young) must provide a letter to the Board (with a copy provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to the Board's attention that causes them to believe that the Transactions:
  - (i) have not received the approval of the Board;
  - (ii) are not in accordance with the pricing policies of the Group (if applicable);
  - (iii) have not been entered into in accordance with the relevant agreements governing the Transactions; and
  - (iv) have exceeded the Proposed Annual Caps;
- (c) the Company shall allow, and shall procure the relevant counterparties to the Transactions to allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the Transactions as set out in paragraph (b); and

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- (d) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Hong Kong Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or auditors of the Company will not be able to confirm the matters set out in paragraphs (a) and/or (b) respectively. The Stock Exchange may require the Company to re-comply with the announcement and shareholders' approval requirements and may impose additional conditions.

In light of the reporting requirements attached to the Transactions, in particular, (i) the restriction of the value of the Transactions by way of the Proposed Annual Caps; and (ii) the ongoing review by the independent non-executive Directors and auditors of the Company of the terms of the Transactions and the Proposed Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to monitor the conduct of the Transactions and assist to safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the terms of the Framework Agreement and the Transactions are in the ordinary and usual course of business of the Group, on normal commercial terms, and in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Proposed Annual Caps are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend the Independent Shareholders, and advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution in respect of the Framework Agreement (including the Proposed Annual Caps) and the Transactions at the Second EGM.

Yours faithfully,  
For and on behalf of  
**HALCYON CAPITAL LIMITED**  
**Terry Chu**  
*Managing Director*

*Mr. Terry Chu is a person licensed under the SFO to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and regarded as a responsible officer of Halcyon Capital Limited and has over 22 years of experience in corporate finance industry.*

**1. RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS****(a) Directors' and chief executive's interests and short positions in shares, underlying shares and debenture**

As at the Latest Practicable Date, none of the Directors, chief executive or supervisors and their respective associates had any interest or short positions in the shares of the Company or any of its associated corporations which would fall to be notified to the Company and the Stock Exchange, pursuant to Divisions 7 and 8 of Part XV of the SFO or were required, pursuant to Section 352 of SFO, to be entered in the register referred to therein, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

**(b) Particulars of Directors' and supervisors' Service Contracts**

As at the Latest Practicable Date, none of the Directors or supervisors had an existing or proposed service contract with the Company, or any of its subsidiaries, which is not expiring or determinable by the Company within one year without payment of compensation (other than statutory compensation).

**(c) As at the Latest Practicable Date:**

- (i) none of the Directors had any direct or indirect interest in any assets which have been, since the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by, or leased to the Company or any of its subsidiaries, or are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries; and
- (ii) none of the Directors was materially interested in any contract or arrangement entered into by the Company or any of its subsidiaries which contract or arrangement is subsisting at the date of this circular and which is significant in relation to the business of the Group.

**(d) Directors' interests in competing businesses**

As at the Latest Practicable Date, in so far as the Directors are aware, none of the Directors or their respective associates (as defined in the Hong Kong Listing Rules) had any interest in a business which competes or likely to compete with the business of the Group.

**3. SUBSTANTIAL SHAREHOLDERS**

As at the Latest Practicable Date, according to the register of interests kept by the Company under section 336 of the SFO and/or so far as is known to the Directors, the following companies (other than the Directors or chief executive of the Company) had, or were deemed or taken to have an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meeting of any other member of the Group or had any option in respect of such capital:

<b>Name of shareholder</b>	<b>Capacity and nature of interest</b>	<b>Number (share) and Class of Shares</b>	<b>Approximate percentage in the same class of Shares</b>	<b>Approximate percentage of total issued share capital</b>
BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	164,644,272(L)	9.09(L)	3.45(L)
		8,040,000(S)	0.44(S)	0.17(S)
Allianz SE	Interest of corporation controlled by the substantial shareholder	107,430,000(L)	5.93(L)	2.25(L)

*Notes:*

- (a) "L" means long position.
- (b) "S" means short position.
- (c) "P" means lending pool.

Save as disclosed above, as at the Latest Practicable Date, as far as the Company is aware of, there was no other person (other than any Director or the chief executive of the Company) who had any interests or short positions in the Shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### 4. INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this circular, acquired or disposed of by or leased to any member of the Group.

#### 5. LITIGATION

As at the Latest Practicable Date, no member of the Group was or might be engaged in any litigation or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance were pending or threatened by or against any member of the Group.

#### 6. MATERIAL ADVERSE CHANGE

Save as disclosed in this circular, the Directors are not aware of any material adverse change of the Company as of the Latest Practicable Date.

#### 7. EXPERT'S QUALIFICATION AND CONSENT

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Halcyon Capital Limited	a licensed corporation under the SFO licensed to carry out Type 6 (advising on corporate finance) regulated activities

Halcyon Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which it appears.

Halcyon Capital Limited has confirmed that, as at the Latest Practicable Date:

- (a) it did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) it did not have any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to, or which are proposed to be acquired, or disposed of by, or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited financial statements of the Company were made up.

**8. GENERAL**

- (a) The joint company secretaries of the Company are Mr. Sun Weizhou and Ms. Ng Sau Mei. Mr. Sun and Ms. Ng were appointed as the joint company secretaries of the Company on 21 January 2022.
- (b) The principle share register and transfer office of the H-Shares of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (c) The English text of this circular will prevail over the Chinese text.

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the registered office of the Company, the website of the Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<https://www.cosl.com.cn>) during normal business hours from the date of this circular up to and including the date of the Second EGM:

- (a) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 32 of this circular;
- (b) the letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 33 to 50 of this circular;
- (c) the written consent from the Independent Financial Adviser referred to in the paragraph headed "Expert's Qualification and Consent" in this Appendix; and
- (d) the Framework Agreement.



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## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

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# COSL

## 中海油田服务股份有限公司 China Oilfield Services Limited

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

**(Stock Code: 2883)**

### NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the 2022 second extraordinary general meeting (the “**Second EGM**”) of China Oilfield Services Limited (the “**Company**”) will 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, 22 December 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the continuing connected transactions for the upcoming three years.
2. To consider and approve the appointment of Mr. Xiong Min as the executive director of the Company.
3. To consider and approve the resolution in relation to the US dollar loan extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company.

#### SPECIAL RESOLUTION

4. To consider and approve the resolution in relation to the amendments to the Articles of Association.

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

9 November 2022

*As at the date of this notice, 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.*

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## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (1) All resolutions at the meeting will be taken by poll pursuant to the Hong Kong Listing Rules and the results of the poll will be published on the Stock Exchange's and the Company's websites in accordance to the Hong Kong Listing Rules.
- (2) Holders of the Company's overseas listed foreign invested shares (H Shares) whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited on Friday, 16 December 2022 are entitled to attend and vote at the Second EGM.
- (3) H shareholders who intend to attend the Second EGM must complete and return the reply slip for attending the Second EGM to the Company's Hong Kong registered office by facsimile or post no later than Thursday, 1 December 2022:

Address: 65/F., Bank of China Tower, 1 Garden Road, Hong Kong

Tel: (852) 2213 2515

Fax: (852) 2525 9322

- (4) Each shareholder of the Company who has the right to attend and vote at the Second EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the Second EGM. Where a shareholder has appointed more than one proxy to attend the general meeting, the shareholder shall specify the class and number of shares of the Company in respect of which each proxy is so appointed. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorised in writing. In the case that an appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person, duly authorised. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be certified by a notary public. For holders of H Shares, the power of attorney or other documents of authorisation and proxy forms must be delivered to the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by post or facsimile, no less than 24 hours before the time appointed for the holding of the Second EGM in order for such documents to be valid. For holders of A Shares, the above-mentioned documents must be delivered to the Office of the Secretary of the Board of the Company before the above-mentioned time.
- (5) Holders of H Shares whose names appear on the Company's register of members maintained by Computershare Hong Kong Investor Services Limited and holders of A Shares whose name appear on the Company's register of members maintained by Shanghai branch of China Securities Depository & Clearing Corporation Limited on Friday, 16 December 2022 are entitled to attend the Second EGM. The Company's register of members will be closed from Friday, 16 December 2022 to Thursday, 22 December 2022 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the Second EGM must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Thursday, 15 December 2022 for completion of the registration of the relevant transfer in accordance with the Articles of Association.

Computershare Hong Kong Investor Services Limited's address is as follows:

Shops 1712-1716

17th Floor, Hopewell Centre

183 Queen's Road East

Wanchai

Hong Kong

- (6) The cumulative voting method will be adopted by the Company for the election of directors at the Second EGM.

**Cumulative voting method**

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## NOTICE OF 2022 SECOND EXTRAORDINARY GENERAL MEETING

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When adopting the cumulative voting method for electing the director as proposed in Resolution 2, each of the shares held by a Shareholder shall carry the same number of votes corresponding to the number of directors to be elected. A shareholder may exercise his voting rights by splitting his votes evenly for each of the candidates of directors corresponding to the number of shares he holds; or by casting all his votes carried by each of his shares corresponding to the number of directors to be elected for a particular candidate of directors; or by casting a portion of his votes carried by each of his shares corresponding to the number of directors to be elected for a certain number of candidates of directors.

For example: under the cumulative voting method, the maximum valid votes that a Shareholder is entitled to cast are calculated on the basis of the total number of shares held by such Shareholder times the number of directors to be elected (2 persons). If such Shareholder holds 100 shares, then the maximum valid votes he can cast = 100 (the number of shares held by him) x 2 = 200. The Shareholder could use his discretion to cast 200 votes evenly among 2 candidates, or to place all his votes on one particular candidate, or to split his votes to 2 candidates.

Where the total number of votes cast by a Shareholder for one or several of the candidate(s) of directors is in excess of the number of votes carried by the total number of shares held by him, the votes cast by the Shareholder shall be invalid, and the Shareholder shall be deemed to have waived his voting rights. Where the total number of votes cast for one or several candidate(s) of directors by a Shareholder is less than the number of votes carried by the total number of shares held by such Shareholder, the votes cast by the Shareholder shall be valid, and the voting rights attached to the shortfall between the votes actually cast and the votes which the Shareholder is entitled to cast shall be deemed to have been waived by the Shareholder.

The candidate is elected when the obtained exceed half of the number of shares (on the basis of non-cumulative number of shares) held by the Shareholders (including their proxies) attending this general meeting.

- (7) Shareholders or their proxies must present proof of their identities upon attending the Second EGM. Should a proxy be appointed, the proxy must also present copies of his/her form of proxy, or copies of appointing instrument and power of attorney, if applicable.
- (8) The Second EGM is expected to last not more than one day. Shareholders or proxies attending the Second EGM are responsible for their own transportation and accommodation expenses.