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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)

CONNECTED TRANSACTION

ENTERING INTO THE DRILLING AND WORKOVER RIGS TRANSFER CONTRACT

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With the approval of the Board on 29 January 2018, the Company proposes to enter into the Drilling and Workover Transfer Contract with CNOOC Development and Equipment Company. Pursuant to the Drilling and Workover Rigs Transfer Contract, the Company agrees to purchase the drilling and workover rigs business and related assets which are owned and operated by CNOOC Development and Equipment Company, and receive the personnel related to the business and assets to be transferred for a consideration of RMB6,243,170.00 (excluding tax price).

CNOOC holds 50.53% interest in the Company, and is the controlling shareholder of the Company. CNOOC Development is a subsidiary of CNOOC, Equipment Company is a subsidiary of CNOOC Development, and CNOOC and its associates hold 100% interest in CNOOC Development. As such, CNOOC Development and Equipment Company are connected persons of the Company, and the Drilling and Workover Rigs Transfer Contract and the transaction contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios exceed 0.1% but all are below 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Drilling and Workover Rigs Transfer Contract and the transaction contemplated thereunder is subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but exempted from independent shareholders' approval requirement.

BACKGROUND

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

CNOOC Development is primarily engaged in the energy technology services, FPSO production technology services, energy logistics services, safety and environmental protection and energy-saving products and services.. CNOOC Development is a subsidiary of CNOOC, which is the controlling shareholder of the Company, and CNOOC and its associates hold 100% interest in CNOOC Development.

Equipment Company is a wholly-owned subsidiary of CNOOC Development. It is primarily engaged in manufacturing of oil drilling and production equipment and offshore oil engineering equipment.

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DRILLING AND WORKOVER RIGS TRANSFER CONTRACT

Parties

Party A1: Equipment Company

Party A2: CNOOC Development Engineering Technology Zhanjiang Branch Company

Party A3: CNOOC Development Engineering Technology Shenzhen Branch Company

Party B1: Tianjin Branch Company of the Company

Party B2: Zhanjiang Branch Company of the Company

Party B3: Shenzhen Branch Company of the Company

Details of the transaction

The terms of the Drilling and Workover Rigs Transfer Contract have been reached after arm's length negotiation among the parties. Pursuant to the Drilling and Workover Rigs Transfer Contract, the Company agrees to purchase the drilling and workover rigs business and related assets which are owned and operated by CNOOC Development and Equipment Company, and receive the personnel related to the business and assets to be transferred for a consideration of RMB6,243,170.00 (excluding tax price).

Effective conditions and effective date

The Drilling and Workover Rigs Transfer Contract will take effect when the contract is signed by legal representative or authorized person of both parties with company seal, and is approved by the Board.

Closing and relevant arrangement

The closing date is 31 January 2018 on which ownership rights, use rights and related liabilities of the subject assets shall be transferred to the Company, and profit and loss of the subject assets shall be assumed and owned by the Company.

Consideration and payment

The Company has engaged China Alliance Appraisal Co., Ltd, which engaged in and qualified for the securities and futures business to carry out the asset valuation of the assets to be transferred by CNOOC Development and Equipment Company and issue asset valuation reports separately. The valuation date is 31 October 2017. The book value of the net assets of the assets to be transferred by CNOOC Development as at the valuation date is RMB1,784,316.86. As of the valuation date, the appraised value of the assets to be transferred by CNOOC Development is RMB1,907,870.00, which adopts the asset base method. The value increased is RMB123,553.14 and the appreciation rate of 6.92%. The book value of the net assets of the assets to be transferred by Equipment Company as at the valuation date is RMB3,963,274.48. As of the valuation date, the appraised value of the assets to be transferred by Equipment Company is RMB4,335,300.00, which adopts the asset base method. The value increased is RMB372,025.52 and the appreciation rate of 9.39%.

In accordance with the principle of fairness, and with reference to the net assets valuation aforesaid as of 31 October 2017, the parties agreed to use RMB6,243,170.00 as the basis for consideration. Among which, the consideration to be paid to Equipment Company is RMB4,335,300.00, the consideration to be paid to CNOOC Development Engineering Technology Zhanjiang Branch Company is RMB1,547,163.00, the consideration to be paid to CNOOC Development Engineering Technology Shenzhen Branch Company is RMB360,707.00, subject to filing at State Assets Supervision and Administration Commission.

Both parties agree that the profit or loss during the transitional period shall be borne by CNOOC Development and Equipment Company and the consideration shall be adjusted at the audit value on the closing date.

After the completion of the transfer of the subject assets and upon confirmation and without objection of both parties of completion results pursuant to this agreement, the Party B1 shall pay to Party A1, Party B2 shall pay to Party A2 and Party B3 shall pay to Party A3, the respective consideration in cash by one-off remittance.

INTRODUCTION OF THE SUBJECT ASSETS OF THE TRANSACTION

The subject assets of the transaction have clear ownership, with no mortgage, pledge and any other restrictions that might be imposed on the transfer; the subject assets of the transaction are not involved in any litigation, arbitration or seizure, freezing and other judicial measures and other obstructions of the transfer of the ownership.

The relevant assets were acquired by Equipment Company between 2004 and 2015. The subject assets are qualified to be put into normal operation and possess necessary approval documents for normal operation. The operation of these assets in the last year is normal.

The book values of the subject assets as reported in the financial statements as at 31 October 2017 are as follows:

<i>Unit: RMB</i>				
No.	Item	Original book value	Net book value	Preparation for impairment
Total		22,647,855.49	5,747,591.34	0.00
1	Engineering equipment	21,429,869.80	5,536,096.88	0.00
2	Electric equipment	1,217,985.69	211,494.46	0.00

The repairmen and maintenance of drilling and workover rigs mainly rely on the technique of the workers. The business and assets of drilling and workover rigs to be acquired by the Company are accessory operation tools and it is difficult to allocate revenue, cost and fee, etc to the subject assets. Therefore, it is technically not viable to determine the net profits attributable to the subject assets for the latest two financial years.

BACKGROUND AND REASONS FOR ENTERING INTO THE DRILLING AND WORKOVER RIGSTRANSFER CONTRACT AND THEIR BENEFITS AND EFFECTS ON THE COMPANY

In order to improve the quality of the economic operation of the Company, the Company proposes to acquire relevant assets from CNOOC Development and Equipment Company. The transaction has no material effect on the financial and operational conditions of the Company. In the long term, the transaction will benefit the asset structure of the Company and increase the market competitiveness of the Company.

HONG KONG LISTING RULES IMPLICATIONS

CNOOC holds 50.53% interest in the Company, and is the controlling shareholder of the Company. CNOOC Development is a subsidiary of CNOOC, Equipment Company is a subsidiary of CNOOC Development and CNOOC and its associates hold 100% interest in CNOOC Development. As such, CNOOC Development and Equipment Company are connected persons of the Company, and the Drilling and Workover Rigs Transfer Contract and the transaction contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

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On the same date, the Board approved the Assets and Personnel Transfer Contract to be entered into by the Company and CNOOC Development. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and CNOOC and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with this transaction, be regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 or Rules 14A.81 of the Hong Kong Listing Rules.

GENERAL INFORMATION

The Directors (including independent non-executive directors) consider that the terms and the transaction contemplated under the Drilling and Workover Rigs Transfer Contract are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

The Board has resolved and approved the Drilling and Workover Rigs Transfer Contract and the transaction contemplated thereunder on 29 January 2018. Of the Directors attending the board meeting, Mr. Lv Bo and Mr. Meng Jun were considered to have material interests by virtue of being employed by CNOOC, and had thus abstained from voting on the board resolution(s) in respect of the transaction.

DEFINITIONS

“associates”	has the same meaning as given to it under the Hong Kong Listing Rules;
“Board”	the board of Directors of the Company;
“Company”	China Oilfield Services Limited, a joint stock company incorporated in the People's Republic of China with limited liability, the A Shares of which are listed on the Shanghai Stock Exchange and the H Shares of which are listed on main board of the Stock Exchange;
“CNOOC Development”	CNOOC Energy Technology & Services Limited, a joint stock company incorporated in the People's Republic of China with limited liability.
“Equipment Company”	CNOOC Energy Technology & Services Equipment Technology Company, a limited liability company incorporated in the People's Republic of China;
“CNOOC”	China National Offshore Oil Corporation, a wholly state-owned company incorporated under the laws of the PRC, the controlling shareholder of the Company, as well as the controlling shareholder of two companies listed in Hong Kong, namely, CNOOC Limited (HKSE: 0883.HK) and China Blue Chemical Limited (HKSE: 3983.HK), and two companies listed in PRC;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“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;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shares”	the ordinary shares issued by the Company, with a RMB denominated par value of RMB1.00 each, the H Shares are listed on the Stock Exchange and the A Shares are listed on the Shanghai Stock Exchange;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Drilling and Workover Rigs Transfer Contract”	The drilling and workover rigs business and related assets transfer contract to be entered into by the Company, CNOOC Development and Equipment Company.

By Order of the Board of
China Oilfield Services Limited
Jiang Ping
Company Secretary

29 January 2018

As at the date of this announcement, the executive directors of the Company are Messrs. Qi Meisheng, Li Feilong and Liu Yifeng; the non-executive director of the Company are Mr. Lv Bo (Chairman) and Mr. Meng Jun; and the independent non-executive directors of the Company are Messrs. Law Hong Ping, Lawrence, Fong Chung, Mark and Wong Kwai Huen, Albert.