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**CNOOC Limited**  
**(中國海洋石油有限公司)**

*(Incorporated in Hong Kong with limited liability under the Companies Ordinance)*  
**(Stock Code: 00883)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTIONS**  
**WITH CNOOC FINANCE**

References are made to the announcements of the Company dated 1 December 2016 and 23 August 2018 in relation to the Existing Framework Agreement and the revised cap of Continuing Connected Transaction with CNOOC Finance, respectively. The Existing Framework Agreement will expire on 31 December 2019. The Company and CNOOC Finance entered into the New Framework Agreement on 21 November 2019. Pursuant to the New Framework Agreement, CNOOC Finance has agreed to continue to provide the Services to the Group as may be required and requested from time to time by the Group for a term of three years starting from 1 January 2020.

As CNOOC Finance is subsidiary of CNOOC, which is the controlling shareholder of, and currently indirectly holds approximately 64.44% of the total issued shares of the Company, and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Services to be provided by CNOOC Finance pursuant to the New Framework Agreement constitute continuing connected transactions of the Company.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the depository services under the New Framework Agreement is less than 5% but more than 0.1%, the depository services under the New Framework Agreement will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

Other than the depository services, all other Continuing Connected Transactions under the New Framework Agreement will be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

## **ENTERING INTO OF THE NEW FRAMEWORK AGREEMENT**

### **Background**

References are made to the announcements of the Company dated 1 December 2016 and 23 August 2018 in relation to the Existing Framework Agreement and the revised cap of Continuing Connected Transaction with CNOOC Finance, respectively. The Existing Framework Agreement will expire on 31 December 2019. The Company and CNOOC Finance entered into the New Framework Agreement on 21 November 2019. Pursuant to the New Framework Agreement, CNOOC Finance has agreed to continue to provide the Services to the Group as may be required and requested from time to time by the Group for a term of three years starting from 1 January 2020.

### **New Framework Agreement**

#### ***Date***

21 November 2019

#### ***Parties***

The Company

CNOOC Finance

#### ***Term***

The New Framework Agreement will be effective for a period of three years commencing on 1 January 2020 and ending on 31 December 2022. The New Framework Agreement is renewable for a term of three years if the parties so agree and subject to the relevant requirements of the Listing Rules.

#### ***Other Terms and conditions***

All the terms and conditions of the New Framework Agreement remain substantially the same as those of the Existing Framework Agreement. The terms of the New Framework Agreement have been reached after arm's length negotiation between the Company and CNOOC Finance.

#### ***Pricing policy for the depositary services***

The interest rates to be offered by CNOOC Finance for the depositary services must be agreed by both parties and determined in accordance with the relevant unified standard deposit interest rates as promulgated by the PBOC from time to time and may be subject to upward adjustment of up to 40% of such PBOC standard deposit interest rates subject to the requirements of the PRC laws and regulations and with reference to the deposit interest rates offered by commercial banks for deposit of the same nature and maturity.

The pricing policies for all other Services remain unchanged.

Under the New Framework Agreement, the Group utilises the Services on a voluntary, non-exclusive basis and is not obliged to engage CNOOC Finance for any such Services, or at all. CNOOC Finance is merely one of a number of financial institutions which provide financial services to the Group.

### **Information relating to CNOOC Finance**

CNOOC Finance is a non-bank finance subsidiary of CNOOC established in June 2002 with the approval of the PBOC. It is subject to the supervision of the CBIRC. According to its business license, it is authorised to provide to the Group all services set out in the New Framework Agreement and provide similar services to other members of the CNOOC Group (but not other parties).

As of the date of this announcement, the registered capital of CNOOC Finance is RMB4 billion. As CNOOC Finance is a subsidiary of CNOOC, it is an Associate of CNOOC and therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. CNOOC Finance is managed by its board of directors. CNOOC China Limited, a wholly-owned subsidiary of the Company, holds a 31.80% interest in CNOOC Finance. Based on the articles of association of CNOOC Finance, CNOOC China Limited has certain rights as one of the shareholders of CNOOC Finance including the right to nominate directors to the board of directors of CNOOC Finance and the relevant appointment of the nominees will be subject to the approval by the relevant governmental authorities.

CNOOC Finance is rated A+/Stable by The Standard & Poor's and A1/Stable by Moody's. To the best knowledge of the Directors, such credit ratings are the highest levels assigned to domestic commercial financial institutions.

### **Internal control procedures and corporate governance measures**

In order to protect the interests of the Shareholders, the Group will continue to adopt the following internal control procedures and corporate governance measures in relation to its utilisation of the Services provided by CNOOC Finance:

- (i) A monthly report on the status of the Group's deposits with CNOOC Finance will be delivered by CNOOC Finance to the Company before noon on the third day of the following month (or the following business day if banks are not generally open in the PRC on such day).
- (ii) A copy of every regulatory report submitted by CNOOC Finance to the CBIRC will be provided to the Company.
- (iii) The financial statements of CNOOC Finance for each month will be provided to the Company on the fifth day of the following month (or the following business day if banks are not generally open in the PRC on such day).

The Board (including the independent non-executive Directors) considers that the above internal control procedures and corporate governance measures proposed to be continuously adopted by the Company concerning the Continuing Connected Transactions with CNOOC Finance are appropriate and sufficient having regard to the manner in which such continuing connected transactions have been conducted in the past, and that the procedures and measures give sufficient assurance to Independent Shareholders that the Continuing Connected Transactions will be appropriately monitored by the Company.

## **Reasons for and benefits of the Continuing Connected Transactions**

The Company believes that CNOOC Finance, with its credit ratings, asset size and corporate governance practices, will be able to fulfill its obligations under the New Framework Agreement. The main reasons for and benefits of the Company to enter into the New Framework Agreement are as follows:

- (i) As CNOOC Finance is familiar with the business and transaction pattern of the Group and the CNOOC Group, the settlement services provided by CNOOC Finance tend to provide a more efficient settlement platform than those that could be provided by commercial banks. The settlement services enable the Group to achieve same-day zero-rate settlement at no cost. This also helps to reduce the Group's transaction costs, such as handling fees for the transfer of funds and other administrative expenses.
- (ii) For the purpose of facilitating the settlement of transactions between members of the Group, and for transactions between members of the Group and members of the CNOOC Group or other third parties, the Group must maintain certain funds with CNOOC Finance. The depository services enable the Group to achieve such purpose. In addition, CNOOC Finance can assist the Group to formulate a beneficial deposit mix comprising different types of deposits such as current deposits, call deposits and fixed deposits, which allows the Group to increase its return on funds and retain sufficient working capital flexibility.
- (iii) Given that CNOOC Finance is subject to regulation by the PBOC and CBIRC, and in light of the credit ratings of CNOOC Finance by international ratings agencies referred to above, the Company also believes that the risk profile of CNOOC Finance, as a financial services provider to the Group, is not greater than those of commercial banks in the PRC.
- (iv) The discounting services provide the Group's customers with flexibility in payment terms and accelerate the Group's collection of sale proceeds. Upon the discounting of commercial notes, the Company may receive the sale proceeds as if the sale was effected as a cash sale. This arrangement helps to efficiently reduce the Group's receivables balance and accelerate the Group's fund flows.
- (v) PRC laws do not permit companies, including affiliates, to extend intra-group loans directly without going through a financial agency. CNOOC Finance serves as the financial agency through which the funds of the Company and its subsidiaries may be channeled efficiently to be used by each other by way of entrustment loans.
- (vi) As an intra-group service provider, CNOOC Finance generally has better and more efficient communication with the Group compared with commercial banks. Through the information management system operated by CNOOC Finance, the Group can access the status of receipts and payments of funds made through CNOOC Finance, as well as the status of funds, at no cost and at any time.
- (vii) As a shareholder of CNOOC Finance, the Group has authority to supervise and monitor the operations and risk controls of CNOOC Finance. Accordingly, the funds placed with CNOOC Finance could be well monitored.

However, if commercial banks or other financial institutions offer specific advantages which are more favorable to the Group in respect of any of the Services under the New Framework Agreement, the Group may discontinue its use of such Services provided by CNOOC Finance without having to incur unreasonable extra costs.

The Board (including the independent non-executive Directors) considers that (1) the terms of the Continuing Connected Transactions contemplated under the New Framework Agreement are fair and reasonable; (2) the Continuing Connected Transactions contemplated under the New Framework Agreement are on normal commercial terms or better under prevailing local market conditions, and in the ordinary and usual course of business of the Group; (3) the entering into of the Continuing Connected Transactions is in the interests of the Company and the Shareholders as a whole; and (4) the relevant cap in respect of the maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loans services) placed by the Group with CNOOC Finance is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **Historical transaction figures and the existing cap**

The cap on the maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loans services) placed by the Group with CNOOC Finance was RMB 19.5 billion for the period from 1 January 2017 to 22 August 2018 and 23.5 billion for the period from 23 August 2018 to 31 October 2019, respectively.

A breakdown of the approximate historical transaction figures for the depositary services is as follows:

	<b>For the year ended 31 December 2017</b>	<b>From 1 January 2018 to 22 August 2018</b>	<b>From 23 August 2018 to 31 December 2018</b>	<b>From 1 January 2019 to 31 October 2019</b>
Maximum daily outstanding balance of deposits and interest(excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loans services) placed by the Group with CNOOC Finance	RMB19,499,999,833.61	RMB19,499,999,234.61	RMB23,499,997,386.33	RMB23,499,998,380.29

## **Future cap and rationale**

The Board has considered and proposed the cap on the maximum daily outstanding balance of deposits and interest (excluding funds placed for the purpose of extending entrustment loans pursuant to the entrustment loans services) placed by the Group with CNOOC Finance to be RMB 23.5 billion with effect from 1 January 2020 (being the effective date of the New Framework Agreement) and ending on 31 December 2022.

The cap on the maximum daily outstanding balance of deposits above was calculated on the basis of several factors including (i) the requirements for settlement of transactions with members of the CNOOC Group or any third party (including those receivables arising from the sales of crude oil and natural gas of the Group to the CNOOC Group or any third party and payables by the Group to members of the CNOOC Group or any third party for the provision of different types of services to the Group); (ii) the expected amount of interest income from CNOOC Finance compared with interest income that could otherwise be realised by placing deposits with commercial banks; (iii) the control of financial risks in selecting financial services providers; (iv) the strategies of the treasury management of the Company taking into account of the business development plans and the financial needs of the Group; and (v) the historical transaction figures for the depository services. Both the historical transaction figures and the cap refer to the maximum daily outstanding balances of deposits during the term of the Existing Framework Agreement and the New Framework Agreement respectively, and are not cumulative in nature.

## **Implications under the Listing Rules**

As CNOOC Finance is a subsidiary of CNOOC, which is the controlling shareholder of, and currently indirectly holds approximately 64.44% of the total issued shares of the Company, and is therefore a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the Services to be provided by CNOOC Finance pursuant to the New Framework Agreement constitute continuing connected transactions of the Company.

Other than the depository services, all other Continuing Connected Transactions under the New Framework Agreement will be exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements.

As the applicable percentage ratios (as defined in the Listing Rules) in respect of the depository services under the New Framework Agreement is less than 5% but more than 0.1%, the depository services under the New Framework Agreement will be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but exempted from the Independent Shareholders' approval requirement.

As the loans services will be provided by CNOOC Finance for the benefit of the Group on normal commercial terms where no security over the assets of the Group is to be granted in respect of the loans services, the loans services under the New Framework Agreement are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As each of the percentage ratios (as defined in the Listing Rules) applicable to the settlement services, discounting services and entrustment loans services is expected to be less than 0.1%, the transactions in relation to the settlement services, discounting services and entrustment loans services as contemplated under the New Framework Agreement are exempted from the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors has any material interest in the transactions contemplated under the New Framework Agreement. Nevertheless, from the perspective of good corporate governance, Mr. Wang Dongjin and Mr. Xu Keqiang abstained from voting on the board resolutions approving the New Framework Agreement, the transactions contemplated thereunder and the cap on the maximum daily outstanding balance of deposits due to their positions at CNOOC.

## **GENERAL**

The principal business activity of the Company is investment holding. The Group principally engages in the exploration, development, production and sales of crude oil and natural gas.

The principal business activity of CNOOC Finance is the provision of financial services to members of CNOOC Group and the Group.

## **DEFINITIONS**

<b>“Associate”</b>	has the meaning ascribed thereto under the Listing Rules
<b>“Board”</b>	the board of Directors of the Company
<b>“CBIRC”</b>	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
<b>“CNOOC”</b>	China National Offshore Oil Corporation (中國海洋石油集團有限公司), the controlling shareholder (as defined under the Listing Rules) of the Company indirectly holding approximately 64.44% of all of the shares of the Company as at the date of this announcement
<b>“CNOOC Finance”</b>	CNOOC Finance Corporation Limited (中海石油財務有限責任公司), a limited liability company incorporated in the PRC and a subsidiary of CNOOC
<b>“CNOOC Group”</b>	CNOOC and its subsidiaries (excluding the Group)

<b>“Company”</b>	CNOOC Limited (中國海洋石油有限公司), a company incorporated in Hong Kong with limited liability, whose shares are listed on The Stock Exchange of Hong Kong Limited and whose American depository receipts are listed on the New York Stock Exchange and the Toronto Stock Exchange
<b>“Continuing Connected Transactions” or “Services”</b>	the settlement services, the depository services, the discounting services, the loans services and the entrustment loans services contemplated under the New Framework Agreement
<b>“Director(s)”</b>	director(s) of the Company as at the date of this announcement
<b>“Existing Framework Agreement”</b>	the financial services framework agreement dated 1 December 2016 entered into between the Company and CNOOC Finance in relation to the provision of financial services by CNOOC Finance to the Group as may be required and requested from time to time by the Group for a period of three years starting from 1 January 2017
<b>“Group”</b>	the Company and its subsidiaries from time to time
<b>“Hong Kong”</b>	the Hong Kong Special Administrative Region of the PRC
<b>“Independent Shareholders”</b>	the Shareholders other than CNOOC and its Associates
<b>“Listing Rules”</b>	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
<b>“New Framework Agreement”</b>	the financial services framework agreement dated 21 November 2019 entered into between the Company and CNOOC Finance in relation to the provision of the Services by CNOOC Finance to the Group as may be required and requested from time to time by the Group for a period of three years starting from 1 January 2020
<b>“PBOC”</b>	the People’s Bank of China (中國人民銀行), the central bank of the PRC
<b>“PRC”</b>	the People’s Republic of China



“RMB”

Renminbi, the lawful currency of the PRC

“Shareholder(s)”

registered holder(s) of the shares of the Company

By Order of the Board  
**CNOOC Limited**  
**Wu Xiaonan**  
*Joint Company Secretary*

Hong Kong, 21 November 2019

As at the date of this announcement, the Board comprises of:

***Executive Director***

Xu Keqiang

***Independent Non-executive Directors***

Chiu Sung Hong

Lawrence J. Lau

Tse Hau Yin, Aloysius

Qiu Zhi Zhong

***Non-executive Director***

Wang Dongjin (*Chairman*)