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)**

# INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023

## FINANCIAL HIGHLIGHTS

1. Revenue was RMB18,849.9 million.
2. Profit from operations was RMB1,971.3 million.
3. Profit for the period was RMB1,456.1 million.
4. Basic earnings per share were RMB0.28.

The interim results of the Company for the six months ended 30 June 2023 are unaudited.

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

*For the six months ended 30 June 2023*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) (Restated) |
| **REVENUE** | *5* | **18,873,594** | 15,212,645 |
| Sales surtaxes | | **(23,713)** | (17,058) |
| Revenue, net of sales surtaxes | | **18,849,881** | 15,195,587 |
| Other income | | **107,910** | 201,112 |
| Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library | | **(2,432,081)** | (2,281,911) |
| Depreciation of right-of-use assets | | **(194,421)** | (177,607) |
| Employee compensation costs | | **(3,346,510)** | (2,891,555) |
| Repair and maintenance costs | | **(175,630)** | (174,013) |
| Consumption of supplies, materials, fuel, services and others | | **(4,428,516)** | (3,808,205) |
| Subcontracting expenses | | **(4,766,821)** | (3,520,725) |
| Lease expenses | *6* | **(993,396)** | (739,948) |
| Other operating expenses | | **(630,400)** | (520,048) |
| Impairment losses under the expected credit loss model, net of reversal | *6* | **(18,667)** | (14,617) |
| Total operating expenses | | **(16,986,442)** | (14,128,629) |
| **PROFIT FROM OPERATIONS** | | **1,971,349** | 1,268,070 |
| Exchange gains, net | *6* | **168,580** | 275,001 |
| Finance costs | | **(486,907)** | (379,569) |
| Interest income | | **76,602** | 46,666 |
| Investment income | *6* | **10,248** | 4,019 |
| Gains arising from financial assets at fair value through profit or loss | *6* | **56,523** | 53,763 |
| Share of profits of an associate and joint ventures, net of tax | | **73,945** | 171,527 |
| Other gains and losses, net | *6* | **(7,838)** | (3,888) |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

*For the six months ended 30 June 2023*

| | | Six months ended 30 June | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *Notes* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| | | | (Restated) |
| **PROFIT BEFORE TAX** | *6* | **1,862,502** | 1,435,589 |
| Income tax expense | *7* | **(406,413)** | (324,157) |
| **PROFIT FOR THE PERIOD** | | **1,456,089** | 1,111,432 |
| Attributable to: | | | |
| Owners of the Company | | **1,339,064** | 1,105,572 |
| Non-controlling interests | | **117,025** | 5,860 |
| | | **1,456,089** | 1,111,432 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY** | | | |
| Basic (RMB) | *9* | **28.06 cents** | 23.17 cents |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the six months ended 30 June 2023*

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **PROFIT FOR THE PERIOD** | **1,456,089** | 1,111,432 |
| **OTHER COMPREHENSIVE INCOME** | | |
| **Other comprehensive income that may be reclassified to profit or loss in subsequent periods:** | | |
| Exchange differences on translation of financial statements of foreign operations | **(24,991)** | (46,821) |
| Income tax effect relating to items that may be reclassified subsequently to profit or loss | **(51,121)** | (76,018) |
| | **(76,112)** | (122,839) |
| **OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX** | **(76,112)** | (122,839) |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | **1,379,977** | 988,593 |
| Attributable to: | | |
| Owners of the Company | **1,254,435** | 972,899 |
| Non-controlling interests | **125,542** | 15,694 |
| | **1,379,977** | 988,593 |

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*30 June 2023*

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) (Restated) |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | *10* | **44,192,112** | 44,148,190 |
| Right-of-use assets | *11* | **1,287,513** | 1,194,078 |
| Goodwill | *12* | **–** | – |
| Other intangible assets | | **130,235** | 151,678 |
| Multiclient library | | **173,029** | 216,100 |
| Investments in an associate and joint ventures | | **1,024,978** | 988,381 |
| Contract costs | | **746,456** | 496,813 |
| Financial assets at fair value through profit or loss | | **–** | – |
| Other non-current assets | *14* | **260,697** | 1,829,173 |
| Deferred tax assets | | **66,114** | 26,636 |
| Total non-current assets | | **47,881,134** | 49,051,049 |
| **CURRENT ASSETS** | | | |
| Inventories | | **2,719,665** | 2,528,806 |
| Prepayments, deposits and other receivables | | **379,998** | 280,734 |
| Accounts receivable | *13* | **17,447,085** | 14,175,184 |
| Notes receivable | | **61,079** | 22,759 |
| Receivables at fair value through other comprehensive income | | **45,378** | 8,200 |
| Financial assets at fair value through profit or loss | | **2,531,756** | 5,106,036 |
| Contract assets | | **52,397** | 47,971 |
| Contract costs | | **24,264** | 47,411 |
| Other current assets | *14* | **899,607** | 1,771,338 |
| Pledged deposits | | **8,422** | 10,976 |
| Time deposits | | **2,195,386** | 548,535 |
| Cash and cash equivalents | | **5,351,324** | 3,561,740 |
| Total current assets | | **31,716,361** | 28,109,690 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*30 June 2023*

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) (Restated) |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | *15* | **12,171,017** | 11,629,065 |
| Notes payable | | **–** | 11,866 |
| Salary and bonus payables | | **1,189,206** | 1,033,179 |
| Tax payable | | **102,760** | 94,937 |
| Loans from related parties | *16* | **2,529,030** | 2,437,610 |
| Interest-bearing bank borrowings | *17* | **3,652,914** | 3,515,710 |
| Long-term bonds | *18* | **823,778** | 872,231 |
| Lease liabilities | | **309,310** | 437,193 |
| Contract liabilities | | **676,067** | 759,723 |
| Other current liabilities | *14* | **762,807** | 500,387 |
| Total current liabilities | | **22,216,889** | 21,291,901 |
| **NET CURRENT ASSETS** | | **9,499,472** | 6,817,789 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **57,380,606** | 55,868,838 |

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

*30 June 2023*

| | Notes | 30 June 2023 RMB'000 (Unaudited) | 31 December 2022 RMB'000 (Audited) (Restated) |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Deferred tax liabilities | | **483,745** | 244,516 |
| Loans from related parties | *16* | **2,280,514** | 2,196,259 |
| Interest-bearing bank borrowings | *17* | **163,195** | 168,994 |
| Long-term bonds | *18* | **12,364,276** | 12,021,878 |
| Lease liabilities | | **748,053** | 569,593 |
| Contract liabilities | | **515,484** | 458,722 |
| Deferred income | | **199,729** | 204,579 |
| Employee benefit liabilities | | **9,181** | 7,587 |
| Other non-current liabilities | *14* | **11,430** | 20,743 |
| Total non-current liabilities | | **16,775,607** | 15,892,871 |
| Net assets | | **40,604,999** | 39,975,967 |
| **EQUITY** | | | |
| Equity attributable to owners of the Company | | | |
| Issued capital | | **4,771,592** | 4,771,592 |
| Reserves | | **35,141,063** | 34,637,573 |
| | | **39,912,655** | 39,409,165 |
| Non-controlling interests | | **692,344** | 566,802 |
| Total equity | | **40,604,999** | 39,975,967 |

## 1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

China Oilfield Services Limited (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 1581, Haichuan Road, Tanggu Ocean Hi-tech Zone, Binhai Hi-tech Development District, Tianjin, the PRC. As part of the reorganisation (the "Reorganisation") of China National Offshore Oil Corporation ("CNOOC") in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "HKSE") in 2002, and pursuant to an approval document obtained from the relevant government authority dated 26 September 2002, the Company was restructured into a joint stock limited liability company.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in the provision of oilfield services including drilling services, well services, marine support services, and geophysical acquisition and surveying services.

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is CNOOC, which is a state-owned enterprise incorporated in the PRC. The registered address of CNOOC is No. 25 Chaoyangmenbei Dajie, Dongcheng District, Beijing.

The interim condensed consolidated financial information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

As at 30 June 2023, particulars of the principal subsidiaries of the Company are as follows:

| Name of entity | Place and date of incorporation/ registration | Principal place of business | Issued and fully paid share capital/ paid-in capital | Percentage of equity attributable to the Group 30 June 2023 | 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| Tianjin Eco-friendly Technology Co., Ltd. (a) | Tianjin, PRC 7 September 1993 | PRC | RMB20,000,000 | **100%** | 100% | Provision of oilfield services and related activities |
| PT.COSL INDO | Indonesia 1 August 2005 | Indonesia | US Dollar ("US$") 400,000 | **100%** | 100% | Provision of oil and gas exploration services |
| COSL–Hong Kong Limited | Hong Kong 1 December 2005 | Hong Kong | Hong Kong Dollar 10,000 | **100%** | 100% | Investment holding |
| COSL Mexico S.A.de C.V | Mexico 26 May 2006 | Mexico | US$8,504,525 | **100%** | 100% | Provision of drilling services |
| COSL (Middle East) FZE | United Arab Emirates 2 July 2006 | United Arab Emirates | UAE Dirhams 1,000,000 | **100%** | 100% | Provision of oil and gas exploration services |
| COSL Prospector Pte. Ltd. | Singapore 27 February 2007 | Singapore | US$189,779,384 | **100%** | 100% | Provision of drilling services |

| Name of entity | Place and date of incorporation/ registration | Principal place of business | Issued and fully paid share capital/ paid-in capital | Percentage of equity attributable to the Group 30 June 2023 | 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| COSL Norwegian AS ("CNA") | Norway 23 June 2008 | Norway | NOK 1,541,328,656 | **100%** | 100% | Investment holding |
| COSL Drilling Pan-Pacific (Labuan) Ltd. | Malaysia 4 April 2009 | Malaysia | US$100,000 | **100%** | 100% | Management of jack-up drilling rigs |
| COSL Drilling Pan-Pacific Ltd. | Singapore 13 April 2009 | Singapore | US$1,000,000 | **100%** | 100% | Management of jack-up drilling rigs |
| COSL Singapore Capital Ltd. | Singapore 29 October 2009 | Singapore | Singapore Dollar 2 | **100%** | 100% | Bond issuance |
| PT. Samudra Timur Santosa ("PT STS") (b) | Indonesia 27 July 2010 | Indonesia | US$250,000 | **49%** | 49% | Provision of marine support services |
| COSL Oil-Tech (Singapore) Ltd. | Singapore 31 January 2011 | Singapore | US$100,000 | **100%** | 100% | Provision of oilfield services and related activities |
| COSL Deepwater Technology Co., Ltd. (a) | Shenzhen, PRC 12 September 2013 | PRC | RMB470,000,000 | **100%** | 100% | Provision of geophysical and surveying services |
| COSL Drilling Saudi Ltd. | Saudi Arabia 19 April 2016 | Saudi Arabia | Saudi Riyal 375,000 | **96%** | 96% | Provision of drilling services |
| COSL Hainan Ltd. (a) | Haikou, PRC 6 December 2019 | PRC | RMB140,000,000 | **100%** | 100% | Provision of oil and gas exploration services |
| COSL Hainan Technical Services Ltd. (a) | Chengmai, PRC 12 May 2020 | PRC | RMB225,000,000 | **100%** | 100% | Provision of oil and gas exploration services |
| Hainan Deep Drilling Ltd. (a) | Haikou, PRC 12 March 2021 | PRC | RMB10,000,000 | **100%** | 100% | Provision of drilling services |
| COSL UK Limited | UK 24 January 2022 | United Kingdom | Great Britain Pound 1,472,600 | **100%** | 100% | Provision of oilfield services and related activities |
| China France Bohai Geoservices Co., Ltd. ("China France Bohai") (a) (c) | Tianjin, PRC 30 November 1983 | PRC | US$6,650,000 | **50%** | 50% | Provision of logging services |

| Name of entity | Place and date of incorporation/ registration | Principal place of business | Issued and fully paid share capital/ paid-in capital | Percentage of equity attributable to the Group 30 June 2023 | 31 December 2022 | Principal activities |
|---|---|---|---|---|---|---|
| China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a) (d) | Shenzhen, PRC 25 October 1984 | PRC | RMB4,640,000 | **60%** | 60% | Provision of drilling fluids services |

(a) Tianjin Eco-friendly Technology Co., Ltd., COSL Deepwater Technology Co., Ltd., COSL Hainan Ltd., COSL Hainan Technical Services Ltd., Hainan Deep Drilling Ltd., China France Bohai and Magcobar are established in the PRC as limited liability companies.

(b) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the period/year ended 30 June 2023 and 31 December 2022 respectively.

(c) The Group has 50% equity interests in China France Bohai, the remaining equity interests are held by another sole investor. On 1 August 2022, the shareholders of China France Bohai amended its articles of association. Pursuant to the new articles of association, the Group nominated four directors out of seven directors of the board of directors, and more than 50% voting rights of the board of directors are required for decisions on directing the relevant activities of this entity. The Group has control over China France Bohai after the amendment of articles of association. Accordingly, China France Bohai has been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements by the Company since 1 August 2022.

(d) The Group has 60% equity interests in Magcobar, the remaining equity interests are held by another sole investor. On 1 December 2022, the shareholders of Magcobar amended its articles of association. Pursuant to the new articles of association, the Group nominated three directors out of five directors of the board of directors, and more than 50% voting rights of the board of directors are required for decisions on directing the relevant activities of this entity. The Group has control over Magcobar after the amendment of articles of association. Accordingly, Magcobar has been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements by the Company since 1 December 2022.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the operating results of the Group for the period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 30 June 2023, particulars of all associates and joint ventures of the Group are as follows:

| Name of entity | Nominal value of issued ordinary/ registered share capital | Place and date of incorporation/ registration and operations | Percentage of ownership interest 30 June 2023 | 31 December 2022 | Principal activities |
|---|---|---|---|---|---|
| China Offshore Fugro Geosolutions (Shenzhen) Company Ltd. | US$6,000,000 | Shenzhen, PRC 24 August 1983 | **50%** | 50% | Provision of geophysical and surveying services |
| China Petroleum Logging-Atlas Cooperation Service Company | US$2,000,000 | Shenzhen, PRC 10 May 1984 | **50%** | 50% | Provision of logging services |
| COSL-Expro Testing Services (Tianjin) Company Ltd. | US$5,000,000 | Tianjin, PRC 28 February 2007 | **50%** | 50% | Provision of well testing services |
| COSL (Malaysia) SDN. BHD. ("COSL Malaysia") (a) | Ringgit Malaysia 350,000 | Malaysia 31 July 2017 | **49%** | 49% | Provision of drilling services |
| Well Technology Company Ltd. | RMB260,000,000 | Foshan, PRC 24 July 2020 | **40%** | 40% | Provision of well technology services |

(a) The Group has 49% of equity interests in COSL Malaysia, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of COSL Malaysia, majority voting rights are required for decisions on directing the relevant activities of this entity. The board of directors of COSL Malaysia shall comprise five directors whereby the Group shall appoint two directors and the other sole investor shall appoint three directors, while the chairman of COSL Malaysia shall be appointed by the Group and the chairman has the right to veto any major decisions. As a result, unanimous consent by the Group and the other investor are required for decisions on directing the relevant activities of COSL Malaysia. In the opinion of the Directors, the Group does not have control over COSL Malaysia and the investment constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, COSL Malaysia has been accounted for in the Group's consolidated financial statements using the equity method. As at 30 June 2023, the Group has not injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

All of the above investments in associates and joint ventures are directly held by the Company except for COSL Malaysia, which is indirectly held through COSL Drilling Pan-Pacific Ltd.

The above associates and joint ventures are accounted for using the equity method in this interim condensed consolidated financial information.

## 2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

## 3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* |
| Amendments to HKFRS 17 | *Insurance Contracts* |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information* |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* |
| Amendments to HKAS 12 | *Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction* |
| Amendments to HKAS 12 | *International Tax Reform – Pilar Two Model Rules* |

The nature and impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

*Impact on the interim condensed consolidated statement of financial position:*

| | | **Increase/(decrease)** | | |
|---|---|---|---|---|
| | | **30 June 2023** | 31 December 2022 | 1 January 2022 |
| | *Note* | ***RMB'000*** | *RMB'000* | *RMB'000* |
| **Assets** | | | | |
| Deferred tax assets | *(i)* | **164,737** | 152,269 | 224,925 |
| Total non-current assets | | **164,737** | 152,269 | 224,925 |
| Total assets | | **164,737** | 152,269 | 224,925 |
| **Liabilities** | | | | |
| Deferred tax liabilities | *(i)* | **87,517** | 74,386 | 153,127 |
| Total non-current liabilities | | **87,517** | 74,386 | 153,127 |
| Total liabilities | | **87,517** | 74,386 | 153,127 |
| Net assets | | **77,220** | 77,883 | 71,798 |
| **Equity** | | | | |
| Retained profits (included in reserves) | | **77,214** | 77,884 | 71,812 |
| Equity attributable to owners of the Company | | **77,214** | 77,884 | 71,812 |
| Non-controlling interests | | **6** | (1) | (14) |
| Total equity | | **77,220** | 77,883 | 71,798 |

*Note (i):* The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

*Impact on the interim condensed consolidated statement of profit or loss:*

| | **Increase/(decrease)** | |
|---|---|---|
| | **Six months ended 30 June** | |
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| Income tax credit | **–** | 3,043 |
| Income tax expense | **663** | – |
| Profit for the period | **(663)** | 3,043 |
| Attributable to: | | |
| Owners of the Company | **(670)** | 3,036 |
| Non-controlling interests | **7** | 7 |
| | **(663)** | 3,043 |
| *Impact on the interim condensed consolidated statement of comprehensive income:* | | |
| Total comprehensive income for the period | **(663)** | 3,043 |
| Attributable to: | | |
| Owners of the Company | **(670)** | 3,036 |
| Non-controlling interests | **7** | 7 |
| | **(663)** | 3,043 |

The adoption of amendments to HKAS 12 did not have material impact on the basic and diluted earnings per share attributable to owners of the Company, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

## 4. OPERATING SEGMENT INFORMATION

The Group is organised into four business units based on the internal structure and management strategy, which is also the basis of information reported to the Group's chief operating decision maker (i.e. the executive directors of the Company) for the purpose of making strategic decisions.

The Group has four reportable and operating segments as follows:

(a) The drilling services segment is engaged in the provision of oilfield drilling services;

(b) The well services segment is engaged in the provision of logging and downhole services, such as drilling fluids, directional drilling, cementing and well completion, the sale of well chemical materials and well workovers, and seismic data processing services;

(c) The marine support services segment is engaged in the transportation of materials, supplies and personnel to offshore facilities, moving and positioning drilling structures; and

(d) The geophysical acquisition and surveying services segment is engaged in the provision of offshore seismic data acquisition and marine surveying.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains or losses, net, investment income and gains or losses arising from financial assets at fair value through profit or loss ("FVTPL") are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the Finance Department), pledged deposits, time deposits, certain other current assets, certain other non-current assets, financial assets at FVTPL and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than loans from related parties, interest-bearing bank borrowings and long-term bonds (funds managed by the Finance Department), tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the prevailing market prices.

All sales among the operating segments have been eliminated as internal transactions when preparing consolidated financial statements.

**Six months ended 30 June 2023 (Unaudited)**

| | Drilling services *RMB'000* | Well services *RMB'000* | Marine support services *RMB'000* | Geophysical acquisition and surveying services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers, net of sales surtaxes | 5,422,482 | 10,607,890 | 1,904,706 | 914,803 | 18,849,881 |
| Sales surtaxes | 5,181 | 14,710 | 1,974 | 1,848 | 23,713 |
| Revenue, before net of sales surtaxes | 5,427,663 | 10,622,600 | 1,906,680 | 916,651 | 18,873,594 |
| Intersegment sales | 112,510 | 15,900 | 83,199 | 1,781 | 213,390 |
| Segment revenue | 5,540,173 | 10,638,500 | 1,989,879 | 918,432 | 19,086,984 |
| Eliminations | (112,510) | (15,900) | (83,199) | (1,781) | (213,390) |
| Group revenue | 5,427,663 | 10,622,600 | 1,906,680 | 916,651 | 18,873,594 |
| Segment results | 312,479 | 1,726,236 | 45,512 | (46,771) | 2,037,456 |
| **Reconciliation:** | | | | | |
| Exchange gains, net | | | | | 168,580 |
| Finance costs | | | | | (486,907) |
| Interest income | | | | | 76,602 |
| Investment income | | | | | 10,248 |
| Gains arising from financial assets at FVTPL | | | | | 56,523 |
| Profit before tax | | | | | 1,862,502 |
| Income tax expense | | | | | (406,413) |
| **As at 30 June 2023 (Unaudited)** | | | | | |
| Segment assets | 37,269,638 | 22,302,468 | 7,526,464 | 4,590,010 | 71,688,580 |
| Unallocated assets | | | | | 7,908,915 |
| Total assets | | | | | 79,597,495 |
| Segment liabilities | 4,388,238 | 10,319,282 | 1,354,810 | 1,191,442 | 17,253,772 |
| Unallocated liabilities | | | | | 21,738,724 |
| Total liabilities | | | | | 38,992,496 |

Six months ended 30 June 2022 (Unaudited) (Restated)

| | Drilling services *RMB'000* | Well services *RMB'000* | Marine support services *RMB'000* | Geophysical acquisition and surveying services *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|---|
| **Revenue** | | | | | |
| Sales to external customers, net of sales surtaxes | 5,055,053 | 7,558,110 | 1,724,905 | 857,519 | 15,195,587 |
| Sales surtaxes | 4,671 | 9,256 | 2,258 | 873 | 17,058 |
| Revenue, before net of sales surtaxes | 5,059,724 | 7,567,366 | 1,727,163 | 858,392 | 15,212,645 |
| Intersegment sales | 196,635 | 9,900 | 150,521 | 1,820 | 358,876 |
| Segment revenue | 5,256,359 | 7,577,266 | 1,877,684 | 860,212 | 15,571,521 |
| Eliminations | (196,635) | (9,900) | (150,521) | (1,820) | (358,876) |
| Group revenue | 5,059,724 | 7,567,366 | 1,727,163 | 858,392 | 15,212,645 |
| Segment results | 52,174 | 1,420,792 | 55,259 | (92,516) | 1,435,709 |
| **Reconciliation:** | | | | | |
| Exchange gains, net | | | | | 275,001 |
| Finance costs | | | | | (379,569) |
| Interest income | | | | | 46,666 |
| Investment income | | | | | 4,019 |
| Gains arising from financial assets at FVTPL | | | | | 53,763 |
| Profit before tax | | | | | 1,435,589 |
| Income tax expense | | | | | (324,157) |
| **As at 31 December 2022 (Audited) (Restated)** | | | | | |
| Segment assets | 34,637,330 | 21,278,778 | 6,948,342 | 4,448,220 | 67,312,670 |
| Unallocated assets | | | | | 9,848,069 |
| Total assets | | | | | 77,160,739 |
| Segment liabilities | 4,097,277 | 9,259,523 | 1,171,809 | 1,050,988 | 15,579,597 |
| Unallocated liabilities | | | | | 21,605,175 |
| Total liabilities | | | | | 37,184,772 |

**Geographical information**

The Group mainly engages in the provision of drilling services, well services, marine support services and geophysical acquisition and surveying services principally in Mainland China. Activities outside Mainland China are mainly conducted in the Middle East, Indonesia, Mexico and Norway.

In determining the Group's geographical information, revenue is presented below based on the locations of operations.

The following table presents revenue information for the Group's geographical areas for the six months ended 30 June 2023 and 2022.

**Six months ended 30 June 2023 (Unaudited)**

| | | **International** | | |
|---|---|---|---|---|
| | **Domestic** | **North Sea** | **Others** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Segment revenue: | | | | |
| Sales to external customers | **14,923,482** | **597,589** | **3,352,523** | **18,873,594** |
| Less: Sales surtaxes | **(23,713)** | **–** | **–** | **(23,713)** |
| Revenue, net of sales surtaxes | **14,899,769** | **597,589** | **3,352,523** | **18,849,881** |

Six months ended 30 June 2022 (Unaudited)

| | | International | | |
|---|---|---|---|---|
| | Domestic | North Sea | Others | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Segment revenue: | | | | |
| Sales to external customers | 12,806,297 | 215,568 | 2,190,780 | 15,212,645 |
| Less: Sales surtaxes | (17,058) | – | – | (17,058) |
| Revenue, net of sales surtaxes | 12,789,239 | 215,568 | 2,190,780 | 15,195,587 |

**Information about a major customer**

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control of CNOOC Limited, accounted for 81% (six months ended 30 June 2022: 81%) of the total sales of the Group for the six months ended 30 June 2023.

## 5. REVENUE

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue from contracts with customers | **18,367,945** | 14,879,656 |
| Revenue arising from operating leases | **505,649** | 332,989 |
| | **18,873,594** | 15,212,645 |

**Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six months ended 30 June 2023 and 2022**

| | **Six months ended 30 June 2023 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| **Segments** | **Drilling services** | **Well services** | **Marine support services** | **Geophysical acquisition and surveying services** | **Total** |
| | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** | ***RMB'000*** |
| Timing of revenue recognition | | | | | |
| At a point of time | **–** | **792,250** | **–** | **–** | **792,250** |
| Over time | **4,956,159** | **9,796,205** | **1,906,680** | **916,651** | **17,575,695** |
| Total | **4,956,159** | **10,588,455** | **1,906,680** | **916,651** | **18,367,945** |

| | Six months ended 30 June 2022 (Unaudited) | | | | |
|---|---|---|---|---|---|
| Segments | Drilling services | Well services | Marine support services | Geophysical acquisition and surveying services | Total |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Timing of revenue recognition | | | | | |
| At a point of time | – | 36,330 | – | 10,493 | 46,823 |
| Over time | 4,784,094 | 7,473,677 | 1,727,163 | 847,899 | 14,832,833 |
| Total | 4,784,094 | 7,510,007 | 1,727,163 | 858,392 | 14,879,656 |

Most of the Group's contracts with customers generally provide for payment on a day rate or operation volume basis. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has the right to invoice.

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

| | **Six months ended 30 June 2023 (Unaudited)** | | | | |
|---|---|---|---|---|---|
| **Segments** | **Drilling services** *RMB'000* | **Well services** *RMB'000* | **Marine support services** *RMB'000* | **Geophysical acquisition and surveying services** *RMB'000* | **Revenue from contracts with customers** *RMB'000* |
| Segment revenue | **5,540,173** | **10,638,500** | **1,989,879** | **918,432** | **19,086,984** |
| Less: Revenue arising from operating leases | **(471,504)** | **(34,145)** | **–** | **–** | **(505,649)** |
| Eliminations | **(112,510)** | **(15,900)** | **(83,199)** | **(1,781)** | **(213,390)** |
| Revenue from contracts with customers | **4,956,159** | **10,588,455** | **1,906,680** | **916,651** | **18,367,945** |

| | Six months ended 30 June 2022 (Unaudited) | | | | |
|---|---|---|---|---|---|
| Segments | Drilling services *RMB'000* | Well services *RMB'000* | Marine support services *RMB'000* | Geophysical acquisition and surveying services *RMB'000* | Revenue from contracts with customers *RMB'000* |
| Segment revenue | 5,256,359 | 7,577,266 | 1,877,684 | 860,212 | 15,571,521 |
| Less: Revenue arising from operating leases | (275,630) | (57,359) | – | – | (332,989) |
| Eliminations | (196,635) | (9,900) | (150,521) | (1,820) | (358,876) |
| Revenue from contracts with customers | 4,784,094 | 7,510,007 | 1,727,163 | 858,392 | 14,879,656 |

## 6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| (Gains)/losses arising from lease modifications and termination | **(11,342)** | 66 |
| Losses on disposal of plant and equipment, net | **19,180** | 3,822 |
| Other gains and losses, net | **7,838** | 3,888 |
| Lease expenses in respect of land and buildings, berths and equipment *(Note)* | **993,396** | 739,948 |
| Investment income | **(10,248)** | (4,019) |
| Cost of inventories recognised as an expense | **3,057,561** | 2,539,988 |
| Gains arising from financial assets at FVTPL | **(56,523)** | (53,763) |
| Provision of impairment of inventories | **3,945** | 9,048 |
| Impairment of accounts receivable | **17,141** | 13,042 |
| Impairment of other receivables | **1,526** | 1,575 |
| Exchange gains, net | **(168,580)** | (275,001) |

*Note:* Lease expenses in the six months ended 30 June 2023 and 2022 represent short-term leases and variable lease payments not included in the measurement of lease liabilities.

## 7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it does not have assessable profits currently sourced from Hong Kong.

Under the Corporate Income Tax Law of the PRC (the "CIT"), the statutory tax rate of the Company, subsidiaries and its key joint ventures and associates in Mainland China is 25%.

According to the High-New Technical Enterprise ("HNTE") certificate renewed by the Company in October 2020, the CIT rate of the Company is 15% for the period from 2020 to 2022 and the renewal is still in application. The Company temporarily calculates the income tax expense for 2023 at a tax rate of 15%.

According to the HNTE certificate renewed by the Group's subsidiary Tianjin Eco-friendly Technology Co., Ltd. in October 2020, the CIT rate is 15% for the period from 2020 to 2022 and the renewal is still in application. Tianjin Eco-friendly Technology Co., Ltd. temporarily calculates the income tax expense for 2023 at a tax rate of 15%.

According to the HNTE certificate renewed by the Group's subsidiary COSL Deepwater Technology Co. Ltd. in December 2022, the CIT rate of COSL Deepwater Technology Co., Ltd. is 15% from 2022 to 2024.

According to the HNTE certificate renewed by the Group's subsidiary China France Bohai Geoservices Co., Ltd. in October 2021, the CIT rate of China France Bohai Geoservices Co., Ltd. is 15% from 2021 to 2023.

List of other corporate income tax rates applicable to the Group's activities:

| Countries and regions | Six months ended 30 June<br>**2023**<br>**(Unaudited)** | <br>2022<br>(Unaudited) |
|---|---|---|
| Indonesia | **22%** | 22% |
| Mexico | **30%** | 30% |
| Norway | **22%** | 22% |
| The United Kingdom | **19%/25%** | 19% |
| Iraq | **Withholding tax based on 7% of revenue generated in Iraq** | Withholding tax based on 7% of revenue generated in Iraq |
| United Arab Emirates | **Not subject to any income tax** | Not subject to any income tax |
| Singapore | **17%** | 17% |
| The United States of America | **21%** | 21% |
| Canada | **Net federal corporate income tax of 15% and provincial income tax ranging from 8% to 16%, depending on the province and the size of the business** | Net federal corporate income tax of 15% and provincial income tax ranging from 8% to 16%, depending on the province and the size of the business |
| Malaysia | **24%** | 24% |
| Saudi Arabia | **20%** | 20% |
| Brazil | **34%** | 34% |
| Uganda | **30%** | 30% |
| Thailand | **20%** | 20% |

An analysis of the Group's provision for tax is as follows:

| | Six months ended 30 June<br>**2023**<br>***RMB'000***<br>**(Unaudited)** | <br>2022<br>*RMB'000*<br>(Unaudited)<br>(Restated) |
|---|---|---|
| Current | **206,251** | 361,671 |
| Deferred | **200,162** | (37,514) |
| Total tax charge for the period | **406,413** | 324,157 |

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for Mainland China, where the Company, certain subsidiaries and its key joint ventures and associates are domiciled, to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

| | **Six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | ***RMB'000*** | ***%*** | *RMB'000* | *%* |
| | **(Unaudited)** | **(Unaudited)** | (Unaudited) | (Unaudited) |
| | | | (Restated) | (Restated) |
| Profit before tax | **1,862,502** | | 1,435,589 | |
| Tax at the statutory tax rate of 25% | **465,626** | **25.0** | 358,897 | 25.0 |
| Tax effect as HNTE | **(219,249)** | **(11.8)** | (192,773) | (13.4) |
| Tax effect of domestic income not subject to tax | **(3,035)** | **(0.2)** | (1,644) | (0.1) |
| Tax effect of share of profit of an associate and joint ventures | **(18,486)** | **(1.0)** | (42,882) | (3.0) |
| Tax effect of expenses not deductible for tax | **76,324** | **4.1** | 71,502 | 5.0 |
| Tax benefit for qualifying research and development expenses | **(95,301)** | **(5.1)** | (54,559) | (3.8) |
| Effect of non-taxable profit or loss and different tax rates for overseas subsidiaries | **215,919** | **11.6** | 237,435 | 16.5 |
| Tax effect of tax losses and deductible temporary differences unrecognised | **10,030** | **0.5** | 30,701 | 2.1 |
| Influences to taxation due to deductible temporary differences caused by writing off unrecognised deferred tax assets from previous periods | **–** | **0.0** | (76,210) | (5.3) |
| Utilisation of tax losses previously not recognised | **(13,229)** | **(0.7)** | – | – |
| Over provision in respect of prior years | **(4,452)** | **(0.2)** | (25,268) | (1.8) |
| Tax effect on translation adjustment (*Note*) | **(15,701)** | **(0.8)** | 6,728 | 0.5 |
| Others | **7,967** | **0.4** | 12,230 | 0.9 |
| Total tax charge at the Group's effective tax rate | **406,413** | **21.8** | 324,157 | 22.6 |

*Note*: The translation adjustment mainly relates to the tax effect of difference between the profit before tax determined on the tax basis in NOK and that determined on the accounting basis of some group companies in Norway in US dollars, the functional currency of these companies.

## 8. DIVIDENDS

During the current interim period, a dividend of RMB0.16 per ordinary share (tax inclusive) of the Company based on the total share capital of 4,771,592,000 shares as at 31 December 2022 (2022: RMB0.15 per share of the Company (of which: final dividend of RMB0.02 (tax inclusive), special dividend of RMB0.13 (tax inclusive)) based on the total share capital of 4,771,592,000 shares as at 31 December 2021) was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid in the current interim period was RMB763,454,720 (2022: RMB715,738,800 (of which: final dividend of RMB95,431,840, special dividend of RMB620,306,960)).

The board of directors has proposed that no interim dividend will be declared in respect of the current interim period.

## 9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share attributable to owners of the Company is based on the following data:

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| | | (Restated) |
| **Earnings** | | |
| Earnings for the purposes of basic earnings per share calculation (profit for the period attributable to owners of the Company) | **1,339,064** | 1,105,572 |

| | Six months ended 30 June | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Number of ordinary shares for the purpose of basic earnings per share calculation (share) | **4,771,592,000** | 4,771,592,000 |

There were no differences between the basic and diluted earnings per share amounts for the six-month periods ended 30 June 2023 and 2022 as the Group had no dilutive potential ordinary shares in issue during those periods.

## 10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired certain machinery and equipment, vessels and drilling rigs with an aggregate amount of approximately RMB1,605,904,000 (six months ended 30 June 2022: RMB1,116,014,000), of which approximately RMB820,385,000 was transferred from construction in progress (six months ended 30 June 2022: RMB767,113,000). Additions of construction in progress amounting to approximately RMB1,067,202,000 were recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB777,091,000). Drilling rigs, machinery and equipment with an aggregate net carrying amount of RMB67,839,000 (six months ended 30 June 2022: RMB22,036,000) were disposed of during the six months ended 30 June 2023, resulting in a loss on disposal of RMB19,180,000 (six months ended 30 June 2022: loss on disposal of RMB3,822,000).

Out of the total finance costs incurred, no finance costs was capitalised in property, plant and equipment in the six months ended 30 June 2023 and 2022.

No impairment losses were recognised in the six months ended 30 June 2023 and 2022 after the Group's due impairment assessment in the light of the current economic environment in certain markets in which the Group operates as well as the fluctuated upward oil price.

In the said impairment assessment, the recoverable amount of the relevant assets, each of which was identified as a cash-generating unit within the drilling services segment, marine support services segment and geophysical acquisition and surveying services segment, has been determined based on the higher of fair value less costs of disposal and value in use.

## 11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into certain lease agreements and recognised right-of-use assets of RMB282,749,000 (six months ended 30 June 2022: RMB468,346,000) and lease liabilities of RMB282,749,000 (six months ended 30 June 2022: RMB349,054,000) on lease commencement.

## 12. GOODWILL

Goodwill was generated in the acquisition of COSL Holding AS in 2008, which was combined into COSL Norwegian AS by merger during the year ended 31 December 2016 (collectively referred to as "CNA"), and was allocated to a group of the drilling services cash-generating units under the drilling services segment for impairment testing. The Group impaired the goodwill in full in 2016.

## 13. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 30 to 45 days to its trade customers in Mainland China and no more than 6 months to 1 year to its trade customers with good trading history overseas.

The following is an ageing analysis of accounts receivable net of allowance for credit losses, as at the end of the reporting period, presented based on the invoice dates.

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Accounts receivable aged: | | |
| Within one year | **17,328,394** | 14,051,427 |
| One year to two years | **85,602** | 94,735 |
| Over two years | **33,089** | 29,022 |
| | **17,447,085** | 14,175,184 |

## 14. OTHER CURRENT ASSETS/LIABILITIES AND OTHER NON-CURRENT ASSETS/LIABILITIES

| | **30 June 2023** | 31 December 2022 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Deposits paid for monetary funds *(Note (a))* | **–** | 1,000,000 |
| Value-added tax to be deducted and prepaid | **863,591** | 753,485 |
| Others | **36,016** | 17,853 |
| Other current assets | **899,607** | 1,771,338 |
| Output value-added tax to be recognised | **(697,333)** | (443,765) |
| Provision due within one year *(Note (b))* | **(65,474)** | (56,622) |
| Other current liabilities | **(762,807)** | (500,387) |
| Certificate of deposit *(Note (c))* | **–** | 1,616,347 |
| Value-added tax recoverable | **252,398** | 207,023 |
| Deposits paid for the acquisition of property, plant and equipment | **8,299** | 5,803 |
| Other non-current assets | **260,697** | 1,829,173 |
| Provision *(Note (b))* | **(11,430)** | (20,743) |
| Other non-current liabilities | **(11,430)** | (20,743) |

*Notes:*

(a) The Company contributed to the purchase of monetary funds and the shares of the fund were included in other current assets as the fund company had not yet recognised the shares at 31 December 2022. The fund shares were recognised by the fund company on 3 January 2023 and were transferred to financial assets at FVTPL.

(b) CNA, a subsidiary of the Company, signed the long-term drilling service contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company recognises the estimated loss of the contract as a liability.

(c) The Group obtained a certificate of deposit with a maturity of over 1 year on 21 January 2021 with a par value of RMB1,500,000,000. It can be withdrawn or sold before maturity. The certificate of deposit is expected to mature on 21 January 2024 and is reclassified to time deposits.

## 15. TRADE AND OTHER PAYABLES

| | 30 June 2023<br>*RMB'000*<br>(Unaudited) | 31 December 2022<br>*RMB'000*<br>(Audited) |
|---|---|---|
| Trade payables | **11,603,855** | 10,821,364 |
| Other payables | **567,162** | 807,701 |
| | **12,171,017** | 11,629,065 |

The ageing analysis of trade payables as at the end of the reporting period, based on the invoice date, is as follows:

| | 30 June 2023<br>*RMB'000*<br>(Unaudited) | 31 December 2022<br>*RMB'000*<br>(Audited) |
|---|---|---|
| Outstanding balances aged: | | |
| Within one year | **10,836,617** | 10,036,359 |
| One year to two years | **583,554** | 644,660 |
| Two years to three years | **113,575** | 70,705 |
| Over three years | **70,109** | 69,640 |
| | **11,603,855** | 10,821,364 |

## 16. LOANS FROM RELATED PARTIES

| | Contractual interest rate per annum<br>*(%)* | Year of maturity | 30 June 2023<br>*RMB'000*<br>(Unaudited) | 31 December 2022<br>*RMB'000*<br>(Audited) |
|---|---|---|---|---|
| Current | 1M LIBOR+0.5% | Revolving loan | **2,529,030** | 2,437,610 |
| Non-current | 1M SOFR+0.4% | 2027 | **956,394** | 921,383 |
| Non-current | 1M SOFR+0.4% | 2027 | **599,096** | 577,169 |
| Non-current | 3M SOFR+0.6% | 2027 | **725,024** | 697,707 |
| | | | **2,280,514** | 2,196,259 |
| Unsecured loans from related parties | | | **4,809,544** | 4,633,869 |

During the six months ended 30 June 2023, the Group did not obtain any new loans (six months ended 30 June 2022: Nil).

## 17. INTEREST-BEARING BANK BORROWINGS

| | Contractual interest rate *(%)* | Year of maturity | **30 June 2023** ***RMB'000*** **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|---|---|
| China Development Bank | | | | |
| – unsecured | 1.08% | 2035 | **181,464** | 187,272 |
| Bank of China (Hong Kong) Limited | | | | |
| – secured | SOFR +0.69% | Revolving loan | **2,923,898** | 2,812,621 |
| The Hongkong and Shanghai Banking Corporation Limited | | | | |
| – secured | SOFR +0.55% | Revolving loan | **710,747** | 684,811 |
| | | | **3,816,109** | 3,684,704 |
| Current | | | **3,652,914** | 3,515,710 |
| Non-current | | | **163,195** | 168,994 |
| | | | **3,816,109** | 3,684,704 |

No bank borrowings were obtained during the six months ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, the Group repaid bank borrowings denominated in RMB of RMB9,100,000 (six months ended 30 June 2022: RMB9,100,000).

## 18. LONG-TERM BONDS

| | Year of maturity | **30 June 2023** ***RMB'000*** **(Unaudited)** | 31 December 2022 *RMB'000* (Audited) |
|---|---|---|---|
| 2016 Corporate Bonds | | | |
| (Type II of the First Tranche Issue as defined below) *(Note (a))* | 2026 | **3,010,733** | 3,072,023 |
| (Type II of the Second Tranche Issue as defined below) *(Note (a))* | 2023 | **743,174** | 732,610 |
| Guaranteed medium term notes | | | |
| Second Drawdown Note *(Note (b))* | 2025 | **3,674,565** | 3,540,146 |
| Guaranteed senior notes | | | |
| 2025 Notes *(Note (c))* | 2025 | **3,608,620** | 3,477,168 |
| 2030 Notes *(Note (c))* | 2030 | **2,150,962** | 2,072,162 |
| | | **13,188,054** | 12,894,109 |
| Current | | **823,778** | 872,231 |
| Non-current | | **12,364,276** | 12,021,878 |
| | | **13,188,054** | 12,894,109 |

*Notes:*

(a) At 26 May 2016, the Group issued the second type of its first tranche (the "First Tranche Issue") of domestic corporate bonds ("2016 Corporate Bonds") with a principal amount of RMB3,000,000,000 (the "Type II of the First Tranche Issue") carries interest at an effective interest rate of 4.12% per annum and the maturity date is 27 May 2026.

At 21 October 2016, the Group issued its second tranche (the "Second Tranche Issue") of 2016 Corporate Bonds with an aggregate amount of RMB5,000,000,000. The Second Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,100,000,000 (the "Type I of the Second Tranche Issue") is repayable on 24 October 2021. As of 30 June 2023, the Group has repaid all principal and interest.

The second type of bonds with a principal amount of RMB2,900,000,000 (the "Type II of the Second Tranche Issue") is repayable on 24 October 2023. The Group has the right to keep it unadjusted or adjust the coupon rate for the sixth and seventh years at the end of the fifth year on 24 October 2021 by giving a notice to the bondholders. The bondholders may accordingly at their option require the Group to redeem the Type II of the Second Tranche Issue at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining bonds will be subject to the interest rate offered by the Group at the end of the fifth year until the maturity date. The bondholders resold a principal amount of RMB2,171,382,000 to the Group on 25 October 2021. The effective interest rate of the Type II of the Second Tranche Issue is 2.90% per annum.

(b) At 30 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued the second tranche of drawdown note under the Euro medium-term note programme (the "EMTN Programme") with a nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate is 4.58% per annum after taking into consideration initial transaction costs. The principal of the Second Drawdown Note will be repaid on 30 July 2025.

(c) At 24 June 2020, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued two tranches of guaranteed senior notes. The Company has unconditionally and irrevocably guaranteed the due and punctual payment of guaranteed senior notes.

The first tranche of the notes (the "2025 Notes") is a 5-year guaranteed senior notes, with a US$500,000,000 principal amount. The maturity date is 24 June 2025. The effective interest rate of the 2025 Notes is 1.94% per annum.

The second tranche of the notes (the "2030 Notes") is a 10-year guaranteed senior notes, with a US$300,000,000 principal amount. The maturity date is 24 June 2030. The effective interest rate of the 2030 Notes is 2.62% per annum.

## 19. REVIEW OF INTERIM FINANCIAL RESULTS

The interim financial results for the six months ended 30 June 2023 have been reviewed with no disagreement by the Audit Committee of the Company.

## MANAGEMENT DISCUSSION AND ANALYSIS

## INDUSTRY OVERVIEW

In the first half of 2023, the global environment for economic development began to improve, but showing weak recovery momentum. In the first half of the year, the international oil price fluctuated at a medium and high level, oil and gas companies increased their investment in oil and gas exploration and development, and the oilfield service market continued to recover. According to the latest research report of "Global Upstream Spending" released by S&P Global, it is expected that the global upstream capital expenditure in exploration and development in 2023 will be USD565.2 billion, representing an increase of 10.75% as compared with 2022, of which the spending in offshore oilfield is USD163.8 billion, representing an increase of 13.43% as compared with 2022. It is forecasted in the latest "Oilfield Service Market Report" released by Spears & Associates that the global oilfield service industry market size will be USD306.3 billion in 2023, representing an increase of 12.40% compared with the same period of last year. The domestic oilfield service market has benefited from the strategic demand of national energy security, and the scale of oilfield service market has continued to expand.

## BUSINESS REVIEW

In the first half of 2023, the downward pace of the global economy was slackening and inflation continued to fall, but recovery differentiation displayed the aggravation tendency. The global service industry remained stable recovery, while the global manufacturing and commodity trading sectors showed weak recovery. Major central banks in Europe and the United States continued to raise interest rates, and the liquidity risk of European and American banks caused new uncertainties in the global financial system. The international crude oil was characterized by "sluggish growth with basic support offered", and economic worries became the core factor to restrain the rise of oil prices. However, with the implementation of the new OPEC+ production reduction policy, the fundamentals are beneficial to strengthen the basic support. The market activity of the oil and gas industry remained high, the global demand for drilling rigs rebounded, and the number of contracts signed in some regions increased. Following the upward trend of the industry, the Company continued to expand international market while taking active measures to guarantee the improvement of reserves and production for domestic exploration and development, reinforced quality and safety management and strengthened the guarantee of safety performance with a sharp rise in workload; continuously improved the governance efficiency by further promoting the lean management of grass-roots operation units; constantly improved the technical service level through optimization of the core technology system; promoted large-scale development in virtue of competitive business, and continuously enhanced the collaborative competitiveness of "integration". In the first half of the year, the Company's revenue was RMB18,849.9 million, representing an increase of RMB3,654.3 million or 24.0% compared with the same period of last year. The net profit was RMB1,456.1 million, representing an increase of RMB344.7 million (restated) or 31.0% compared with the same period of last year.

**Drilling Services Segment**

Revenue for the Company's drilling services segment in the first half of the year was RMB5,422.5 million, representing an increase of RMB367.4 million or 7.3% compared with RMB5,055.1 million for the same period of last year.

In the first half of 2023, the global drilling market continued to be active, and the demand for jack-up rig steadily increased. Focusing on the effective matching of equipment resources and market demand, the Company adhered to the idea of whole life cycle management, continued to strengthen the project operation and maintenance as well as management capabilities, and improved the lean management level in an all-around way. The rigs "Zhenhai 6", "COSLSeeker", "COSLHunter" and "HYSY936" successively completed the adaptability improvement and were prepared to operate in the Middle East; the rig "Shen Lan Tan Suo" successfully completed the drilling operation of the project in Southeast Asia; three semi-submersible drilling rigs in Europe were operated under full workload in the first half of the year; the rig "NH10" successfully completed the drilling and completion operation of a high-pressure gas well, and set a new record for the drilling depth of semi-submersible drilling rig in the East China Sea; the rig "HYSY943" completed the operations for the "New, Excellent and Fast" project of CNOOC's first unmanned rig; the rig "China Merchants Hailong 7" successfully completed the drilling operation of an extended-reach horizontal well; the rig "China Merchants Hailong 9" won the "Award for Excellent Service Quality" for an oilfield complex development project in South China Sea. The Company continued to promote highly standardized, scientific and formalized operation of equipment to ensure that the capability of rig equipment configuration matches the operation capacity, thereby providing customers with safer, better and more efficient drilling operation services.

As of 30 June 2023, the Company operated and managed a total of 60 drilling rigs, including 46 jack-up drilling rigs and 14 semi-submersible drilling rigs. Of these, 36 rigs were operating in the China sea and 13 rigs in overseas, while 8 rigs were on standby and 3 rigs were under repair in shipyards. In the first half of the year, operating days for the Company's drilling rigs amounted to 8,789 days, representing an increase of 772 days or 9.6% compared with the same period of last year. Among which, operating days for jack-up drilling rigs amounted to 6,807 days, representing an increase of 175 days compared with the same period of last year; operating days for semi-submersible drilling rigs amounted to 1,982 days, representing an increase of 597 days compared with the same period of last year. Available day utilisation rate of drilling rigs was 86.5%, representing an increase of 2.1 percentage points compared with the same period of last year. Among which, the utilisation rate of jack-up drilling rigs was 87.0%, representing a decrease of 2.8 percentage points compared with the same period of last year, which was due to the impact of cross-border towing and standby for inspection of vessels of overseas customers, and available day utilisation rate shall be 90.6% after excluding such impact, representing an increase of 0.8 percentage point compared with the same period of last year.

Operation details for the Company's jack-up and semi-submersible drilling rigs in the first half of 2023 are as follows:

| Drilling Services | For the six months ended 30 June 2023 | 2022 | Percentage change/Change |
|---|---|---|---|
| **Operating days (day)** | **8,789** | 8,017 | 9.6% |
| Jack-up drilling rigs | **6,807** | 6,632 | 2.6% |
| Semi-submersible drilling rigs | **1,982** | 1,385 | 43.1% |
| **Available day utilization rate** | **86.5%** | 84.4% | Up 2.1 percentage points |
| Jack-up drilling rigs | **87.0%** | 89.8% | Down 2.8 percentage points |
| Semi-submersible drilling rigs | **85.0%** | 65.5% | Up 19.5 percentage points |
| **Calendar day utilization rate** | **79.4%** | 77.4% | Up 2.0 percentage points |
| Jack-up drilling rigs | **79.7%** | 83.9% | Down 4.2 percentage points |
| Semi-submersible drilling rigs | **78.2%** | 56.4% | Up 21.8 percentage points |

In the first half of 2023, the average daily revenue of the Company's drilling rigs is as follows:

| **Average daily revenue (ten thousand US$/day)** | For the six months ended 30 June 2023 | 2022 | Change | Percentage change |
|---|---|---|---|---|
| Jack-up drilling rigs | **6.9** | 7.1 | (0.2) | (2.8%) |
| Semi-submersible drilling rigs | **12.3** | 11.5 | 0.8 | 7.0% |
| Drilling rigs average | **8.2** | 7.9 | 0.3 | 3.8% |

*Notes:* (1) Average daily revenue = revenue/operating days;

(2) US$/RMB exchange rate was 1:7.2258 on 30 June 2023 and 1:6.7114 on 30 June 2022.

## Well Services Segment

The first half of the year saw an increase in the operation volume of main business lines in the Company's well services segment compared with the same period of last year, and the overall revenue of the segment was RMB10,607.9 million, representing an increase of RMB3,049.8 million or 40.4% compared with RMB7,558.1 million for the same period of last year.

In the first half of 2023, focusing on the development trend of the industry and the requirements of primary customers, the Company made great efforts to tackle problems in key technologies, exerted more control over key nodes of scientific and technological innovation, promoted the efficient output and transformation of scientific research achievements, and continuously improved its core competitiveness and technological performance. The key operating indicators of the self-developed "Xuanji" rotary steering drilling and logging while drilling system continued to be improved, and such system was promoted and applied in some new projects in overseas areas; the self-developed "water-based supramolecular polymer microspheres" profile modification technology was successfully applied in Bohai Sea; the self-developed HEM deep-water drilling fluid technology was adopted to complete the drilling task at a depth of 2,233 meters in the South China Sea, successfully breaking the application depth record of this technology; the diversion acidizing technology solved the problem of increasing oil production in high-water-cut oil wells, which effectively improved the comprehensive treatment ability of old oilfields with high water cut; the self-developed PC-CorroCEM anticorrosive cement slurry system was successfully applied for the first time in casing cementing operation of an oilfield development project in the eastern South China Sea; the two-liquid plugging technology was successfully applied in a large fracture malignant loss well for the first time in the South China Sea; the self-developed 8-1/2" open-hole horizontal well was subject to heavy oil thermal recovery at 350°C with full well completion tools applied in 26 well times, and the jet pump injection-production integration technology was applied in 30 well times, which effectively promoted the efficient development of heavy oil thermal recovery oilfield and contributed to the successful operation of the world's first offshore super heavy oil thermal recovery development oilfield.

With excellent technical service performance, the Company constantly opened up overseas markets: successfully won the bid for the large-scale service project of cementing, drilling and completion fluids in Southeast Asia, which involves 43 wells and lasts for two years; successfully won the bid for the service contract of onshore abandoned wells in Southeast Asia from 2023 to 2025; successfully won the bid for disposal integration project in the Southeast Asia, achieving breakthroughs in the services for high-end customers of the regional market for the first time; successfully obtained the integrated drilling and completion service project in America, which was the first time of the Company to provide integrated services to customers outside CNOOC in this region, and the integrated capability was recognized by customers; concluded a large-amount service contract of solid control equipment technology in America, realizing the transition from "individual small-amount contract" to "large-amount contract" and further empowering the business development.

**Marine Support Services Segment**

In the first half of the year, revenue from the Company's marine support services segment was RMB1,904.7 million, representing an increase of RMB179.8 million or 10.4% compared with RMB1,724.9 million for the same period of last year.

In the first half of 2023, the Company stuck to the safety bottom line, enhanced the capability to respond to emergencies, undertook urgent, difficult and dangerous tasks for customers, fully satisfied the demand on vessels for strengthening reserves and production in China, actively promoted clean energy substitution in the exploration and development process, and focused on lean costing management to optimize business development model. "Nanhai 222" was honorably awarded the "Vessel with Outstanding Contribution to Maritime Search and Rescue"; the green fleet comprising of 12 LNG powered vessels was successively put into operation in Bohai Sea and South China Sea, which was recognized by customers, and it is expected to reduce 12,000 tons of carbon emissions every year.

As of 30 June 2023, the Company operated and managed a total of over 170 vessels, including AHTS vessels, platform supply vessels and standby vessels, etc. The operating days amounted to 27,191, representing an increase of 940 days compared with the same period of last year. The operation volume of main businesses increased. Details are in the following table:

| | **For the six months ended 30 June** | | |
|---|---|---|---|
| **Marine Support Services** | **2023** | 2022 | Percentage change |
| Operating days (day) | **27,191** | 26,251 | 3.6% |
| Standby vessels | **5,735** | 5,595 | 2.5% |
| AHTS vessels | **10,457** | 10,801 | (3.2%) |
| Platform supply vessels | **8,904** | 7,836 | 13.6% |
| Multi-purpose vessels | **1,371** | 1,502 | (8.7%) |
| Workover support barges | **724** | 517 | 40.0% |

### Geophysical Acquisition and Surveying Services Segment

Revenue for the Company's geophysical acquisition and surveying services segment was RMB914.8 million for the first half of the year, representing an increase of RMB57.3 million or 6.7% compared with the same period of last year.

In the first half of 2023, the Company optimized the allocation of resources while keeping up with the market demand, actively promoted the global operation of geophysical services, made sustained efforts to advance technological transformation and upgrading, and increased the industrial application of independent equipment technologies to provide customers with better products and services for exploration and discovery. In the first half of the year, the acquisition operation of the first unconventional onshore seismic exploration project was completed; a new domestic OBN production line with completely independent intellectual property was built; the self-developed towing cable complete set equipment for marine seismic exploration completed the exploration operation in the sea area of over 3,500 square kilometers and remained stable; "HYSY721" vessel sailed for West Africa to conduct large-scale 3D acquisition operation, which covers an area of over 11,000 square kilometers.

As of 30 June 2023, under the impact of market layout and adjustment of production capacity, the operation volume of the Company's 2D acquisition business was 12,931 km, an increase of 855.7% as compared with the same period of last year. The 3D acquisition operation volume was 5,654 $km^2$, a decrease of 36.2% as compared with the same period of last year. Due to the impact of project schedule, the operation volume of ocean bottom cable and ocean bottom node decreased as compared with the same period of last year. Details are as follows:

| **Geophysical Acquisition and Surveying Services** | **For the six months ended 30 June** **2023** | 2022 | Percentage change |
|---|---|---|---|
| 2D acquisition (km) | **12,931** | 1,353 | 855.7% |
| 3D acquisition ($km^2$) | **5,654** | 8,868 | (36.2%) |
| Ocean bottom cable ($km^2$) | **627** | 638 | (1.7%) |
| Ocean bottom node ($km^2$) | **192** | 262 | (26.7%) |

## FINANCIAL REVIEW

### 1.1 Revenue

In the first half of 2023, the Company closely kept up with the recovery industry environment, and revenue of the Company increased by RMB3,654.3 million or 24.0% compared with the same period of last year. The detailed analysis is set out below:

Revenue of each business segment for the first half of 2023:

| *Unit: RMB million* | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| **Business segment** | **2023** | 2022 | Change | Percentage change |
| Drilling services | **5,422.5** | 5,055.1 | 367.4 | 7.3% |
| Well services | **10,607.9** | 7,558.1 | 3,049.8 | 40.4% |
| Marine support services | **1,904.7** | 1,724.9 | 179.8 | 10.4% |
| Geophysical acquisition and surveying services | **914.8** | 857.5 | 57.3 | 6.7% |
| Total | **18,849.9** | 15,195.6 | 3,654.3 | 24.0% |

Revenue generated from drilling services business increased by 7.3% over the same period of last year, which was mainly due to the increase in operation volume and utilization rate of drilling rigs during the period since the Company has been focusing on the effective matching of equipment resource and market demand.

Revenue from well services business increased by 40.4% over the same period of last year, which was mainly due to the fact that the Company persisted in focusing on the industry development trend and the demand of major customers, made every effort to tackle core technologies and improve technology service quality, and achieved remarkable market expansion results, therefore, operation volume of various business lines increased.

Revenue from marine support services business increased by 10.4% over the same period of last year, which was mainly due to the increase in operation volume of self-owned vessels and chartered vessels during the period.

Revenue of geophysical acquisition and surveying services business increased by 6.7% over the same period of last year, which was mainly due to the increase in 2D acquisition business.

### 1.2 Operating expenses

In the first half of 2023, the Company's operating expenses amounted to RMB16,986.4 million, representing an increase of RMB2,857.8 million or 20.2% from RMB14,128.6 million for the same period of last year.

The table below breaks down the Company's operating expenses for the first half of 2023:

| *Unit: RMB million* | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| | **2023** | 2022 | Change | Percentage change |
| Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library | **2,432.1** | 2,281.9 | 150.2 | 6.6% |
| Depreciation of right-of-use assets | **194.4** | 177.6 | 16.8 | 9.5% |
| Employee compensation costs | **3,346.5** | 2,891.6 | 454.9 | 15.7% |
| Repair and maintenance costs | **175.6** | 174.0 | 1.6 | 0.9% |
| Consumption of supplies, materials, fuel, services and others | **4,428.5** | 3,808.2 | 620.3 | 16.3% |
| Subcontracting expenses | **4,766.8** | 3,520.7 | 1,246.1 | 35.4% |
| Operating lease expenses | **993.4** | 739.9 | 253.5 | 34.3% |
| Impairment loss under expected credit losses model, net of reversal | **18.7** | 14.6 | 4.1 | 28.1% |
| Other operating expenses | **630.4** | 520.1 | 110.3 | 21.2% |
| Total operating expenses | **16,986.4** | 14,128.6 | 2,857.8 | 20.2% |

Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library for the period increased by RMB150.2 million or 6.6% compared with the same period of last year.

Depreciation of right-of-use assets for the period increased by RMB16.8 million or 9.5% compared with the same period of last year.

Employee compensation costs for the period increased by RMB454.9 million or 15.7% compared with the same period of last year.

Repair and maintenance costs for the period increased by RMB1.6 million compared with the same period of last year, which was basically consistent with the same period of last year.

Consumption of supplies, materials, fuel, services and others for the period increased by RMB620.3 million or 16.3% compared with the same period of last year, mainly due to the increase in operation volume.

Subcontracting expenses for the period increased by RMB1,246.1 million or 35.4% compared with the same period of last year, mainly due to the increase in the operation volume for the period, which led to the increase in operation and personnel subcontracting input of the Company.

Lease expenses for the period increased by RMB253.5 million or 34.3% compared with the same period of last year, mainly due to the increase in the operation volume and the increase in operation schedule of charted equipment according to the market demand for the period.

Other operating expenses for the period amounted to RMB630.4 million, which mainly included more than 30 cost items including travel expenses, business trip expenses, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on, representing an increase of RMB110.3 million compared with the same period of last year, mainly due to the fact that health, safety and environmental protection expenses for the period amounted to RMB198.7 million, representing an increase of RMB57.1 million compared with the same period of last year, while other items increased or decreased. Among which, transfer fees for technology amounted to RMB63.9 million, travel expenses amounted to RMB51.4 million, business trip expenses amounted to RMB42.7 million, consulting fees amounted to RMB18.4 million, and audit fees, office expenses and other fees amounted to RMB255.3 million in total.

In the same period of 2022, other operating expenses amounted to RMB520.1 million, which mainly included more than 30 cost items including travel expenses, business trip expenses, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. Among which, health, safety and environmental protection expenses amounted to RMB141.6 million, transfer fees for technology amounted to RMB65.5 million, pandemic prevention fees amounted to RMB62.6 million, business trip expenses amounted to RMB46.3 million, travel expenses amounted to RMB27.8 million, and consulting fees, audit fees, office expenses and other fees amounted to RMB176.3 million in total.

The table below shows operating expenses for business segment in the first half of 2023:

| *Unit: RMB million* | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| **Business segment** | **2023** | 2022 | Change | Percentage change |
| Drilling services | **5,151.4** | 5,056.6 | 94.8 | 1.9% |
| Well services | **8,962.5** | 6,367.5 | 2,595.0 | 40.8% |
| Marine support services | **1,871.0** | 1,691.6 | 179.4 | 10.6% |
| Geophysical acquisition and surveying services | **1,001.5** | 1,012.9 | (11.4) | (1.1%) |
| Total | **16,986.4** | 14,128.6 | 2,857.8 | 20.2% |

## 1.3 Profit from operations

The Company's profit from operations in the first half of 2023 amounted to RMB1,971.3 million, representing an increase of RMB703.2 million as compared with RMB1,268.1 million for the same period of last year. The profit from operations for each segment is shown in the table below:

| *Unit: RMB million* | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| **Business segment** | **2023** | 2022 | Change | Percentage change |
| Drilling services | **299.7** | 52.8 | 246.9 | 467.6% |
| Well services | **1,705.8** | 1,290.8 | 415.0 | 32.2% |
| Marine support services | **45.6** | 55.3 | (9.7) | (17.5%) |
| Geophysical acquisition and surveying services | **(79.8)** | (130.8) | 51.0 | 39.0% |
| Total | **1,971.3** | 1,268.1 | 703.2 | 55.5% |

## 1.4 Financial expenses, net

In the first half of 2023, the Company's net financial expenses were RMB241.7 million, representing an increase of RMB183.8 million compared with RMB57.9 million for the same period of last year. Of which, affected by the fluctuation of exchange rate, net exchange gain decreased by RMB106.4 million compared with the same period of last year, finance costs increased by RMB107.3 million compared with the same period of last year, and interest income increased by RMB29.9 million compared with the same period of last year.

### 1.5 Investment income

In the first half of 2023, the Company's investment income amounted to RMB10.2 million, representing an increase of RMB6.2 million or 155.0% compared with RMB4.0 million for the same period of last year, mainly due to the net purchase of more wealth management products in the second half of 2022.

### 1.6 Other gains and losses

In the first half of 2023, net loss from disposal/retirement of assets and loss from lease modifications were RMB7.8 million in total, while the net loss from disposal/retirement of assets and the loss from lease modifications for the same period of last year were RMB3.9 million in total.

### 1.7 Profit for the period

In the first half of 2023, the Company closely kept up with the recovery industry environment, endeavored to promote the expansion of domestic and overseas markets, deeply promoted lean cost management and control, and continuously improved governance efficiency and profitability. Profit for the period was RMB1,456.1 million, as compared with RMB1,111.4 million (restated) for the same period of last year.

### 1.8 Basic earnings per share

In the first half of 2023, the Company's basic earnings per share amounted to RMB28.06 cents, as compared with basic earnings per share of RMB23.17 cents (restated) for the same period of last year.

## 2. Analysis of interim condensed consolidated statement of financial position

As of 30 June 2023, total assets of the Company amounted to RMB79,597.5 million, representing an increase of RMB2,436.8 million or 3.2% as compared with RMB77,160.7 million (restated) at the end of 2022. Total liabilities were RMB38,992.5 million, representing an increase of RMB1,807.7 million or 4.9% as compared with RMB37,184.8 million (restated) at the end of 2022. Shareholders' equity was RMB40,605.0 million, representing an increase of RMB629.0 million or 1.6% as compared with RMB39,976.0 million (restated) at the end of 2022.

An analysis of reasons for significant changes in account items on the interim condensed consolidated statement of financial position is as follows:

*Unit: RMB million*

| Items | **30 June 2023** | 31 December 2022 (Restated) | Percentage change | Reasons |
|---|---|---|---|---|
| Contract costs (non-current assets) | **746.5** | 496.8 | 50.3% | The increase in contract performance costs arising from mobilisation of drilling rigs for the period. |
| Other non-current assets | **260.7** | 1,829.2 | (85.7%) | Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits. |
| Deferred tax assets | **66.1** | 26.6 | 148.5% | Mainly due to the increase in accrued expenses and the increase in loss arising from the overseas subsidiaries. |
| Prepayments, deposits and other receivables | **380.0** | 280.7 | 35.4% | Mainly due to prepaid equipment consumables, customs duties and others for the period. |
| Notes receivable | **61.1** | 22.8 | 168.0% | Mainly due to the increase in commercial acceptance bills of external customers for the period. |
| Receivables at fair value through other comprehensive income | **45.4** | 8.2 | 453.7% | Mainly due to the increase in bank acceptance bills of external customers for the period. |
| Financial assets at fair value through profit or loss | **2,531.8** | 5,106.0 | (50.4%) | Mainly attributable to the combined effect of the redemption on maturity of floating rate investments in wealth management products and recognition of monetary funds for the period. |
| Contract costs (current assets) | **24.3** | 47.4 | (48.7%) | Mainly due to transfer of mobilisation costs for the period. |
| Other current assets | **899.6** | 1,771.3 | (49.2%) | Mainly due to recognition of monetary funds as financial assets at fair value through profit or loss for the period. |

*Unit: RMB million*

| Items | **30 June 2023** | 31 December 2022 (Restated) | Percentage change | Reasons |
|---|---|---|---|---|
| Time deposits | **2,195.4** | 548.5 | 300.3% | Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits. |
| Cash and cash equivalents | **5,351.3** | 3,561.7 | 50.2% | Mainly due to the increase in revenue and the increase in payment collection for the period. |
| Other current liabilities | **762.8** | 500.4 | 52.4% | Mainly due to the increase in output value-added tax to be recognized for the period. |
| Deferred tax liabilities | **483.7** | 244.5 | 97.8% | Mainly due to the utilisation of losses of the parent company in the previous years, represented by net amount at the end of the period. |
| Lease liabilities (non-current) | **748.1** | 569.6 | 31.3% | Mainly due to the increase in lease drilling rigs for the period. |
| Other non-current liabilities | **11.4** | 20.7 | (44.9%) | Mainly due to the transfer of onerous contracts in other current liabilities over the initial term for the period. |

### 3. Analysis of interim condensed consolidated statement of cash flows

At the beginning of 2023, the Company held cash and cash equivalents of RMB3,561.7 million. Net cash inflows from operating activities for the period amounted to RMB1,153.5 million. Net cash inflows from investing activities were RMB2,025.7 million. Net cash outflows from financing activities were RMB1,534.8 million. The impact of foreign exchange rate changes on cash resulted in an increase of RMB145.2 million. As of 30 June 2023, the Company's cash and cash equivalents amounted to RMB5,351.3 million.

### *3.1 Cash flows from operating activities*

In the first half of 2023, the Company's net cash inflows from operating activities amounted to RMB1,153.5 million, as compared with the net cash outflows of RMB2,088.0 million for the same period of last year, mainly due to the increase in cash from sales of goods and rendering of services for the period.

### *3.2 Cash flows from investing activities*

In the first half of 2023, net cash inflows from the Company's investing activities amounted to RMB2,025.7 million, representing a decrease of RMB2,173.4 million in net cash inflows compared with net cash inflows from investing activities of RMB4,199.1 million in the same period of last year, which was mainly due to the increase of RMB436.4 million in the cash outflows paid for purchase of property, plant and equipment and other long-term assets compared with the same period of last year, and the decrease of RMB1,704.5 million in cash inflows received from the proceeds on disposal/maturity of floating rate investments in corporate wealth management products and monetary funds compared with the same period of last year.

### *3.3 Cash flows from financing activities*

In the first half of 2023, the Company's net cash outflows from financing activities amounted to RMB1,534.8 million, representing a decrease of RMB1,308.9 million in net cash outflows compared with the same period of last year, which was mainly due to the cash outflows for repayment of long-term bonds of RMB1,500.0 million in the same period of last year, but not occurred during the period.

***3.4*** The impact of foreign exchange rate changes on cash during the period resulted in an increase of RMB145.2 million.

## 4. Capital expenditure

In the first half of 2023, the Company's capital expenditure was RMB1,854.5 million, representing an increase of RMB591.8 million or 46.9% compared with RMB1,262.7 million for the same period of last year.

The capital expenditure of each business segment is shown in the table below:

| *Unit: RMB million* | **For the six months ended 30 June** | | | |
|---|---|---|---|---|
| **Business segment** | **2023** | 2022 | Change | Percentage change |
| Drilling services | **884.0** | 617.2 | 266.8 | 43.2% |
| Well services | **699.4** | 457.2 | 242.2 | 53.0% |
| Marine support services | **61.1** | 103.4 | (42.3) | (40.9%) |
| Geophysical acquisition and surveying services | **210.0** | 84.9 | 125.1 | 147.3% |
| Total | **1,854.5** | 1,262.7 | 591.8 | 46.9% |

The capital expenditure of the drilling services segment was mainly used for the special inspection of drilling rig and the transformation and renovation of equipment. The capital expenditure of the well services segment was mainly used for the construction and purchase of relevant well technology services equipment relating to such business segment. The capital expenditure of the marine support services segment was mainly used for the transformation and renovation and construction of standby vessels. The capital expenditure of the geophysical acquisition and surveying services segment was mainly used for the transformation and renovation of operation vessels and equipment.

## 5. Major subsidiaries

China Oilfield Services (BVI) Limited, COSL Hong Kong International Limited, COSL Norwegian AS ("CNA"), COSL Singapore Limited, China France Bohai Geoservices Co., Ltd. ("China France Bohai") and COSL Hainan Ltd. ("Hainan Company") are major subsidiaries of the Group, which mainly engage in drilling, well services and relevant businesses.

As of 30 June 2023, the total assets of China Oilfield Services (BVI) Limited amounted to RMB9,490.9 million and equity was RMB1,288.0 million. China Oilfield Services (BVI) Limited realized revenue of RMB2,092.4 million in the first half of 2023, representing an increase of RMB713.0 million compared with the same period of last year. The net profit amounted to RMB-55.4 million, representing a decrease of RMB179.6 million compared with the same period of last year.

As of 30 June 2023, the total assets of COSL Hong Kong International Limited amounted to RMB7,711.3 million and equity was RMB7,711.3 million. COSL Hong Kong International Limited realized revenue of RMB34.5 thousand in the first half of 2023, representing an increase of RMB1.1 thousand compared with the same period of last year. The net profit amounted to RMB46.3 thousand, representing an increase of RMB12.9 thousand compared with the same period of last year.

As of 30 June 2023, the total assets of CNA amounted to RMB8,038.4 million and equity was RMB-5,132.4 million. CNA realized revenue of RMB598.5 million in the first half of 2023, representing an increase of RMB378.6 million or 172.2% compared with the same period of last year. The net profit amounted to RMB-290.4 million, representing a decrease in loss of RMB77.3 million compared with the same period of last year.

As of 30 June 2023, the total assets of COSL Singapore Limited amounted to RMB22,666.9 million and equity was RMB-3,890.7 million. COSL Singapore Limited realized revenue of RMB1,116.0 million in the first half of 2023, representing an increase of RMB389.2 million or 53.5% compared with the same period of last year. The net profit amounted to RMB-438.3 million, representing an increase in loss of RMB149.3 million compared with the same period of last year. COSL PROSPECTOR PTE. LTD. is a major drilling rig subsidiary of COSL Singapore Limited.

As of 30 June 2023, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,270.4 million and equity was RMB-6,694.4 million. COSL PROSPECTOR PTE. LTD. realized revenue of RMB295.5 million in the first half of 2023, representing an increase of RMB65.0 million compared with the same period of last year. The net profit amounted to RMB-331.1 million, representing an increase in loss of RMB142.4 million compared with the same period of last year, which was mainly due to the increase in cost as a result of transformation and renovation from overseas projects before operation.

China France Bohai has been accounted for as a subsidiary and has been consolidated into the consolidated financial statements by the Group since 1 August 2022 when the Group obtained the control over China France Bohai. As of 30 June 2023, the total assets of China France Bohai amounted to RMB1,253.8 million and equity was RMB734.6 million. In the first half of 2023, China France Bohai realized revenue of RMB803.4 million and net profit amounted to RMB202.1 million.

Hainan Company was incorporated by the Group on 6 December 2019 and the construction at the site has been completed and the business has been improved gradually at present. As of 30 June 2023, the total assets of Hainan Company amounted to RMB2,233.8 million and equity was RMB242.0 million. Hainan Company realized revenue of RMB1,471.0 million in the first half of 2023, representing an increase of RMB1,458.2 million compared with the same period of last year. The net profit amounted to RMB89.7 million, representing an increase of RMB90.9 million compared with the same period of last year.

## PROSPECTS

According to the latest "Global Economic Outlook Report" released by the International Monetary Fund (IMF), the global economy is still facing downside risks, and factors such as inflation, extreme weather and geopolitical conflicts are contributing to the instability of the future global economy. The global economic growth is expected to be 3.0%. With enough momentum gathered for China's economic growth, it is expected to grow by 5.2% this year, up from 3.5% last year. Russian oil production and OPEC+ production reduction agreements will exert a great impact on global oil supply. Developing countries in Asia are the largest contributors to the increase in global oil demand, and it is forecasted that international oil prices will fluctuate in the middle and high levels in the second half of the year. The global investment scale of upstream exploration and development will be significantly expanded as a whole, and demands of oilfield service market will continue to recover. Moreover, as driven by the national "Seven-Year Action Plan" from improving reserves and production, the domestic market demand for oilfield services will increase. In the first half of the year, the workload of the Company was obviously higher than that of the same period of last year. In the second half of the year, the Company will gain more service opportunities thanks to the improvement of industry conditions, operation of new equipment, the application of new technologies and the promotion of integrated projects.

In the second half of the year, the Company will continue to implement the five development strategies, comprehensively enhance its technological research and development capabilities, and strive to make a breakthrough in and promote achievement transformation of key and core technologies to a new level. Moreover, the Company will promote the establishment of "strategic partners", implement its safety responsibilities, realize its "carbon emission peak and carbon neutrality" target, and cultivate new development momentum, further reduce overall costs through reform, innovation and lean management, and enhance service core competitiveness and service efficiency. At the same time, the Company will keep abreast on the development of the global economy, international oil prices, investment in upstream exploration and development as well as oilfield service market, and it will formulate targeted measures in accordance with the development trends of the industry to accelerate the pace of high-quality development of the Company.

## SUPPLEMENTARY INFORMATION

## AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company as well as the risk management, internal control and financial reporting matters. The Company's unaudited interim results and interim report for the six months ended 30 June 2023 have been reviewed by the audit committee. The interim financial information has been reviewed by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA.

## CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter "Listing Rules"), except for the following deviation: the chairman and the chief executive officer of the Company are currently held by Mr. Zhao Shunqiang alone. This is different from the Code Provision C.2.1 of Part 2 of the Corporate Governance Code, which states that the roles of chairman and chief executive officer should be different and should not be performed by the same person at the same time. However, the Board believes that, the roles of chairman and chief executive officer being assumed by the same person helps to meet the Company's overall production and operation needs in current phase, and guarantee the effective formulation and vigorous promotion of the Company's strategies. At the same time, all major decisions of the Company are discussed by the Board, the special committees of the Board and Senior Management. The Board believes that the current structure does not reduce the balances of power and authorization, and allows the Company to make timely and effective decisions and implementations.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors of the Company have confirmed that they have, for the six months ended 30 June 2023, complied with the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter "Model Code") as set out in Appendix 10 of the Listing Rules. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code.

## PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

## PROGRESS OF BUSINESS PLAN

In the first half of 2023, the global demand for liquid fuels was increasing, and there were visible signs of growth in the offshore oilfield service industry market. The workload of the major segments of the Company was higher than that of the same period of last year, and in the first half of 2023, the Company achieved the revenue of RMB18.85 billion, with a net profit of RMB1.46 billion. In the first half of 2023, with the guidance of the five development strategies of technology-driven, cost leadership, integration, internationalization and regional development, the Company continued to promote lean management and adhered to the sustainable development and long-term growth to promote the continuous improvement of the competitiveness and capacity of creating benefits. The current global oil price remains high, it is expected that the upstream investment will continue to increase in the second half of the year, and the opportunities in the oilfield service market will increase. The Company will constantly enhance the strength of equipment and continue to promote scientific and technological innovation, and cultivate the oilfield full life-cycle integrated service capability with customer's demands as the guide, create greater value for shareholders, customers, employees and partners.

## CHARGES ON ASSETS

As at 30 June 2023, the Company had no material charges against its assets.

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2022, other than those disclosed in this interim results announcement.

## DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the HKSE's website (https://www.hkex.com.hk) and the Company's website (https://www.cosl.com.cn) in due course.

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

23 August 2023

*As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Shunqiang (Chairman), Lu Tao and Xiong Min; the non-executive directors of the Company are Messrs. Fan Baitao and Liu Qiudong; and the independent non-executive directors of the Company are Ms. Chiu Lai Kuen, Susanna, Messrs. Kwok Lam Kwong, Larry and Yao Xin.*