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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

1. Revenue was RMB44,042.2 million
2. Profit from operations was RMB4,855.2 million
3. Profit for the year was RMB3,282.6 million
4. Basic earnings per share were RMB63.15 cents
5. Total assets were RMB83,245.8 million
6. Total equity was RMB42,256.1 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
			(Restated)
REVENUE	*4*	**44,108,616**	35,658,896
Sales surtaxes		**(66,375)**	(48,768)
Revenue, net of sales surtaxes		**44,042,241**	35,610,128
Other income	*5*	**309,718**	342,172
Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library		**(5,195,328)**	(4,685,573)
Depreciation of right-of-use assets		**(415,317)**	(367,115)
Employee compensation costs	*6*	**(8,201,983)**	(7,414,041)
Repair and maintenance costs		**(601,614)**	(594,825)
Consumption of supplies, materials, fuel, services and others		**(10,101,768)**	(9,080,592)
Subcontracting expenses		**(11,420,862)**	(8,164,558)
Lease expenses	*6*	**(2,147,453)**	(1,666,872)
Other operating expenses		**(1,355,818)**	(1,175,708)
Impairment of property, plant and equipment	*10*	**–**	(30,198)
Impairment losses under expected credit loss model, net of reversal		**(56,579)**	(49,435)
Total operating expenses		**(39,496,722)**	(33,228,917)
PROFIT FROM OPERATIONS		**4,855,237**	2,723,383
Exchange (losses)/gains, net		**(37,143)**	565,845
Finance costs		**(996,796)**	(777,108)
Interest income		**181,132**	123,432
Investment income	*6*	**14,953**	16,307
Gains arising from financial assets at fair value through profit or loss	*6*	**71,135**	65,263
Share of profits of an associate and joint ventures, net of tax		**178,309**	287,558
Other gains and losses, net	*6*	**(23,959)**	(23,201)
PROFIT BEFORE TAX	*6*	**4,242,868**	2,981,479
Income tax expense	*7*	**(960,240)**	(482,275)
PROFIT FOR THE YEAR		**3,282,628**	2,499,204
Attributable to:			
Owners of the Company		**3,013,255**	2,358,697
Non-controlling interests		**269,373**	140,507
		3,282,628	2,499,204
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB)	*9*	**63.15 cents**	49.43 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**3,282,628**	2,499,204
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	**13,264**	(192,861)
Income tax effect relating to items that may be reclassified subsequently to profit or loss	**(22,783)**	(131,517)
	(9,519)	(324,378)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(9,519)**	(324,378)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**3,273,109**	2,174,826
Attributable to:		
Owners of the Company	**3,000,023**	2,016,926
Non-controlling interests	**273,086**	157,900
	3,273,109	2,174,826

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000* *(Restated)*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**48,928,386**	44,148,190
Right-of-use assets		**1,301,420**	1,194,078
Goodwill	*11*	**–**	–
Other intangible assets		**155,710**	151,678
Multiclient library	*12*	**131,804**	216,100
Investments in an associate and joint ventures		**1,064,203**	988,381
Contract costs		**919,172**	496,813
Financial assets at fair value through profit or loss		**–**	–
Other non-current assets		**415,926**	1,829,173
Deferred tax assets	*18*	**59,111**	26,636
Total non-current assets		**52,975,732**	49,051,049
CURRENT ASSETS			
Inventories		**2,339,628**	2,528,806
Prepayments, deposits and other receivables	*13*	**202,770**	280,734
Accounts receivable	*14*	**14,125,168**	14,175,184
Notes receivable	*15*	**115,940**	22,759
Receivables at fair value through other comprehensive income		**351,950**	8,200
Financial assets at fair value through profit or loss		**4,501,296**	5,106,036
Contract assets		**53,700**	47,971
Contract costs		**30,550**	47,411
Other current assets		**333,864**	1,771,338
Pledged deposits	*16*	**11,291**	10,976
Time deposits	*16*	**2,226,439**	548,535
Cash and cash equivalents	*16*	**5,977,506**	3,561,740
Total current assets		**30,270,102**	28,109,690

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2023

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000* *(Restated)*
CURRENT LIABILITIES			
Trade and other payables	*17*	**14,339,226**	11,629,065
Notes payable		**7,309**	11,866
Salary and bonus payables		**1,040,432**	1,033,179
Tax payable		**454,377**	94,937
Loans from related parties	*19*	**2,478,945**	2,437,610
Interest-bearing bank borrowings	*20*	**2,965,515**	3,515,710
Long-term bonds	*21*	**140,744**	872,231
Lease liabilities		**304,968**	437,193
Contract liabilities		**1,207,351**	759,723
Other current liabilities		**425,762**	500,387
Total current liabilities		**23,364,629**	21,291,901
NET CURRENT ASSETS		**6,905,473**	6,817,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,881,205**	55,868,838
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*18*	**387,709**	244,516
Loans from related parties	*19*	**2,648,996**	2,196,259
Interest-bearing bank borrowings	*20*	**157,396**	168,994
Long-term bonds	*21*	**12,182,776**	12,021,878
Lease liabilities		**742,220**	569,593
Contract liabilities		**1,292,800**	458,722
Deferred income	*22*	**186,332**	204,579
Employee benefit liabilities		**15,440**	7,587
Other non-current liabilities		**11,430**	20,743
Total non-current liabilities		**17,625,099**	15,892,871
Net assets		**42,256,106**	39,975,967
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*23*	**4,771,592**	4,771,592
Reserves		**36,871,427**	34,637,573
		41,643,019	39,409,165
Non-controlling interests		**613,087**	566,802
Total equity		**42,256,106**	39,975,967

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 December 2023

1. GENERAL

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") were 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 ("SOE") incorporated in the PRC. The registered address of CNOOC is No.25 Chaoyangmenbei Dajie, Dongcheng District, Beijing.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
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 – Pillar Two Model Rules*

The nature and the impact of the new and 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 material 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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.

    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. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. 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 at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	Increase/(Decrease)		
	As at 31 December 2023	As at 31 December 2022	As at 1 January 2022
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Deferred tax assets *(Note)*	**179,704**	152,269	224,925
Total non-current assets	**179,704**	152,269	224,925
Total assets	**179,704**	152,269	224,925
Liabilities			
Deferred tax liabilities *(Note)*	**103,018**	74,386	153,127
Total non-current liabilities	**103,018**	74,386	153,127
Total liabilities	**103,018**	74,386	153,127
Net assets	**76,686**	77,883	71,798
Equity			
Retained profits	**76,688**	77,884	71,812
Equity attributable to owners of the parent	**76,688**	77,884	71,812
Non-controlling interests	**(2)**	(1)	(14)
Total equity	**76,686**	77,883	71,798

Note: 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 consolidated statements of profit or loss:

	Increase/(Decrease)	
	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Income tax credit	**–**	6,085
Income tax expense	**(1,197)**	–
Profit for the year	**(1,197)**	6,085
Attributable to:		
Owners of the parent	**(1,196)**	6,072
Non-controlling interests	**(1)**	13
	(1,197)	6,085
Total comprehensive income for the year	**(1,197)**	6,085
Attributable to:		
Owners of the parent	**(1,196)**	6,072
Non-controlling interests	**(1)**	13
	(1,197)	6,085

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in Note 18 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12. The impact on earnings per share, cash flows and other comprehensive income is not material.

(d) Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is potentially lower than 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

2.2 Amendments to HKFRSs in issue but not yet effective

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion.

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. OPERATING SEGMENT INFORMATION

The Group is organised into four business segments 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 four reportable and operating segments are set out 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 resources 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 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.

Year ended 31 December 2023	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	12,051,135	25,717,532	3,938,827	2,334,747	44,042,241
Sales surtaxes	16,421	39,438	5,930	4,586	66,375
Revenue, before net of sales surtaxes	12,067,556	25,756,970	3,944,757	2,339,333	44,108,616
Intersegment sales	303,606	44,491	292,532	9,598	650,227
Segment revenue	12,371,162	25,801,461	4,237,289	2,348,931	44,758,843
Eliminations	(303,606)	(44,491)	(292,532)	(9,598)	(650,227)
Group revenue	12,067,556	25,756,970	3,944,757	2,339,333	44,108,616
Segment results	741,015	4,137,193	38,564	92,815	5,009,587
Reconciliation:					
Exchange losses, net					(37,143)
Finance costs					(996,796)
Interest income					181,132
Investment income					14,953
Gains arising from financial assets at FVTPL					71,135
Profit before tax					4,242,868
Income tax expense					(960,240)
As at 31 December 2023					
Segment assets	39,644,136	22,216,241	6,817,305	4,738,054	73,415,736
Unallocated assets					9,830,098
Total assets					83,245,834
Segment liabilities	6,308,672	10,752,214	1,181,131	1,343,148	19,585,165
Unallocated liabilities					21,404,563
Total liabilities					40,989,728
Other segment information:					
Capital expenditure*	6,167,001	2,781,574	311,942	485,496	9,746,013
Depreciation of property, plant and equipment and amortisation of other intangible assets and Multiclient library	2,546,153	1,354,739	788,717	505,719	5,195,328
Depreciation of right-of-use assets	216,965	119,061	52,711	26,580	415,317
Impairment of accounts receivable	34,376	17,027	2,841	1,652	55,896
Impairment of other receivables	165	400	74	44	683
Provision of impairment of inventories, net	2,749	5,869	899	533	10,050
Share of profits of an associate and joint ventures, net of tax	–	109,108	–	69,201	178,309
Investments in an associate and joint ventures	–	694,550	–	369,653	1,064,203

Year ended 31 December 2022 (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	10,334,097	19,571,243	3,719,901	1,984,887	35,610,128
Sales surtaxes	11,927	28,455	5,119	3,267	48,768
Revenue, before net of sales surtaxes	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Intersegment sales	497,503	27,642	326,018	11,392	862,555
Segment revenue	10,843,527	19,627,340	4,051,038	1,999,546	36,521,451
Eliminations	(497,503)	(27,642)	(326,018)	(11,392)	(862,555)
Group revenue	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Segment results	(635,945)	3,681,075	(59,172)	1,782	2,987,740
Reconciliation:					
Exchange gains, net					565,845
Finance costs					(777,108)
Interest income					123,432
Investment income					16,307
Gains arising from financial assets at FVTPL					65,263
Profit before tax					2,981,479
Income tax expense					(482,275)
As at 31 December 2022(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
Other segment information:					
Capital expenditure*	1,371,739	2,208,960	243,662	254,874	4,079,235
Depreciation of property, plant and equipment and amortisation of other intangible assets and Multiclient library	2,286,843	1,024,661	757,921	616,148	4,685,573
Depreciation of right-of-use assets	152,803	136,699	56,417	21,196	367,115
Impairment of accounts receivable	37,537	13,387	1,566	1,408	53,898
Reversal of impairment of other receivables	(1,176)	(2,459)	(521)	(307)	(4,463)
Reversal of impairment of inventories	(2,177)	(4,122)	(783)	(418)	(7,500)
Impairment of property, plant and equipment	30,198	–	–	–	30,198
Share of profits of an associate and joint ventures, net of tax	–	219,545	–	68,013	287,558
Investments in an associate and joint ventures	–	645,426	–	342,955	988,381

* The capital expenditure includes the addition of property, plant and equipment, Multiclient library and other intangible assets.

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 Chinese Mainland. Activities outside Chinese Mainland 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 location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

The following table presents revenue and non-current assets (excluding goodwill, investments in an associate and joint ventures, financial assets and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2023 and 2022.

Year ended/as at 31 December 2023	**Domestic** *RMB'000*	**International** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	**34,638,330**	**9,470,286**	**44,108,616**
Less: Sales surtaxes	**(66,375)**	**–**	**(66,375)**
Revenue, net of sales surtaxes	**34,571,955**	**9,470,286**	**44,042,241**
Non-current assets	**36,898,603**	**14,953,815**	**51,852,418**

Year ended/as at 31 December 2022 (Restated)	Domestic *RMB'000*	International *RMB'000*	Total *RMB'000*
Segment revenue:			
Sales to external customers	29,384,438	6,274,458	35,658,896
Less: Sales surtaxes	(48,768)	–	(48,768)
Revenue, net of sales surtaxes	29,335,670	6,274,458	35,610,128
Non-current assets	35,001,599	11,418,086	46,419,685

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% (2022: 81%) of the total sales of the Group for the year ended 31 December 2023.

4. REVENUE

	2023 *RMB'000*	2022 *RMB'000*
Revenue from contracts with customers	**42,754,386**	34,902,716
Revenue arising from operating leases	**1,354,230**	756,180
Total	**44,108,616**	35,658,896

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the years ended 31 December 2023 and 2022

	For the year ended 31 December 2023				
Segments	**Drilling services** *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Total** *RMB'000*
Geographical markets					
Domestic	**7,827,504**	**20,816,682**	**3,673,437**	**2,061,757**	**34,379,380**
International	**3,069,132**	**4,756,978**	**271,320**	**277,576**	**8,375,006**
Total	**10,896,636**	**25,573,660**	**3,944,757**	**2,339,333**	**42,754,386**
Timing of revenue recognition					
At a point of time	**–**	**172,633**	**–**	**–**	**172,633**
Over time	**10,896,636**	**25,401,027**	**3,944,757**	**2,339,333**	**42,581,753**
Total	**10,896,636**	**25,573,660**	**3,944,757**	**2,339,333**	**42,754,386**
Type of customers					
CNOOC Limited Group	**8,311,575**	**21,897,095**	**3,411,480**	**1,939,479**	**35,559,629**
Others	**2,585,061**	**3,676,565**	**533,277**	**399,854**	**7,194,757**
Total	**10,896,636**	**25,573,660**	**3,944,757**	**2,339,333**	**42,754,386**

Segments	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
	For the year ended 31 December 2022				
Geographical markets					
Domestic	7,511,194	16,326,038	3,417,068	1,942,871	29,197,171
International	2,175,955	3,176,355	307,952	45,283	5,705,545
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716
Timing of revenue recognition					
At a point of time	–	96,333	–	28,389	124,722
Over time	9,687,149	19,406,060	3,725,020	1,959,765	34,777,994
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716
Type of customers					
CNOOC Limited Group	6,821,765	16,984,054	3,183,428	1,873,748	28,862,995
Others	2,865,384	2,518,339	541,592	114,406	6,039,721
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716

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

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***
	For the year ended 31 December 2023				
Segment revenue	**12,371,162**	**25,801,461**	**4,237,289**	**2,348,931**	**44,758,843**
Less: Revenue arising from operating leases	**(1,170,920)**	**(183,310)**	**–**	**–**	**(1,354,230)**
Eliminations	**(303,606)**	**(44,491)**	**(292,532)**	**(9,598)**	**(650,227)**
Revenue from contracts with customers	**10,896,636**	**25,573,660**	**3,944,757**	**2,339,333**	**42,754,386**

Segments	For the year ended 31 December 2022 Drilling services	Well services	Marine support services	Geophysical acquisition and surveying services	Revenue from contracts with customers
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue	10,843,527	19,627,340	4,051,038	1,999,546	36,521,451
Less: Revenue arising from operating leases	(658,875)	(97,305)	–	–	(756,180)
Eliminations	(497,503)	(27,642)	(326,018)	(11,392)	(862,555)
Revenue from contracts with customers	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716

(B) Performance obligations for contracts with customers

(i) Drilling Services

The activities that primarily drive the revenue earned in the Group's drilling contracts include (i) mobilising and demobilising the rig to and from the drill site, and (ii) performing drilling operation and other activities required for the contract. Consideration received for performing these activities may consist of payment for drilling on a day rate basis, mobilisation and demobilisation fees, and reimbursement. The Directors consider the activities required under the drilling contracts as a single performance obligation satisfied over time as the customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

(ii) Well Services

The activities that primarily drive the revenue earned in the Group's well service contracts include performing logging and downhole services, such as drilling fluids, directional drilling, cementing and well completion and other activities required for the contract. Consideration for the services may consist of payment for logging and downhole services. The Directors identify all distinct performance obligations in the contracts, and recognise revenue over time for most performance obligations as the customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs. For certain well services contracts for providing relevant materials and equipment to clients, the Directors consider the goods required under the relevant service contracts as a performance obligation satisfied at a point in time, and recognise revenue when control of the goods has transferred.

(iii) Marine Support Services

The activities that primarily drive the revenue earned in the Group's marine support contracts include performing transportation of supplies and personnel to offshore facilities, or moving and positioning drilling structures and other activities required for the contract. Consideration for the services may consist of payment for marine support service and reimbursement. The Directors identify all distinct performance obligations in the contracts, and recognise revenue over time for each of the performance obligations as the customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs.

(iv) Geophysical Acquisition and Surveying Services

The activities that primarily drive the revenue earned in the Group's geophysical acquisition and surveying contracts include performing seismic data acquisition and marine surveying. Consideration for the services may consist of payment for seismic data acquisition or marine surveying and reimbursement. The Directors identify all distinct performance obligations in the contracts, and recognise revenue over time for most performance obligations as the customer simultaneously receives and consumes benefits provided by the Group's performance as the Group performs. For certain other distinct services required by part of geophysical acquisition and surveying services contracts, the Directors consider the goods and services required under the relevant services contract, as a performance obligation satisfied at a point of time, and recognise revenue when control of the goods and services has transferred.

(C) Transaction price allocated to the remaining performance obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (performed or partially performed) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

	As at 31 December 2023				
	Drilling services *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Total** *RMB'000*
Within one year	**327,618**	**1,218,343**	**–**	**145,762**	**1,691,723**
In the second to fifth year, inclusive	**1,346,969**	**348,792**	**–**	**–**	**1,695,761**
After five years	**–**	**–**	**–**	**–**	**–**
Total	**1,674,587**	**1,567,135**	**–**	**145,762**	**3,387,484**

	As at 31 December 2022				
	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Within one year	235,284	880,019	–	59,804	1,175,107
In the second to fifth year, inclusive	26,304	1,517,086	–	–	1,543,390
After five years	–	–	–	–	–
Total	261,588	2,397,105	–	59,804	2,718,497

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 and has recognised revenue in the amount to which the Group has a right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not included in the table above.

5. OTHER INCOME

	2023 *RMB'000*	2022 *RMB'000*
Insurance claims received	**22,872**	7,262
Government grants	**59,322**	50,926
Value added tax credit	**211,879**	264,802
Compensation income on breach of contracts	**9,031**	6,382
Others	**6,614**	12,800
Total	**309,718**	342,172

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Employee compensation costs		
(including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**5,892,401**	5,565,751
Social security costs	**1,850,962**	1,581,331
Retirement benefits and pensions	**458,620**	266,959
Total	**8,201,983**	7,414,041
Auditor's remuneration	**15,205**	14,585
Other gains and losses, net		
Gains arising from lease modifications	**(13,301)**	(356)
Losses on disposal of property, plant and equipment, net	**37,260**	23,557
Total	**23,959**	23,201
Lease expenses in respect of land and buildings, berths and equipment *(a)*	**2,147,453**	1,666,872
Provision/(reversal) of impairment of inventories, net	**10,050**	(7,500)
Impairment of accounts receivable	**55,896**	53,898
Provision/(reversal) of impairment of other receivables	**683**	(4,463)
Exchange losses/(gains), net	**37,143**	(565,845)
Income from investments in corporate wealth management products, monetary funds and debt instrument	**(14,953)**	(16,307)
Gains arising from financial assets at FVTPL	**(71,135)**	(65,263)
Cost of inventories recognised as expense	**7,016,268**	5,790,095
Research and development costs, included in:		
Depreciation of property, plant and equipment	**286,975**	201,841
Employee compensation costs	**570,208**	437,327
Consumption of supplies, materials, fuel, services and others	**396,758**	338,937
Total	**1,253,941**	978,105

(a) Lease expenses represent short-term lease 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 Chinese Mainland is 25%.

The Company has obtained the public announcement from the Office of the Leading Group of the National High and New Technology Enterprise Recognition and Administration of High and New Technology Enterprises (the "**HNTE**") on 8 December 2023 regarding the filing of the recognition of HNTE and expects that there will be no substantial obstacles to obtaining the HNTE certificate in the subsequent years, and therefore the Company has provided for the corporate income tax for the year 2023 at a tax rate of 15%.

According to the HNTE certificate renewed by the Group's subsidiary Tianjin Eco-friendly Technology Co., Ltd. ("**Eco-friendly Technology**") in December 2023, the CIT rate of Eco-friendly Technology is 15% for the years from 2023 to 2025. According to "The Implementation Regulations of the CIT Law of the People's Republic of China" and "The Preferential Catalogue of Corporate Income Tax for Environmental Protection, Energy Saving and Water Saving Projects Enterprises (2021 Edition)" ([2021] No.36 issued by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Ecology and Environment), the environmental protection projects of Eco-friendly Technology are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

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% for the years 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% for the years from 2021 to 2023.

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

Countries and regions	**2023**	2022
Indonesia	**22%**	22%
Mexico	**30%**	30%
Norway	**22%**	22%
The United Kingdom	**19%(January-March 2023)** **25%(April-December 2023)**	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 rates of 8%**	Net federal corporate income tax of 15% and provincial income tax rates 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:

	2023 ***RMB'000***	2022 *RMB'000* *(Restated)*
Current	**849,546**	62,297
Deferred	**110,694**	419,978
Total tax charge for the year	**960,240**	482,275

A reconciliation of the income tax expense applicable to profit before tax at the statutory rate for Mainland China, where the Company and its key joint ventures 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:

	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
			(Restated)	*(Restated)*
Profit before tax	**4,242,868**		2,981,479	
Tax at the statutory tax rate of 25% (2022: 25%)	**1,060,717**	**25.0**	745,370	25.0
Tax effect as HNTE and tax incentives	**(452,192)**	**(10.7)**	(9,166)	(0.3)
Income not subject to tax	**(19,298)**	**(0.5)**	(4,209)	(0.1)
Tax effect of share of profit of an associate and joint ventures	**(44,577)**	**(1.0)**	(71,889)	(2.4)
Expenses not deductible for tax	**186,214**	**4.4**	181,457	6.1
Tax benefit for qualifying research and development expenses	**(201,556)**	**(4.8)**	(156,575)	(5.3)
Effect of different tax rates for overseas subsidiaries	**336,773**	**8.0**	506,968	17.0
Effect of different tax rates applied to the period of reversal of the temporary differences	**(7,218)**	**(0.2)**	285,095	9.6
Tax effect of tax losses and deductible temporary differences unrecognised	**38,842**	**0.9**	8,108	0.3
Utilisation of tax losses previously not recognised	**(10,722)**	**(0.3)**	(86,393)	(2.9)
Tax effect on translation adjustment[Note 1]	**(1,976)**	**–**	(11,116)	(0.4)
Under/(over) provision in respect of prior years	**70,022**	**1.7**	(21,794)	(0.7)
Tax effect on full deduction of assets[Note 2]	**–**	**–**	(838,171)	(28.2)
Others	**5,211**	**0.1**	(45,410)	(1.5)
Total tax charge at the Group's effective tax rate	**960,240**	**22.6**	482,275	16.2

Note 1 The translation adjustment mainly relates to the tax effect of the difference between the profit before tax determined on the tax basis in Norwegian Krone ("NOK") and that determined on the accounting basis of some group companies in Norway in US dollars, the functional currency of these companies.

Note 2 On 22 September 2022, the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology issued Announcement No. 28 of 2022 (the "Announcement No. 28"), which stated that "the newly acquired equipment and apparatus of High-New Technical Enterprise during the period from 1 October 2022 to 31 December 2022 shall be allowed to be deducted in full in the calculation of taxable income in the current year and 100% of the amount shall be allowed to be deducted additionally". Accordingly, the Company recognized deferred tax liabilities in 2022 for taxable temporary differences arising from the differences between its tax basis and accounting basis.

The share of tax attributable to an associate and joint ventures amounting to approximately RMB36,952,000 (2022: RMB23,847,000) is included in "Share of profits of an associate and joint ventures" in the consolidated statement of profit or loss.

8. DIVIDENDS

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.21 per ordinary share (2022: RMB0.16 per ordinary share)	**1,002,034**	763,455

The Board of Directors of the Company recommended the dividend for the year ended 31 December 2023 of RMB0.21 per ordinary share (tax inclusive), in an aggregate amount of RMB1,002,034,320. The proposed dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2023, the dividend proposed in 2022 and paid to the shareholders of the Company was RMB0.16 per ordinary share, in an aggregate amount of RMB763,454,720 (2022: RMB715,738,800).

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars.

Under the PRC Company Law and the Company's articles of association, net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowance has been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory common reserve fund of at least 10% of after-tax profit, until the fund aggregates 50% of the Company's registered capital. For the purpose of calculating the transfer to the reserve, the profit after tax shall be the amount determined under the PRC accounting principles and financial regulations in the PRC. The transfer to this reserves must be made before any distribution of dividends to shareholders;

The statutory common reserve can be used to offset previous years' losses, if any, and part of the statutory common reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the registered capital of the Company;

(iii) allocations to the discretionary common reserve if approved by the shareholders. The discretionary common reserve can be used to offset prior years' losses, if any, and can be capitalised as the Company's share capital.

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution will be deemed to be the lower of (i) the net profit determined in accordance with the accounting principles generally accepted in the PRC and financial regulations in the PRC and (ii) the net profit determined in accordance with HKFRSs.

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of the profit earned in 2008 and beyond. In respect of all shareholders whose names appear on the Company's register of members who are not individuals, which are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting the enterprise income tax at a rate of 10%.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share calculation (profit for the year attributable to owners of the Company)	**3,013,255**	2,358,697

	2023	2022
Number of shares		
Weighted average 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 years ended 31 December 2023 and 2022 as the Group had no dilutive potential ordinary shares in issue during those years.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2023	Vessels *RMB'000*	Drilling rigs *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2022 and 1 January 2023							
Cost	**16,510,403**	**62,608,317**	**27,326,068**	**92,842**	**1,783,771**	**2,523,452**	**110,844,853**
Accumulated depreciation and impairment	**(9,503,824)**	**(37,210,481)**	**(19,596,314)**	**(72,174)**	**(313,460)**	**(410)**	**(66,696,663)**
Carrying amount	**7,006,579**	**25,397,836**	**7,729,754**	**20,668**	**1,470,311**	**2,523,042**	**44,148,190**
Carrying amount							
At 1 January 2023	**7,006,579**	**25,397,836**	**7,729,754**	**20,668**	**1,470,311**	**2,523,042**	**44,148,190**
Additions	**–**	**2,113,698**	**3,615,931**	**4,718**	**–**	**3,957,434**	**9,691,781**
Depreciation provided during the year	**(752,212)**	**(1,558,359)**	**(2,668,144)**	**(4,484)**	**(76,185)**	**–**	**(5,059,384)**
Disposals/write-offs	**(1,811)**	**(33,618)**	**(83,026)**	**(528)**	**–**	**–**	**(118,983)**
Transfers from/(to) construction in progress	**9,966**	**1,448,344**	**2,274,610**	**11,602**	**1,757**	**(3,746,279)**	**–**
Other reductions	**(25,545)**	**–**	**–**	**–**	**–**	**–**	**(25,545)**
Exchange realignment	**3,149**	**258,272**	**16,872**	**–**	**3,484**	**10,550**	**292,327**
At 31 December 2023	**6,240,126**	**27,626,173**	**10,885,997**	**31,976**	**1,399,367**	**2,744,747**	**48,928,386**
At 31 December 2023							
Cost	**16,494,686**	**65,800,367**	**32,937,223**	**103,882**	**1,790,432**	**2,745,157**	**119,871,747**
Accumulated depreciation and impairment	**(10,254,560)**	**(38,174,194)**	**(22,051,226)**	**(71,906)**	**(391,065)**	**(410)**	**(70,943,361)**
Carrying amount	**6,240,126**	**27,626,173**	**10,885,997**	**31,976**	**1,399,367**	**2,744,747**	**48,928,386**

31 December 2022	Vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021 and 1 January 2022							
Cost	16,029,765	60,254,716	23,643,134	86,142	1,639,818	2,380,751	104,034,326
Accumulated depreciation and impairment	(8,688,514)	(34,690,247)	(17,087,909)	(72,687)	(238,401)	(410)	(60,778,168)
Carrying amount	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158
Carrying amount							
At 1 January 2022	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158
Additions	–	–	1,188,518	10,254	–	2,665,399	3,864,171
Acquisition of subsidiaries	–	–	261,469	732	17	–	262,218
Depreciation provided during the year	(784,494)	(1,581,038)	(2,133,799)	(3,076)	(68,591)	–	(4,570,998)
Disposals/write-offs	(4,098)	(27,541)	(27,171)	(697)	(80)	–	(59,587)
Transfers from/(to) construction in progress	434,096	257,055	1,869,538	–	113,296	(2,673,985)	–
Impairment provided	–	(30,198)	–	–	–	–	(30,198)
Exchange realignment	19,824	1,215,089	15,974	–	24,252	151,287	1,426,426
At 31 December 2022	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190
At 31 December 2022							
Cost	16,510,403	62,608,317	27,326,068	92,842	1,783,771	2,523,452	110,844,853
Accumulated depreciation and impairment	(9,503,824)	(37,210,481)	(19,596,314)	(72,174)	(313,460)	(410)	(66,696,663)
Carrying amount	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190

During the year ended 31 December 2023, no interest was capitalised in property, plant and equipment (2022: Nil).

Impairment of property, plant and equipment

The day rates and utilization rates of the Group's several large-scale equipment have not returned to normal levels, and there were impairment indicators for certain drilling rigs and vessels. As a result, management conducted an impairment test on these assets. Management performed impairment assessment accordingly by determining the recoverable amount of the relevant cash-generating units or group of cash-generating units based on the fair value less cost of disposal according to appraisal report or the present value of expected future cash flows.

The fair value less costs of disposal is arrived at on the basis of valuation carried out by an independent property agent. The fair value of the relevant assets is determined based on a variety of valuation methods, including the market approach and income approach. The market approach is by reference to the value that would be received from selling the assets in an orderly transaction between market participants at the measurement date. The income approach is by reference to the projected discounted cash flows over the remaining economic life of the relevant assets. The above estimates of fair value requires the main inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets, estimated utilisation rates, service prices, cost level and capital requirements.

The present value of expected future cash flows for relevant cash-generating units is determined based on a five-year budget approved by management and an estimate of future market trends. The cash flow beyond the budget period is estimated based on the market trend and by reference to the relevant market trend report. The key assumptions and bases used to estimate the present value of future cash flows are as follows.

– The management of the Group predicts the present value based on the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilisation rates, day rates, discount rate, cost level and capital requirements, and other related factors.

– The discount rate used is a long-term weighted-average cost of capital, which is based on management's best estimation of the investment returns that industry would require for the relevant assets. The pre-tax discount rate applied to the cash flow projections is in the range of 9.54%~14.37% (31 December 2022: 8.48%~12.89%).

As a result of the impairment assessment, the Group has not provided for impairment of property, plant and equipment for the year ended 31 December 2023 (2022: RMB30,198,000).

11. GOODWILL

Goodwill was generated in the acquisition of COSL Holding AS in 2008 by the Group, which was combined into COSL Norwegian AS by merger during the year ended 31 December 2016 (collectively referred to as the "CNA"). The entire goodwill was fully impaired as at 31 December 2016.

	2023
	RMB'000
COST	
At 1 January	**4,692,372**
Exchange realignment	**79,569**
At 31 December	**4,771,941**
IMPAIRMENT	
At 1 January	**4,692,372**
Exchange realignment	**79,569**
At 31 December	**4,771,941**
CARRYING AMOUNT	
At 31 December	**–**

12. MULTICLIENT LIBRARY

	Multiclient Library
	RMB'000
Carrying amount at 1 January 2023	**216,100**
Development cost capitalised in the year	**–**
Amortisation provided during the year	**(84,933)**
Exchange realignment	**637**
At 31 December 2023	**131,804**
At 31 December 2023	
Cost	**385,842**
Accumulated amortisation	**(254,038)**
Carrying amount	**131,804**

	Multiclient Library RMB'000
Carrying amount at 1 January 2022	287,706
Development cost capitalised in the year	216
Other changes	(624)
Amortisation provided during the year	(76,615)
Exchange realignment	5,417
At 31 December 2022	216,100
At 31 December 2022	
Cost	384,582
Accumulated amortisation	(168,482)
Carrying amount	216,100

The Group has entered into cooperation agreements with Spectrum Geo Inc ("Spectrum") and TGS AS ("TGS") to invest in certain multiclient data projects. These agreements are accounted for as joint operations where the parties have joint control over the projects and have rights to the assets and liabilities of the investment. Costs directly incurred in acquiring, processing and completing the multi-client data projects are capitalised to the Multiclient library. As at 31 December 2023, the entire multi-client data projects had been completed.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Prepayments	**92,524**	157,670
Deposits	**29,334**	29,249
Other receivables	**86,405**	98,655
	208,263	285,574
Less: Provision for impairment of other receivables	**(5,493)**	(4,840)
Total	**202,770**	280,734

An analysis of other receivables is as follows:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Prepaid tax	**55,654**	48,064
Compensation receivables	**–**	211
Insurance claim receivables	**10,994**	14,417
Payments on behalf of suppliers	**5,836**	7,099
Advance to employees	**396**	1,149
Lease receivables	**–**	5,044
Government grants	**3,455**	5,282
Others	**10,070**	17,389
Total	**86,405**	98,655

14. ACCOUNTS RECEIVABLE

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Accounts receivable – goods and services	**17,136,314**	17,152,684
Less: Allowance for credit losses	**(3,011,146)**	(2,977,500)
Total	**14,125,168**	14,175,184

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

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Within one year	**14,022,147**	14,051,427
One to two years	**84,805**	94,735
Over two years	**18,216**	29,022
Total	**14,125,168**	14,175,184

As at 31 December 2023, included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of RMB103,021,000 which were past due as at the reporting date. Out of the past due balances, RMB615,000 is not considered in default based on past experience, the Directors are of the opinion that no further provision for impairment is necessary in respect of these balances which are considered fully recoverable after taking into consideration the customer's credit quality, historical behaviour of payments and prevailing market conditions. The Group does not hold any collateral or other credit enhancements over these past-due balances.

As at 31 December 2023, the carrying amount of accounts receivable for which the Group assessed expected credit losses individually was RMB16,438,077,000, the amount of credit losses provided was RMB2,926,762,000, and the net amount of accounts receivable was RMB13,511,315,000. The carrying amount of accounts receivable for which the Group assessed expected credit losses based on shared credit risk characteristics was RMB698,237,000, the amount of credit losses provided was RMB84,384,000, and the net amount of accounts receivable was RMB613,853,000.

15. NOTES RECEIVABLE

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Bank acceptance notes receivable	**43,060**	1,267
Commercial acceptance notes receivable	**72,880**	21,492
Total	**115,940**	22,759

The commercial notes are received from customers in the Group's ordinary course of business. The Group provided no impairment against the balance after due consideration of the customers' low credit risk.

16. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND TIME DEPOSITS

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Cash and balances with banks	**6,433,541**	2,921,268
Deposits with CNOOC Finance Corporation Limited ("CNOOC Finance")	**1,781,695**	1,199,983
Cash and balances with banks and financial institutions	**8,215,236**	4,121,251
Less:		
Pledged deposits	**(11,291)**	(10,976)
Time deposits	**(2,226,439)**	(548,535)
Cash and cash equivalents	**5,977,506**	3,561,740

At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB4,649,433,000 (31 December 2022: RMB2,189,160,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on daily bank deposit rates. The bank balances, pledged deposits and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND OTHER PAYABLES

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
Trade payables	**13,254,205**	10,821,364
Other payables	**1,085,021**	807,701
Total	**14,339,226**	11,629,065

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

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within one year	**12,701,339**	10,036,359
One to two years	**505,566**	644,660
Two to three years	**12,472**	70,705
Over three years	**34,828**	69,640
Total	**13,254,205**	10,821,364

18. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
		(Restated)
Deferred tax assets	**59,111**	26,636
Deferred tax liabilities	**(387,709)**	(244,516)
Total	**(328,598)**	(217,880)

The followings are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Balance at 31 December 2022 *RMB'000*	Effect of adoption of amendments to HKAS 12 *RMB'000*	Balance at 1 January 2023 (Restated) *RMB'000*	Recognised in profit or loss *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2023 *RMB'000*
Deferred tax assets:						
Provision for staff bonuses	**10,535**	**–**	**10,535**	**15,032**	**57**	**25,624**
Impairment of assets	**79,320**	**–**	**79,320**	**(5,370)**	**463**	**74,413**
Accrued liabilities	**299,141**	**–**	**299,141**	**391**	**60**	**299,592**
Deductible tax losses	**223,030**	**–**	**223,030**	**(158,956)**	**5**	**64,079**
Right-of-use assets and lease liabilities	**2**	**152,269**	**152,271**	**45,899**	**579**	**198,749**
Others	**69,808**	**–**	**69,808**	**2,134**	**139**	**72,081**
Total	**681,836**	**152,269**	**834,105**	**(100,870)**	**1,303**	**734,538**
Deferred tax liabilities:						
Accelerated depreciation of property, plant and equipment	**83,458**	**–**	**83,458**	**(20,438)**	**8,238**	**71,258**
Investment in corporate wealth management products	**851**	**–**	**851**	**(668)**	**–**	**183**
Right-of-use assets and lease liabilities	**68,415**	**74,386**	**142,801**	**34,463**	**347**	**177,611**
Full deduction of assets before tax	**772,361**	**–**	**772,361**	**(4,769)**	**–**	**767,592**
Fair value adjustment arising from acquisition of subsidiaries	**4,324**	**–**	**4,324**	**(1,795)**	**–**	**2,529**
Others	**48,190**	**–**	**48,190**	**3,031**	**(7,258)**	**43,963**
Total	**977,599**	**74,386**	**1,051,985**	**9,824**	**1,327**	**1,063,136**
Total	**295,763**	**(77,883)**	**217,880**	**110,694**	**24**	**328,598**

	Balance at 31 December 2021 *RMB'000*	Effect of adoption of amendments to HKAS 12 *RMB'000*	Balance at 1 January 2022 (Restated) *RMB'000*	Recognised in profit or loss *RMB'000*	Recognised in equity *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2022 *RMB'000*
Deferred tax assets:							
Provision for staff bonuses	2,642	–	2,642	7,847	–	46	10,535
Impairment of assets	88,582	–	88,582	(8,584)	–	(678)	79,320
Accrued liabilities	167,994	–	167,994	122,828	–	8,319	299,141
Deductible tax losses	681	–	681	222,209	–	140	223,030
Right-of-use assets and lease liabilities	22,767	224,925	247,692	(95,421)	–	–	152,271
Others	67,614	–	67,614	7,281	–	(5,087)	69,808
Total	350,280	224,925	575,205	256,160	–	2,740	834,105
Deferred tax liabilities:							
Accelerated depreciation of property, plant and equipment	174,862	–	174,862	(91,499)	–	95	83,458
Investment in corporate wealth management products	514	–	514	337	–	–	851
Right-of-use assets and lease liabilities	–	153,127	153,127	(10,382)	–	56	142,801
Full deduction of assets before tax	–	–	–	772,361	–	–	772,361
Fair value adjustment arising from acquisition of subsidiaries	–	–	–	(242)	4,566	–	4,324
Others	38,618	–	38,618	5,563	–	4,009	48,190
Total	213,994	153,127	367,121	676,138	4,566	4,160	1,051,985
Total	(136,286)	(71,798)	(208,084)	419,978	4,566	1,420	217,880

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of the Group's associate and joint ventures for which deferred tax liabilities have not been recognised was RMB1,738,232,000 (31 December 2022: RMB1,589,186,000). No liability has been recognised in respect of these differences as the investment company and those associate and joint ventures are all located in the PRC and the applicable tax rate of those associate and joint ventures was the same as or higher than the applicable tax rate of the investment company.

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,198,893,000 (31 December 2022: RMB1,164,914,000). No liability have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2023, accumulated unrecognised tax losses arising in the Group of approximately RMB7,996,337,000 (31 December 2022: RMB7,919,272,000) were available for offsetting against future taxable profits of the companies in which the losses arose.

The unrecognised income tax losses which have fixed expiry dates, will expire in the following years:

	31 December 2023 *RMB'000*	31 December 2022 *RMB'000*
31 December 2027	**–**	1,250
31 December 2028	**–**	4,703
31 December 2029	**–**	408
31 December 2031	**–**	198
Total	**–**	6,559

At 31 December 2023, the Group had tax losses arising in Norway of RMB7,996,337,000 (31 December 2022: RMB7,912,713,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised by the Group in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2023, the Group had deductible temporary differences of RMB4,294,706,000 (31 December 2022: RMB4,185,098,000). No deferred tax asset has been recognised by the Group in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

19. LOANS FROM RELATED PARTIES

	Notes	Contractual interest rate per annum *(%)*	Year of maturity	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
Current	*(a)*	1M SOFR+0.5%	Revolving loan	**2,478,945**	2,437,610
Non-current	*(b)*	1M SOFR+0.4%	2027	**937,460**	921,383
Non-current	*(c)*	1M SOFR+0.4%	2027	**588,226**	577,169
Non-current	*(d)*	3M SOFR+0.5%	2027	**711,200**	697,707
Non-current	*(e)*	1M SOFR+0.4%	2028	**412,110**	–
Total				**2,648,996**	2,196,259
Unsecured loans from related parties				**5,127,941**	4,633,869

Notes:

(a) During the year ended 31 December 2023, the Group had a loan of US$350,000,000 from a fellow subsidiary Overseas Oil & Gas Corporation, Ltd. ("OOGC").The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month Secured Overnight Financing Rate ("SOFR")+0.5% per annum, while the carried interest was at an effective interest rate of one-month LIBOR+0.5% before July 2023. The proceeds were used to finance CNA's daily operations.

(b) At 15 August 2022, the Group borrowed a loan of US$132,000,000 from its ultimate holding company CNOOC. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month SOFR+0.4% per annum. The proceeds were used to finance CNA's daily operations.

(c) At 17 August 2022, the Group borrowed a loan of US$82,000,000 from a fellow subsidiary OOGC. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month SOFR+0.4% per annum. The proceeds were used to finance CNA's daily operations.

(d) At 11 August 2022, the Group borrowed a loan of US$100,000,000 from a fellow subsidiary CNOOC Insurance Limited. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of three-month SOFR+0.5% per annum. The proceeds were used to finance COSL Middle East FZE's daily operations.

(e) At 12 July 2023, the Group borrowed a loan of US$58,000,000 from China Ocean Oilfields Services (H.K.) Ltd. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month SOFR+0.4% per annum. The proceeds were used to finance COSL Middle East FZE's daily operations.

20. INTEREST-BEARING BANK BORROWINGS

	Notes	Contractual interest rate	Year of maturity	**31 December 2023** ***RMB'000***	31 December 2022 *RMB'000*
China Development Bank – unsecured	*(a)*	1.08%	2035	**175,668**	187,272
Bank of China (Hong Kong) Limited – secured	*(b)*	SOFR+0.55%	Revolving loan	**1,256,107**	2,812,621
The Hongkong and Shanghai Banking Corporation Limited – secured	*(c)*	SOFR+0.55%	Revolving loan	**–**	684,811
The Export-Import Bank of China – unsecured	*(d)*	2.20%	2024	**1,691,136**	–
Total				**3,122,911**	3,684,704
Current				**2,965,515**	3,515,710
Non-current				**157,396**	168,994
Total				**3,122,911**	3,684,704

Notes:

(a) The Group borrowed a loan of RMB320,000,000 from a wholly-owned subsidiary of China Development Bank in December 2015. The loan was initially recognised at fair value measured by discounting future cash flows at the prevailing market interest. The repayments started from December 2018 over 36 instalments bi-annually. The effective interest rate for the year ended 31 December 2023 was 1.08% per annum (2022: 1.08% per annum).

(b) The Group borrowed a loan of US$400,000,000 from Bank of China (Hong Kong) Limited in August 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.55%. The proceeds were used to finance COSL Middle East FZE's daily operations. As at 31 December 2023, the loan balance was US$177,000,000.

(c) The Group borrowed a loan of US$98,000,000 from The Hongkong and Shanghai Banking Corporation Limited in September 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.55%. The proceeds were used to finance COSL Middle East FZE's daily operations. As at 31 December 2023, the loan was fully repaid.

(d) The Group borrowed a loan of RMB1,690,000,000 from the Export-Import Bank of China in October 2023. The loan is a short-term loan with an effective interest rate of 2.20%. The proceeds were used for the purchase of the Group's certain drilling services projects.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Bank borrowings repayable:		
Within one year	**2,965,515**	3,515,710
In the second year	**6,131**	5,370
In the third to fifth year, inclusive	**39,618**	38,330
Beyond five years	**111,647**	125,294
Total	**3,122,911**	3,684,704

21. LONG-TERM BONDS

	Year of maturity	31 December 2023 RMB'000	31 December 2022 RMB'000
2016 Corporate bonds (Type II of the First Tranche Issue as defined below) *(Note (a))*	2026	**3,072,443**	3,072,023
2016 Corporate bonds (Type II of the Second Tranche Issue as defined below) *(Note (a))*	2023	**–**	732,610
Guaranteed medium-term notes (Second Drawdown Note) *(Note (b))*	2025	**3,603,447**	3,540,146
Guaranteed senior notes (2025 Notes) *(Note (c))*	2025	**3,538,189**	3,477,168
Guaranteed senior notes (2030 Notes) *(Note (c))*	2030	**2,109,441**	2,072,162
Total		**12,323,520**	12,894,109
Current		**140,744**	872,231
Non-current		**12,182,776**	12,021,878
Total		**12,323,520**	12,894,109

Notes:

(a) At 26 May 2016, the Group issued its first tranche (the "First Tranche Issue") of domestic corporate bonds ("2016 Corporate Bonds") with an aggregate amount of RMB5,000,000,000. The First Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,000,000,000 was repaid on 27 May 2019. The second type of 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 31 December 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. As of 31 December 2023, the Group has repaid all principal and interest.

(b) At 20 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, established the Euro medium term note programme (the "EMTN Programme"). Under the EMTN Programme, COSL Singapore Capital Ltd. may issue drawdown notes in tranches up to an aggregate principal amount of US$3,500,000,000. The Company has unconditionally and irrevocably guaranteed the due and punctual payment of the EMTN Programme.

At 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under 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.

22. DEFERRED INCOME

Deferred income consists of the contract value acquired in the process of the acquisition of CNA, government grants, and the difference between proceeds received from loans at a below-market rate granted by a wholly-owned subsidiary of a state-owned bank and the fair value of the loans at initial recognition based on the prevailing market interest rate (the "Others"). The deferred income acquired from contract value is amortised according to the related drilling contract periods and is credited to revenues of the Group. The deferred income received from government and the Others is recognised according to the depreciable periods of the related assets and the periods in which the related costs are incurred, respectively, and is credited to other income of the Group.

	Government grants related to assets	**Government grants related to income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022	150,591	27,399	57,862	235,852
Additions	1,000	26,582	–	27,582
Credited to profit or loss	(13,945)	(37,955)	(6,955)	(58,855)
Exchange realignment	–	–	–	–
At 31 December 2022 and 1 January 2023	137,646	16,026	50,907	204,579
Additions	**4,158**	**8,659**	**–**	**12,817**
Credited to profit or loss	**(16,988)**	**(7,475)**	**(6,601)**	**(31,064)**
Exchange realignment	**–**	**–**	**–**	**–**
At 31 December 2023	**124,816**	**17,210**	**44,306**	**186,332**

23. ISSUED CAPITAL

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
Total	**4,771,592**	4,771,592

24. EVENTS AFTER THE REPORTING PERIOD

As at 26 March 2024, the board of directors of the Company proposed the dividend for the year ended 31 December 2023 of RMB0.21 per ordinary share (tax inclusive) in cash to the shareholders with an aggregate amount of RMB1,002,034,320. The proposal is subject to the approval by the shareholders at the 2023 Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2023

In 2023, under the influence of multiple factors such as the frequent global geopolitical conflicts, deep adjustment of the global industrial and supply chain, fluctuations in the international oil and gas industry, and accelerated transformation of the energy industry, international oil companies increased their investments in oil and gas exploration and development, the international oilfield service market continued to improve, and the competition in the international oilfield service remained fierce. Driven by climate emission reduction, oilfield service companies all over the world began to adopt new production methods and new technical services, and sought transformation and adjustment in the following ways: first, divest the non-core businesses and focus on the main business; second, speed up the digitalization and intelligence of industries, apply digital technology to transform and upgrade and improve the efficiency; third, business diversification under the background of low-carbon transformation, mainly involving the emerging markets such as wind power, solar energy, hydrogen, geothermal energy and CCUS (Carbon Capture, Utilization and Storage) in the field of renewable energy; fourth, transformation of the commercial mode of the new energy business. Domestically, the oilfield service market continuously driven by the "Seven-year Action Plan" for guaranteeing national energy security and strengthening reserves and production continued to grow steadily.

Business Review

In 2023, against the backdrop of local conflicts, high inflation, tightening financial environment, sluggish growth in trade and other complex factors, the global economy struggled to recover, and international oil price was under pressure with macro economy as well as supply and demand showing a trend of drastic fluctuation. The scale of global upstream exploration and development investment continued to increase steadily as a whole, the capital expenditure of offshore oil and gas exploration and the scale of oilfield services market continued to expand, and the utilization rate of drilling rigs maintained steady recovery. During the upward cycle of the industry, the Company took the initiative to plan the layout of domestic and overseas markets, and continuously improved the structure of large equipment. In addition, the Company accurately solved technical problems to create new momentum for development, built an integrated service brand for the oilfield full life-cycle oriented to customer needs by taking advantage of the complete industrial chain, and effectively promoted the synergistic development of the equipment segment and the technology segment. In 2023, the operating revenue amounted to RMB44,042.2 million, representing a year-on-year increase of RMB8,432.1 million or 23.7%, while net profit amounted to RMB3,282.6 million, representing a year-on-year increase of RMB783.4 million (restated) or 31.3%.

Drilling Services Segment

The Company is the largest offshore drilling contractor in China and one of the internationally well-known drilling contractors. It mainly provides relevant drilling and well completion services such as jack-up drilling rigs, semi-submersible drilling rigs and land drilling rigs. At the end of 2023, the Company operated and managed a total of 60 drilling rigs (of which 46 are jack-up drilling rigs, and 14 are semi-submersible drilling rigs), etc.

In 2023, revenue from drilling services amounted to RMB12,051.2 million, representing an increase of 16.6% as compared with RMB10,334.1 million in 2022.

During the period, the Company firmly grasped the good opportunities brought from the continued active global drilling market and the steady increase in demand for rigs, effectively matched the supply of operational equipment with market operation demand, signed a series of long-term and high-value contracts and gradually formed a diversified core customer group. At the same time, the Company actively promoted the automation transformation and upgrading of traditional large-scale equipment, built the industry alliance of deep-water oil and gas equipment and continued to improve operation and maintenance efficiency and equipment management capabilities. The "NH4" rig successfully installed the first shallow-water underwater wellhead water injection tree in China, realizing the industrial application of the shallow-water underwater wellhead water injection system; the "HYSY943" rig successfully completed the operation of "new, excellent and fast" project, the first unmanned rig of CNOOC, speeding up 22.15%; the "KAI XUAN YI HAO" rig successfully completed the operation of a certain well section in the Bohai Sea, shattering a new record for the longest open-hole section in the Bohai Sea; the "HYSY982" rig successfully completed the drilling of the first deepwater high-pressure development well of CNOOC; the "China Merchants Hailong 7" rig completed the operation of a high-value well in the Americas with high standards; various rigs in the Middle East were gradually put into operation; the Company continued to explore high-end customers in European region and obtained various high-value medium and long-term drilling rigs service contracts in the North Sea.

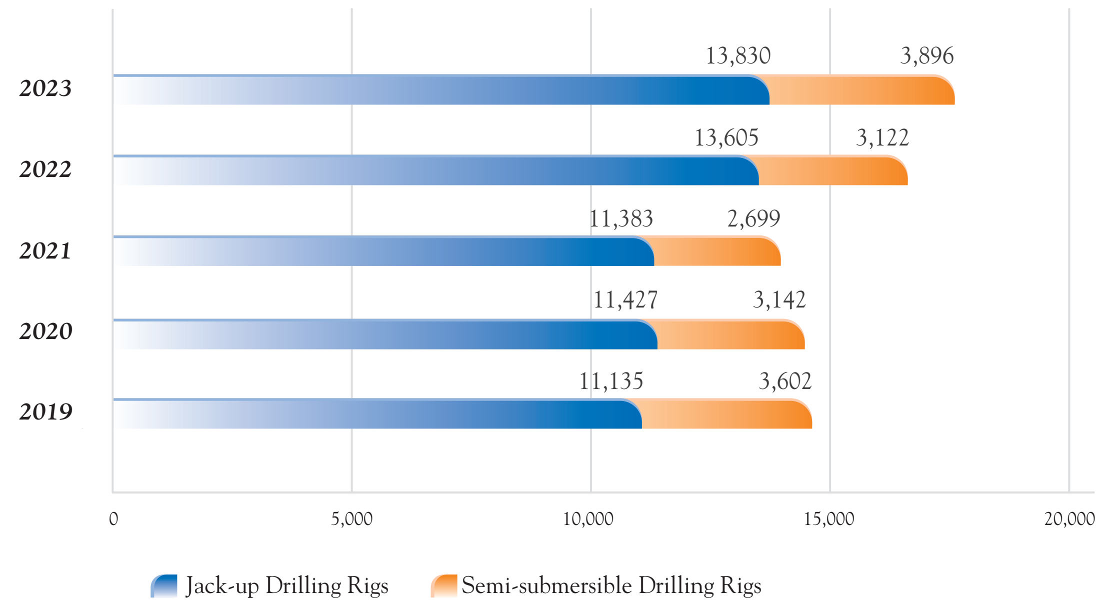
At the end of 2023, the Company had 41 drilling rigs in China and 19 drilling rigs overseas.

With the impact of the continuous rebound in the offshore oil and gas industry, the Company's drilling rigs operated for 17,726 days in 2023, representing a year-on-year increase of 999 days or 6.0%.

In 2023, the Company's jack-up drilling rigs operated for 13,830 days, representing a year-on-year increase of 225 days; semi-submersible drilling rigs operated for 3,896 days, representing a year-on-year increase of 774 days. Available day utilisation rate of drilling rigs was 85.2%, representing a year-on-year increase of 1.7 percentage points. Among which, the utilisation rate of jack-up rigs was 85.9%, representing a year-on-year decrease of 2.3 percentage points, which was due to the impact of cross-border towing and inspection of vessels of overseas customers, and available day utilisation rate shall be 89.2% after excluding such impact, representing a year-on-year increase of 1.0 percentage point. Operational details are as follows:

	2023	2022	**Change**	**Percentage change**
Operating days (day)	**17,726**	16,727	999	6.0%
Jack-up drilling rigs	**13,830**	13,605	225	1.7%
Semi-submersible drilling rigs	**3,896**	3,122	774	24.8%
Available day utilization rate	**85.2%**	83.5%	Up 1.7 percentage points	
Jack-up drilling rigs	**85.9%**	88.2%	Down 2.3 percentage points	
Semi-submersible drilling rigs	**83.0%**	67.6%	Up 15.4 percentage points	
Calendar day utilization rate	**79.9%**	78.5%	Up 1.4 percentage points	
Jack-up drilling rigs	**80.9%**	83.3%	Down 2.4 percentage points	
Semi-submersible drilling rigs	**76.2%**	63.0%	Up 13.2 percentage points	

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS



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

Average daily revenue (ten thousand US$/day)	**2023**	2022	**Change**	**Percentage change**
Jack-up drilling rigs	**7.4**	6.9	**0.5**	**7.2%**
Semi-submersible drilling rigs	**13.3**	11.4	**1.9**	**16.7%**
Drilling rigs average	**8.7**	7.8	**0.9**	**11.5%**

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

(2) USD/RMB exchange rate was 1:7.0827 as at 31 December 2023 and 1: 6.9646 as at 31 December 2022.

Well Services Segment

The Company is the main provider of China offshore well services together with the provision of onshore well services. Through the continuous input in technology research and development, advanced technological facilities and excellent management teams, the Company provides comprehensive professional well services, including but not limited to logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, stimulation, etc.

In 2023, revenue from the well services increased by 31.4% to RMB25,717.5 million from RMB19,571.2 million in 2022. The Company adhered to taking the needs of target customer groups as the guide and carried out forward-looking technology research and development. Both of the two technologies that participated in the competition for the first time won the 2024 OTC Asia New Technology Award. The Company strengthened research on key core technologies and "Xuanji" was selected into the "Top Ten Achievements of National Oil and Gas Exploration and Development in 2023" promulgated by the National Energy Administration. The Company accelerated the construction of the industrialization capacity of technological products and promoted the continuous growth of integrated business scale with differentiated competitive advantages.

The Company has consistently practiced the technology-driven strategies, promoted the large-scale application of independent technologies, and continued to improve the efficiency of transformation of scientific research achievements. The Company has achieved leaping development of self-developed "Xuanji" high-end drilling technical equipment, and further realized the large-scale marine application, achieving more than 1,700 well times and accumulated footage of over 1.6 million meters, and the good run ratio was improved to 95.11%, which opened new ground for the application of domestic self-developed equipment in directional drilling operations of high difficulty. The Company continued to improve the resistance to high temperature of high-temperature electric imaging logging instruments, and the well temperature for operations by high-temperature multi-dimensional nuclear magnetic instrument exceeded 190°C. The Company has applied the high-temperature high-end wireline logging technology in more than 400 well times throughout the year. High-temperature large-diameter coring technology broke a number of records all year round with respect to core recovery in a single operation and in a single well, as well as the highest formation temperature, giving effective help to the exploration and development of offshore oil and gas resources under complicated conditions. The Company promoted the in-depth integration of digital and intelligent technologies with the manufacturing business of well completion tools, optimized more than 90 manufacturing process routes, extended the automated machining capacity to process over 60 key components, and assisted in the transformation of the achievements of independent high-end technology products and high-quality industrialization output. Cementing technology made a successful debut in China's first offshore CCS demonstration project, breaking many industry records such as the shallowest offshore CCS re-injection layer, the thinnest compartment thickness, and the longest horizontal section. The Company successfully applied the high-performance oil-based drilling fluid, and the ultra-high pressure, low density and anti-diversion cement slurry technology in "SHEN DI YI HAO" project, helping set two records in terms of the deepest well along hole depth and horizontal displacement in ultra-deep drilling wells in Asia. The Company realized the first successful application of the expandable screen pipe technology for subsidized sand control for the secondary sand control of old wells in offshore oilfields with loose sandstone, and adopted the diversion acidization technology to solve the problem of enhancing the production of high water cut oil wells, which effectively enhanced the comprehensive capability of oilfield treatment.

The continuous enhancement of the technology brand effect and the large-scale application of self-developed technology products have contributed to the steady expansion of overseas market. The Company has been awarded a number of overseas regional sales contracts for technical products, further expanding the shares of "Xuanji" system high-end series tools in the external market; realized the large-scale sales of self-developed multi ultra-sonic imaging logging (the "MUIL") instruments with the global popularity and recognition raised, specially developed potential high-end customer groups and broadened the scope of regional sales business, leading to continuous breakthroughs in the operation service market; successfully signed the contract on integrated drilling and completion service in Middle East; successfully signed the contract on drilling and completion fluid and cementing service in Southeast Asia, which broke the Company's record of the highest contract amount of this business in the local market; successfully won the bid for high-value disposal integration project in the Southeast Asia; successfully signed the contract for onshore integrated technology service project in the Americas, which was the first time of the Company to provide integrated services to customers outside the system in this region, and the integrated capability was fully recognized by customers.

Marine Support Services Segment

The Company operates and manages the largest offshore operation fleet with the most comprehensive functions in China, with over 170 vessels including AHTS vessels, platform supply vessels and standby vessels at the end of 2023. The Company can provide comprehensive support and services, including anchor handling for different water level, towing of drilling rigs/engineering barges, offshore transportation, oil/gas field standby, firefighting, rescue, oil spill assisting, for offshore oil and gas exploration, development, construction and oil/gas field production, which can fulfill multidimensional needs of clients.

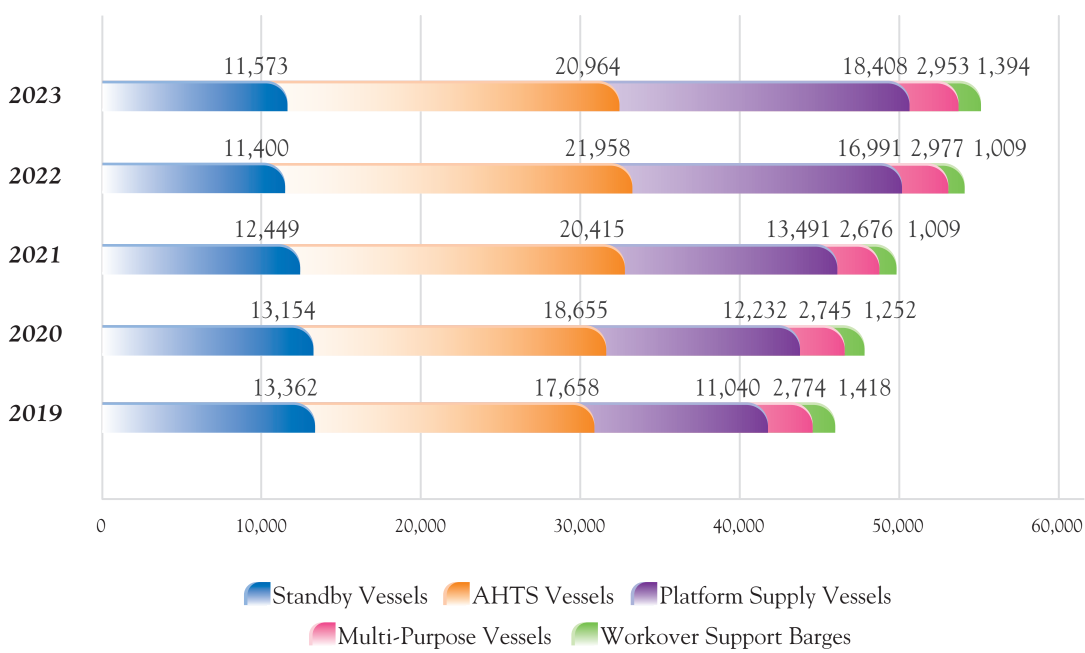
In 2023, revenue of marine support services increased by 5.9% to RMB3,938.8 million from RMB3,719.9 million in 2022.

The Company continued to consolidate the reserve scale of the resource pool, comprehensively strengthened the overall coordination of domestic maritime vessel services and the ability to develop overseas markets, improved the market response speed, and ensured the construction of a maritime power. The Company operated the world's largest LNG-powered standby fleet, and the green and low-carbon transformation path of "green equipment + green technology + green products + green operations" was clearer. "HYSY661" vessel won the written praise of "SHEN HAI YI HAO" gas field for its excellent operation performance. The case of the Company's "carrying out the strategy of low-carbon emission reduction and pioneering the COSL fleet" was successfully selected as a typical case of the "Excellent Practice Case of Green and Low-carbon Development of Enterprises 2023" of the China Enterprise Confederation. After 12 LNG vessels were put into operation, carbon dioxide emissions could be reduced by more than 10,000 tonnes and nitrogen oxides and sulfur oxides emissions could be reduced by more than 500 tonnes every year, opening a new chapter in energy conservation and environmental protection. The Company successfully signed the first overseas high-value marine support services contract, and officially started the "14+10" -month Oceania marine support services project at the end of the year.

In 2023, the operational details of vessels of the Company are as follows:

Operating days (day)	**2023**	2022	**Change**	**Percentage Change**
Standby vessels	**11,573**	11,400	173	1.5%
AHTS vessels	**20,964**	21,958	(994)	(4.5%)
Platform supply vessels	**18,408**	16,991	1,417	8.3%
Multi-purpose vessels	**2,953**	2,977	(24)	(0.8%)
Workover support barges	**1,394**	1,009	385	38.2%
Total	**55,292**	54,335	957	1.8%

NUMBER OF OPERATING DAYS FOR UTILITY VESSELS IN RECENT YEARS



Geophysical Acquisition and Surveying Services Segment

The Company is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical exploration. At the end of 2023, the Company owns 5 towing streamer vessels, 4 submarine seismic vessels, 4 integrated marine surveying vessels and 2 support vessels for operation in deep water. Services for clients include but not limited to providing services of wide azimuth, broadband, high density seismic acquisition services, ocean bottom cable and ocean bottom node multi-component seismic acquisition services, as well as integrated offshore surveying services.

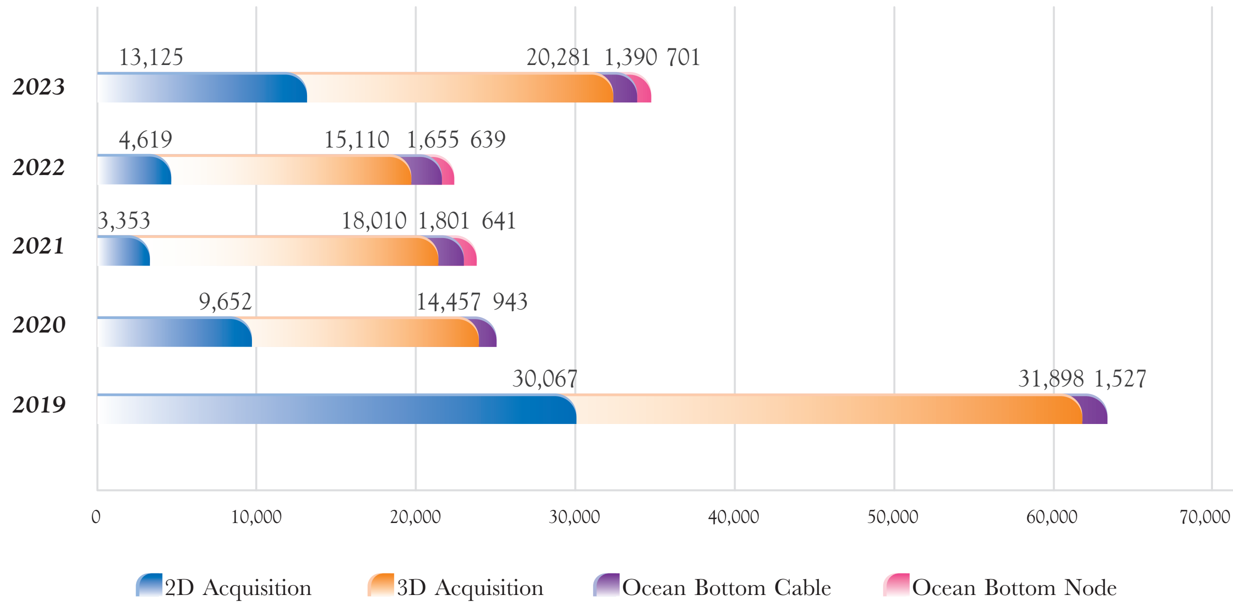
In 2023, revenue of geophysical acquisition and surveying services increased by 17.6% to RMB2,334.7 million from RMB1,984.9 million in 2022, of which, the surveying services recorded revenue of RMB698.0 million, representing an increase of 23.7% as compared with RMB564.1 million in 2022.

The Company actively adapted to the new trend of geophysical globalization, promoted the accelerated digital intelligent geophysical construction, continuously promoted the independent control of key core technologies and the transformation of scientific and technological achievements, and promoted the technical level of marine exploration equipment. "HYSY720" vessel was equipped with the "Haijing" system, a marine towed streamer seismic exploration acquisition equipment independently researched and developed by the Company, completing the seismic exploration operation in ultra-deep water for the first time and achieving the independent research and development, production and application of a complete set of marine seismic exploration towed streamer acquisition equipment. The "Haimai" ocean bottom seismic exploration node digital intelligent production line independently researched and developed by the Company was selected as the excellent scenario of intelligent manufacturing of central enterprises in 2023. "Haimai" has been officially put into use in Bohai Sea, marking a key step in China's high-end offshore oil and gas exploration technology, and further improving the Company's self-controllable offshore oil and gas exploration equipment system. The Company successfully completed the acquisition operation of the first land unconventional seismic exploration project, filling the gap in the Company's land exploration. Based on the development advantages of self-developed equipment, the Company opened up a new situation of overseas development and helped countries along "The Belt and Road Initiative" to explore and develop oil and gas. "HYSY721" vessel entered 3D seismic exploration service market in West Africa for the first time, and successfully signed 2D and 3D seismic acquisition contracts in Southeast Asia, realizing continuous acquisition operations in Southeast Asia.

In 2023, the details of geophysical acquisition of the Company are as follows:

Businesses	**2023**	2022	**Change**	**Percentage Change**
2D acquisition (km)	**13,125**	4,619	8,506	184.2%
3D acquisition (km^2)	**20,281**	15,110	5,171	34.2%
Ocean bottom cable (km^2)	**1,390**	1,655	(265)	(16.0%)
Ocean bottom node (km^2)	**701**	639	62	9.7%

THE OPERATING VOLUME OF GEOPHYSICAL SERVICE FLEET IN RECENT YEARS (KM/KM²)



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 at 31 December 2023, the total assets of China Oilfield Services (BVI) Limited amounted to RMB7,696.4 million and equity was RMB1,418.2 million. China Oilfield Services (BVI) Limited realized revenue of RMB4,980.0 million in 2023, representing an increase of RMB1,126.1 million compared with last year. The net profit amounted to RMB69.9 million, representing a decrease of RMB245.7 million (restated) compared with last year.

As at 31 December 2023, the total assets of COSL Hong Kong International Limited amounted to RMB7,558.6 million and equity was RMB7,558.6 million. COSL Hong Kong International Limited realized revenue of RMB34.5 thousand in 2023, representing an increase of RMB1.1 thousand compared with last year. The net profit amounted to RMB124.5 thousand, representing a decrease of RMB35,104.2 thousand compared with last year.

As at 31 December 2023, the total assets of CNA amounted to RMB7,513.5 million and equity was RMB-5,333.6 million. CNA realized revenue of RMB1,399.6 million in 2023, representing an increase of RMB791.0 million or 130.0% as compared with last year. The net profit amounted to RMB-595.7 million, representing a decrease in loss of RMB93.1 million compared with last year.

As at 31 December 2023, the total assets of COSL Singapore Limited amounted to RMB20,145.7 million and equity was RMB-4,326.6 million. COSL Singapore Limited realized revenue of RMB2,685.9 million in 2023, representing an increase of RMB851.7 million or 46.4% compared with last year. The net profit amounted to RMB-954.5 million, representing an increase in loss of RMB327.3 million compared with last year. COSL PROSPECTOR PTE. LTD. is a major drilling rig subsidiary of COSL Singapore Limited.

As at 31 December 2023, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,135.7 million and equity was RMB-6,833.6 million. COSL PROSPECTOR PTE. LTD. realized revenue of RMB749.9 million in 2023, representing an increase of RMB230.6 million compared with last year. The net profit amounted to RMB-605.3 million, representing an increase in loss of RMB211.2 million compared with 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 at 31 December 2023, the total assets of China France Bohai amounted to RMB1,391.8 million and equity was RMB555.3 million. In 2023, China France Bohai realized revenue of RMB1,874.1 million and net profit amounted to RMB487.6 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 at 31 December 2023, the total assets of Hainan Company amounted to RMB2,754.2 million and equity was RMB1,378.1 million. Hainan Company realized revenue of RMB3,152.5 million in 2023, representing an increase of RMB2,033.1 million compared with last year. The net profit amounted to RMB175.9 million, representing an increase of RMB165.5 million compared with last year.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2023, revenue of the Group amounted to RMB44,042.2 million, representing an increase of RMB8,432.1 million or 23.7% as compared with last year. The detailed analysis is set out below:

Analysis by business segments

Unit: RMB million

Business segments	2023	2022 (Restated)	Change	Percentage change
Drilling services	**12,051.2**	10,334.1	1,717.1	16.6%
Well services	**25,717.5**	19,571.2	6,146.3	31.4%
Marine support services	**3,938.8**	3,719.9	218.9	5.9%
Geophysical acquisition and surveying services	**2,334.7**	1,984.9	349.8	17.6%
Total	**44,042.2**	35,610.1	8,432.1	23.7%

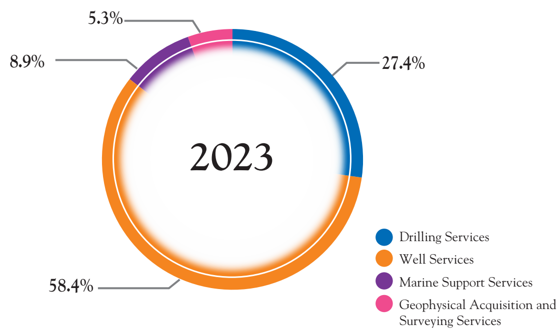
- Revenue generated from drilling services increased by 16.6% as compared with last year. With the impact of the continuous recovery of the offshore oil and gas industry, drilling rigs operation volume and utilization rate were improved and revenue increased steadily during the year.

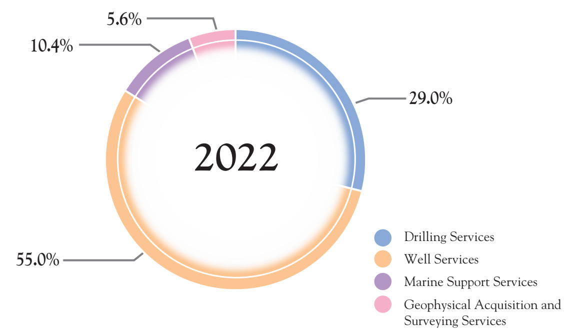
- Revenue from well services increased by 31.4% as compared with last year. The Company adhered to taking the needs of target customer groups as the guide, strengthened research on key core technologies, and facilitated to make new progress in market breakthroughs with the industrial application of its own technology, resulting in the increase in operation volume of various business lines.

- Revenue from marine support services increased by 5.9% as compared with last year, which was mainly due to the increase in operation volume of self-owned vessels and chartered vessels during the year.

- Revenue of geophysical acquisition and surveying services business increased by 17.6% as compared with last year, which was mainly due to the increase in operation volume of 2D and 3D acquisition overseas during the year.

Revenue analysis – by business segment



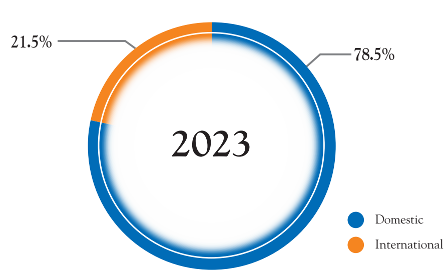


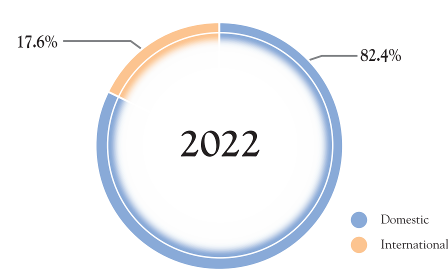
Analysis by operation area

Unit: RMB million

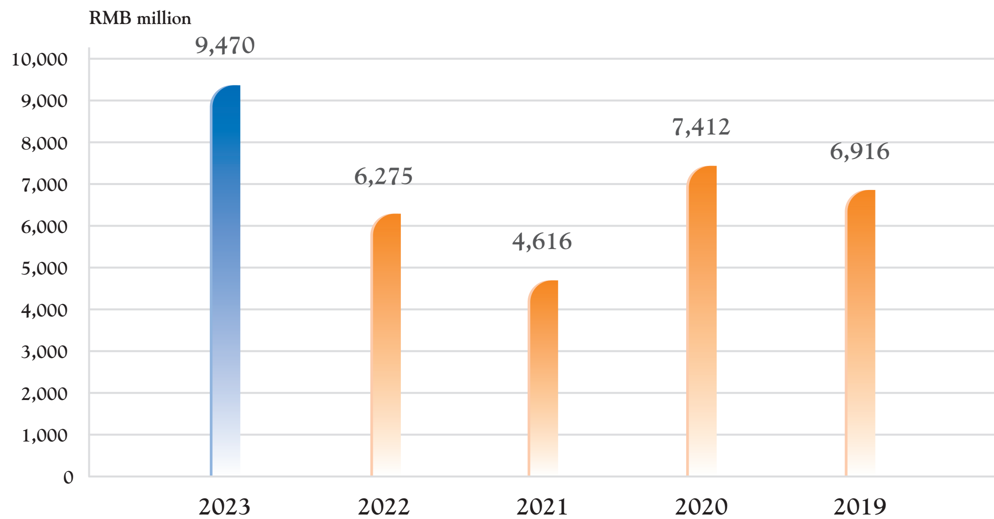
Region	2023	2022 (Restated)	Change	Percentage change
Domestic	**34,571.9**	29,335.6	5,236.3	17.8%
International	**9,470.3**	6,274.5	3,195.8	50.9%
Total	**44,042.2**	35,610.1	8,432.1	23.7%

In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 78.5% of the Group's total revenue. In 2023, the Group's international business recorded revenue of RMB9,470.3 million (compared with RMB6,274.5 million over last year, representing an increase of 50.9% as compared with last year), accounting for 21.5% of the Group's revenue for the year.





The latest five years' international revenue



1.2 Operating Expenses

For the year 2023, operating expenses of the Group amounted to RMB39,496.7 million, representing an increase of RMB6,267.8 million or 18.9% as compared with RMB33,228.9 million of last year.

The table below shows the comparison of the breakdown of the Group's operating expenses in 2023 and 2022:

Unit: RMB million

	2023	2022	**Change**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	**5,195.3**	4,685.6	509.7	10.9%
Depreciation of right-of-use assets	**415.3**	367.1	48.2	13.1%
Employee compensation costs	**8,202.0**	7,414.0	788.0	10.6%
Repair and maintenance costs	**601.6**	594.8	6.8	1.1%
Consumption of supplies, materials, fuel, services and others	**10,101.8**	9,080.6	1,021.2	11.2%
Subcontracting expenses	**11,420.8**	8,164.6	3,256.2	39.9%
Lease expenses	**2,147.5**	1,666.9	480.6	28.8%
Other operating expenses	**1,355.8**	1,175.7	180.1	15.3%
Impairment loss of property, plant and equipment	**–**	30.2	(30.2)	(100.0%)
Impairment loss under expected credit losses model, net of reversal	**56.6**	49.4	7.2	14.6%
Total operating expenses	**39,496.7**	33,228.9	6,267.8	18.9%

Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library for the year increased by RMB509.7 million or 10.9% as compared with last year.

Depreciation of right-of-use assets for the year increased by RMB48.2 million or 13.1% as compared with last year.

Employee compensation costs for the year increased by RMB788.0 million or 10.6% as compared with last year.

Repair and maintenance costs for the year increased by RMB6.8 million as compared with last year, basically keeping stable.

Consumption of supplies, materials, fuel, services and others for the year increased by RMB1,021.2 million or 11.2% as compared with last year, mainly due to the increase in operation volume.

Subcontracting expenses for the year increased by RMB3,256.2 million or 39.9% as compared with last year, mainly due to the increase in operation and personnel subcontracting input of the Company as a result of the increase in the operation volume.

Lease expenses for the year was RMB2,147.5 million, representing an increase of RMB480.6 million as compared with last year.

Impairment loss of property, plant and equipment for the year decreased by RMB30.2 million as compared with last year, mainly due to the absence of impairment loss of property, plant and equipment for the year.

Impairment loss of credit for the year increased by RMB7.2 million or 14.6% as compared with last year.

Other operating expenses in 2023 amounted to RMB1,355.8 million, which mainly included nearly 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 RMB180.1 million as compared with last year. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB498.0 million, accounting for 36.7%; travel expenses amounted to RMB263.8 million, accounting for 19.5%; transfer fees for technology amounted to RMB223.4 million, accounting for 16.5%; business trip expenses amounted to RMB73.8 million, accounting for 5.4%; consulting fees amounted to RMB63.5 million, accounting for 4.7%; collective expenses, office expenses, audit fees and other fees amounted to RMB233.3 million in total. The increase in other operating expenses during the year was mainly due to the increase in investment in safety.

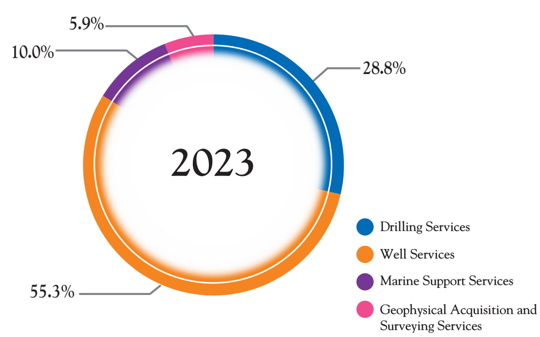
Other operating expenses in 2022 amounted to RMB1,175.7 million, which mainly included nearly 30 cost items including travel expenses, business trip expense, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB366.5 million, accounting for 31.2%; transfer fees for technology amounted to RMB179.2 million, accounting for 15.2%; collective expenses amounted to RMB132.1 million, accounting for 11.2%; travel expenses amounted to RMB85.6 million, accounting for 7.3%; business trip expenses, consulting fees, audit fees and other fees amounted to RMB412.3 million in total.

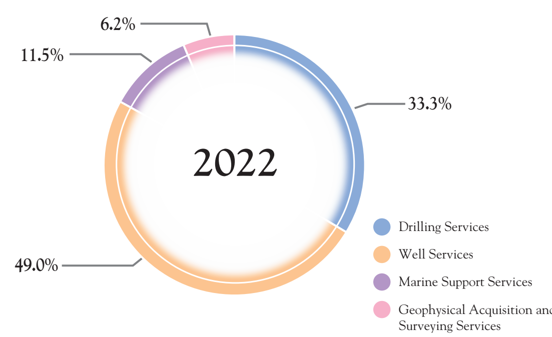
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2023**	2022	**Change**	**Percentage change**
Drilling services	**11,387.8**	11,059.7	328.1	3.0%
Well services	**21,851.0**	16,281.0	5,570.0	34.2%
Marine support services	**3,928.1**	3,813.6	114.5	3.0%
Geophysical acquisition and surveying services	**2,329.8**	2,074.6	255.2	12.3%
Total	**39,496.7**	33,228.9	6,267.8	18.9%

Analysis of operating expenses – by business segments





1.3 Profit from operations

For the year 2023, the Group's profit from operations amounted to RMB4,855.2 million, representing an increase of RMB2,131.8 million as compared with RMB2,723.4 million of last year.

The profit from operations for each segment is shown in the table below:

Unit: RMB million

Business segments	**2023**	2022	**Change**	**Percentage change**
Drilling services	**739.7**	(635.5)	1,375.2	216.4%
Well services	**4,052.0**	3,483.8	568.2	16.3%
Marine support services	**38.0**	(58.8)	96.8	164.6%
Geophysical acquisition and surveying services	**25.5**	(66.1)	91.6	138.6%
Total	**4,855.2**	2,723.4	2,131.8	78.3%

1.4 Financial expenses, net

Unit: RMB million

	2023	2022	**Change**	**Percentage change**
Exchange gains or losses, net	**37.1**	(565.8)	602.9	106.6%
Finance costs	**996.8**	777.1	219.7	28.3%
Interest income	**(181.1)**	(123.4)	(57.7)	(46.8%)
Financial expenses, net	**852.8**	87.9	764.9	870.2%

The exchange gains decreased by RMB602.9 million as compared with last year as affected by the change of exchange rates during the year.

1.5 Share of profits of an associate and joint ventures, net of tax

The Group's share of profits of an associate and joint ventures was RMB178.3 million in 2023, representing a decrease of RMB109.3 million as compared with RMB287.6 million of last year, which was mainly attributable to the decrease in gains from long-term equity investments accounted for using the equity method as a result of acquisition of the effective control of certain joint ventures in the second half of 2022.

1.6 Profit before tax

The profit before tax of the Group was RMB4,242.9 million in 2023, representing an increase of RMB1,261.4 million as compared with RMB2,981.5 million of last year.

1.7 Income tax expense

The income tax expense of the Group in 2023 was RMB960.2 million, representing an increase of RMB477.9 million as compared with RMB482.3 million (restated) of last year, mainly due to the Company applied the Announcement on Increasing Pre-Tax Deduction to Support Innovation in Science and Technology by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology (the Announcement No.28 of 2022 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology) last year and there was no impact of such policy during the year.

1.8 Profit for the year

For the year 2023, profit of the Group was RMB3,282.6 million, representing an increase of RMB783.4 million as compared with RMB2,499.2 million (restated) of last year.

1.9 Basic earnings per share

For the year 2023, the Group's basic earnings per share were approximately RMB63.15 cents, as compared with RMB49.43 cents (restated) of last year.

1.10 Dividend

In 2023, the Board of Directors of the Company recommended a final dividend of RMB0.21 per share (tax inclusive), totaling approximately RMB1,002.0 million. The final dividend will be paid on or before 30 June 2024 upon approval at the general meeting of shareholders.

In accordance with the Enterprise Income Tax Law of the People's Republic of China, the implementation regulations and related tax regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing dividends to them. For H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). On the basis, enterprise income tax shall be withheld from dividends payable to such shareholder(s). If relevant shareholders believe that the dividend income obtained needs to enjoy any tax treaty (arrangement) treatment, they can apply to the competent tax authority on their own after receiving the dividend in accordance with the regulations.

2. Analysis on Consolidated Statement of Financial Position

As at 31 December 2023, the total assets of the Group amounted to RMB83,245.8 million, representing an increase of RMB6,085.1 million or 7.9% as compared with RMB77,160.7 million (restated) as at the end of 2022. The total liabilities amounted to RMB40,989.7 million, representing an increase of RMB3,804.9 million or 10.2% as compared with RMB37,184.8 million (restated) as at the end of 2022. Total equity amounted to RMB42,256.1 million, representing an increase of RMB2,280.1 million or 5.7% as compared with RMB39,976.0 million (restated) as at the end of 2022.

The analysis of reasons for significant changes in the amount of accounts on the consolidated statement of financial position is as follows:

Unit: RMB million

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
Assets						
1	MultiClient library	**131.8**	216.1	(84.3)	(39.0%)	Mainly due to the amortisation of MultiClient library during the year.
2	Contract costs (non-current assets)	**919.2**	496.8	422.4	85.0%	The increase in contract performance costs arising from renovation of drilling rigs during the year.
3	Other non-current assets	**415.9**	1,829.2	(1,413.3)	(77.3%)	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.
4	Deferred tax assets	**59.1**	26.6	32.5	122.2%	Mainly due to the increase in deductible temporary difference from overseas subsidiaries.
5	Notes receivable	**115.9**	22.8	93.1	408.3%	Mainly due to the increase in bills received from clients in the course of normal production and operation during the year.
6	Receivables at fair value through other comprehensive income	**352.0**	8.2	343.8	4,192.7%	Mainly due to the increase in bills received from clients in the course of normal production and operation during the year.

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
7	Contract costs (current assets)	**30.6**	47.4	(16.8)	(35.4%)	Mainly due to transfer of mobilisation costs during the year.
8	Other current assets	**333.9**	1,771.3	(1,437.4)	(81.1%)	Mainly due to recognition of monetary funds as financial assets held for trading at fair value through profit or loss during the year.
9	Time deposits	**2,226.4**	548.5	1,677.9	305.9%	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.
10	Cash and cash equivalents	**5,977.5**	3,561.7	2,415.8	67.8%	Mainly due to the increase in revenue and the increase in payment collection during the year.
Liabilities						
1	Notes payable	**7.3**	11.9	(4.6)	(38.7%)	Mainly due to the acceptance of bills at maturity.
2	Tax payable	**454.4**	94.9	359.5	378.8%	Mainly because the Company applied the Announcement on Increasing Pre–Tax Deduction to Support Innovation in Science and Technology by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology (the Announcement No.28 of 2022 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology) last year and there was no impact of such policy during the year.
3	Long-term bonds (current liabilities)	**140.7**	872.2	(731.5)	(83.9%)	Mainly due to the bonds due for payment.
4	Lease liabilities (current liabilities)	**305.0**	437.2	(132.2)	(30.2%)	Mainly due to the lease liabilities due for payment.
5	Contract liabilities (current liabilities)	**1,207.4**	759.7	447.7	58.9%	Mainly due to the increase in mobilization revenue and equipment sales received in advance during the year.

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
6	Deferred tax liabilities	**387.7**	244.5	143.2	58.6%	Mainly due to the parent company utilized tax losses arising from tax preference in 2022, represented by net amount at the end of the period.
7	Lease liabilities (non-current liabilities)	**742.2**	569.6	172.6	30.3%	Mainly due to the increase in lease drilling rigs during the year.
8	Contract liabilities (non-current liabilities)	**1,292.8**	458.7	834.1	181.8%	Mainly due to the increase in mobilization revenue during the year.
9	Other non-current liabilities	**11.4**	20.7	(9.3)	(44.9%)	Mainly due to the transfer of onerous contracts in other current liabilities over the term of contract during the year.
10	Employee benefit liabilities	**15.4**	7.6	7.8	102.6%	Employee benefit liabilities were accrued by overseas subsidiaries in accordance with local policies.

3. Analysis of Consolidated Statement of Cash Flows

At the beginning of 2023, the Group held cash and cash equivalents of RMB3,561.7 million. During 2023, the net cash inflows from operating activities amounted to RMB13,091.7 million; the net cash outflows from investing activities amounted to RMB7,457.2 million; the net cash outflows from financing activities amounted to RMB3,283.8 million and the impact of foreign exchange rate fluctuations resulted in an increase of cash of RMB65.1 million. As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB5,977.5 million.

3.1 Cash flows from operating activities

In 2023, the net cash inflows from operating activities of the Group amounted to RMB13,091.7 million, representing an increase of 89.8% as compared with last year, mainly due to the increase in cash received from sales of goods and rendering of services during the year.

3.2 Cash flows from investing activities

In 2023, the net cash outflows from investing activities of the Group amounted to RMB7,457.2 million, representing an increase of outflows of RMB3,724.5 million as compared with last year, which was mainly due to the increase of RMB5,158.1 million in cash paid for purchase of property, plant and equipment and other intangible assets, the decrease of RMB2,603.0 million in cash paid for purchase of floating rate corporate wealth management products, monetary funds, debt instruments and time deposits, the decrease of cash received from the disposal of/matured investments in floating rate corporate wealth management products and monetary funds of RMB688.7 million, and the total increase of cash outflows from other investment activities of RMB480.7 million.

3.3 Cash flows from financing activities

In 2023, the net cash outflows from financing activities of the Group amounted to RMB3,283.8 million, representing a decrease of outflows of RMB1,584.1 million as compared with last year. During the year, cash received from the new borrowings from related parties decreased by RMB1,724.9 million, cash received from new bank loans decreased by RMB298.6 million, cash paid for repayment of long-term bonds decreased by RMB7,566.3 million, cash paid for repayment of bank loans and borrowings from related parties increased by RMB3,657.8 million and cash outflows from other financing activities increased by RMB300.9 million in total as compared with last year.

3.4 The effect of foreign exchange rate fluctuations on cash during the year was an increase of cash of RMB65.1 million.

3.5 The Group provides operation capital mainly through cash from operating activities, investment activities and financing activities and interest-bearing borrowings. For details of the Group's borrowings for the year ended 31 December 2023, please refer to Notes 19 and 20 to the consolidated financial statements of this announcement.

4. Capital Expenditure

In 2023, the capital expenditure of the Group amounted to RMB9,746.0 million, representing an increase of RMB5,666.8 million or 138.9% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	**2023**	2022	**Change**	**Percentage change**
Drilling services	**6,167.0**	1,371.7	4,795.3	349.6%
Well services	**2,781.6**	2,208.9	572.7	25.9%
Marine support services	**311.9**	243.7	68.2	28.0%
Geophysical acquisition and surveying services	**485.5**	254.9	230.6	90.5%
Total	**9,746.0**	4,079.2	5,666.8	138.9%

The capital expenditure of drilling service business is mainly used for the purchase of drilling rigs and the transformation and renovation of equipment. The capital expenditure of well services business is mainly used for the construction and purchase of well technology services equipment relating to such business segment. The capital expenditure of the marine support services business is mainly used for the transformation and renovation of vessels. The capital expenditure of the geophysical acquisition and surveying services business is mainly used for the transformation and renovation of operation vessels and equipment.

Business Plan

In 2023, the capital expenditure of the Company amounted to RMB9,746 million, representing 105.1% of the annual budget for the year, and the overall target had been basically achieved. On 30 January 2024, the World Economic Outlook report issued by the International Monetary Fund (IMF) predicted that the world economic growth rate would be 3.1% in 2024. In terms of oil supply and demand, the transition to green and low-carbon energy will accelerate, the growth of the global demand will further slow down, and the uncertainty about the trend of international oil price will increase. The global oilfield services market size will continue to show a recovery trend. According to the report issued by Spears & Associates, a consulting company, all segments of the global oilfield services market will show a growing trend in 2024, and it is expected that the segments of geophysical services, drilling, well completion and production and equipment and tools will reach US$8.1 billion, US$128.3 billion, US$97.3 billion, US$36.7 billion and US$57.6 billion in 2024, representing a year-on-year increase of 17%, 9%, 9%, 6% and 13%, respectively.

In 2024, it is estimated that the Company's capital expenditure will be approximately RMB7.4 billion, which will be mainly used for equipment investment and transformation and renovation, technical equipment transformation and renovation, investment in technology research and development, as well as base construction. The Company's internal capital liquidity will be stable and the external financing channels will be sufficient, which can ensure the safety of cash flow.

The Company will continue to implement the five development strategies, continuously enhance the strength of equipment, constantly promote scientific and technological innovation, and build the integrated service capability for the oilfield full life-cycle oriented to customer needs. The Company will adhere to green and low-carbon development, promote industrial transformation and upgrading, and gradually move towards becoming a world first-class energy service company with Chinese characteristics, so as to achieve multi-party win-win and value maximization with customers, employees, business partners and shareholders.

2024 Business Outlook

According to the International Monetary Fund (IMF), it is anticipated that the growth of global economy will remain at 3.1%, the economic growth of developed economies is expected to fall to 1.5% and the growth of emerging markets and developing economies is expected to remain at 4.1% in 2024. In 2023, the overall economy of China recovered with a positive trend of growth, and the gross domestic product exceeded RMB126 trillion with a growth rate of 5.2%, ranking top among the major economies in the world in terms of the growth rate. The economic growth is expected to remain at around 5% in 2024. In 2023, the merger and acquisition transactions in connection with oil and gas resource in the global market was quite active and the transaction amount reached the highest level since 2013. According to the research report of S&P Global, it is expected the global petroleum demand will continue to increase in 2024, and the oil company will continuously expand the exploration of oil and gas, especially the ultra-deep water oilfield exploration and unconventional oil and gas exploration. It is anticipated that the global upstream capital expenditure of exploration and development will be approximately US$607.9 billion, representing a year-on-year increase of 5.7%. The global oilfield services market size will continue to expand, and Spears & Associates, a consulting company, predicts that the global oilfield services market size will increased by 7.1% year-on-year in 2024. Looking forward, it is forecasted that the international oil price is likely to fluctuate within a wide range in 2024, and the International Energy Agency (IEA) expects that the average price of Brent crude oil will be US$83/barrel in 2024 under a benchmark scenario. Domestically, it is emphasized the role of fossil energy to ensure the satisfaction of basic needs. According to the Guiding Opinions on Energy Work in 2024 issued by the National Energy Administration, the oil and gas industry will deeply study and implement the medium and long-term development strategy of increasing reserves and production of oil and gas, enhance the oil and gas exploration and development, promote the stable production of mature oil field, accelerate the construction and production of new ones, and strengthen the construction of production capacity in the key areas of "deep sea, deep layer, unconventional and mature" oil and gas, and it is anticipated that the domestic oilfield service market will continue to show a positive momentum.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2023 of the Group were audited by Ernst & Young. This results announcement is based on such financial statements which have been agreed by the Company and the auditor.

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 Group as well as the risk management, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2023 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2023, the Company has complied with principles and code provisions of the Corporate Governance Code (the "Corporate Governance Code") as set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Listing Rules"), and also has explained the implementation of provision C.2.1 under Part 2 of the Corporate Governance Code.

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 under 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 can help 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 Board Committees and Senior Management, and other members of the Board or the Independent Non-executive Directors shall also play a role in balancing and supervising the above major decisions. In addition, the internal control structure of the Company plays a supervisory and review role in the decision-making and implementation of major decisions and the independent non-executive directors shall also express objective, fair and independent opinions on the matters discussed by the Company. 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.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2023 Annual Report which will be issued in April 2024.

Compliance with the Model Code for Securities Transactions by Directors of Listed Issuers

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, during the 12 months ended 31 December 2023, strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Hong Kong Listing Rules.

Purchase, Disposal and Redemption of the Company's Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the year ended 31 December 2023.

DISCLOSURE OF INFORMATION ON THE HKEX'S WEBSITE

This announcement will be published on the Company's website (www.cosl.com.cn) and the Stock Exchange's website (www.hkex.com.hk). The full annual report will be mailed to the shareholders of the Company and published on the websites of the Company and Hong Kong Stock Exchange in due course.

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

26 March 2024

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.