COSL

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

(Incorporated in the People's Republic of China as a joint stock limited liability company)
(Stock Code: 2883)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL HIGHLIGHTS

1. Revenue was RMB8,127.9 million.
2. Profit from operations was RMB-239.8 million.
3. Profit for the period was RMB-363.3 million.
4. Basic earnings per share were RMB-0.08.

The interim results of the Company for the six months ended 30 June 2018 accordance with Hong Kong Accounting Standard are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2018

	Notes	**Six months ended 30 June 2018** *RMB'000* **(Unaudited)**	2017 *RMB'000* (Unaudited and restated)
REVENUE	*4*	**8,140,008**	7,113,793
Sales surtaxes		**(12,132)**	(6,388)
Revenue, net of sales surtaxes		**8,127,876**	7,107,405
Other revenue		**101,340**	29,107
		8,229,216	7,136,512
Depreciation of property, plant and equipment and amortisation of intangible assets		**(2,038,964)**	(2,268,982)
Employee compensation costs		**(2,030,567)**	(1,714,268)
Repair and maintenance costs		**(141,796)**	(111,292)
Consumption of supplies, materials, fuel, services and others		**(1,789,221)**	(1,189,625)
Subcontracting expenses		**(1,349,245)**	(897,575)
Operating lease expenses		**(513,357)**	(217,552)
Other operating expenses		**(482,803)**	(515,329)
Impairment of property, plant and equipment	*9*	**(122,962)**	–
Impairment losses of accounts receivable and other receivables, net of reversal	*5*	**(83)**	–
Total operating expenses		**(8,468,998)**	(6,914,623)
(LOSS)/PROFIT FROM OPERATIONS		**(239,782)**	221,889
Exchange gain/(loss), net		**88,861**	(122,721)
Finance costs		**(518,023)**	(579,424)
Interest income		**47,831**	47,682
Investment income		**93,658**	124,966
Gains arising from financial assets at fair value through profit or loss		**24,375**	–
Share of profits of joint ventures, net of tax		**54,704**	36,537
Other gains and losses	*5*	**241,733**	–

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2018

	Notes	**Six months ended 30 June** **2018** ***RMB'000*** **(Unaudited)**	2017 *RMB'000* (Unaudited and restated)
LOSS BEFORE TAX	*5*	**(206,643)**	(271,071)
Income tax expense	*6*	**(156,619)**	(95,024)
LOSS FOR THE PERIOD		**(363,262)**	(366,095)
Attributable to:			
Owners of the Company		**(375,004)**	(385,242)
Non-controlling interests		**11,742**	19,147
		(363,262)	(366,095)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*8*	**(7.86) cents**	(8.07) cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2018

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
LOSS FOR THE PERIOD	**(363,262)**	(366,095)
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**25,041**	(181,269)
Net fair value loss on available-for-sale investments	**–**	(25,450)
Share of other comprehensive income/(expense) of joint ventures, net of related income tax	**1,249**	(3,460)
Income tax relating to items that may be reclassified subsequently to profit or loss	**49,040**	3,817
	75,330	(206,362)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF INCOME TAX	**75,330**	(206,362)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	**(287,932)**	(572,457)
Attributable to:		
Owners of the Company	**(301,224)**	(589,494)
Non-controlling interests	**13,292**	17,037
	(287,932)	(572,457)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	30 June 2018 RMB'000 (Unaudited)	31 December 2017 RMB'000 (Audited and restated)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**51,104,663**	52,631,646
Goodwill	10	**–**	–
Other intangible assets		**283,359**	429,723
MultiClient library		**130,764**	22,821
Investments in joint ventures		**627,051**	582,702
Available-for-sale investments	3.2.2	**–**	–
Financial assets at fair value through profit or loss		**–**	–
Contract costs		**128,766**	–
Other non-current assets	12	**162,041**	326,766
Deferred tax assets		**71,644**	70,800
Total non-current assets		**52,508,288**	54,064,458
CURRENT ASSETS			
Inventories		**1,485,426**	1,148,507
Prepayments, deposits and other receivables		**355,485**	461,998
Accounts receivable	11	**8,443,636**	6,258,372
Notes receivable		**7,182**	85,533
Contract costs		**18,919**	–
Financial assets at fair value through profit or loss		**1,224,485**	–
Other current assets	12	**3,471,343**	2,843,392
Pledged deposits		**43,129**	41,092
Time deposits with maturity of over three months		**132,332**	28,870
Cash and cash equivalents		**5,077,914**	9,009,074
Total current assets		**20,259,851**	19,876,838
CURRENT LIABILITIES			
Trade and other payables	13	**7,343,779**	8,133,509
Notes payable		**4,091**	–
Salary and bonus payables		**819,217**	834,110
Tax payable		**213,328**	121,630
Contract liabilities		**175,502**	–
Loan from a related party	14	**2,315,810**	2,286,970
Interest-bearing bank borrowings	15	**583,518**	563,380
Long term bonds	16	**1,999,144**	–
Other current liabilities	12	**341,486**	177,180
Total current liabilities		**13,795,875**	12,116,779

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
At 30 June 2018

	Notes	**30 June 2018** *RMB'000* **(Unaudited)**	31 December 2017 *RMB'000* (Audited and restated)
NET CURRENT ASSETS		**6,463,976**	7,760,059
TOTAL ASSETS LESS CURRENT LIABILITIES		**58,972,264**	61,824,517
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**238,367**	322,858
Interest-bearing bank borrowings	*15*	**1,138,691**	1,409,175
Long term bonds	*16*	**22,669,354**	24,495,769
Contract liabilities		**210,402**	–
Deferred income		**597,130**	888,373
Employee benefit liabilities		**15,940**	20,857
Total non-current liabilities		**24,869,884**	27,137,032
Net assets		**34,102,380**	34,687,485
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,771,592**	4,771,592
Reserves		**29,194,568**	29,792,965
		33,966,160	34,564,557
Non-controlling interests		**136,220**	122,928
Total equity		**34,102,380**	34,687,485

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is CNOOC, which is a state-owned enterprise incorporated in the PRC.

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

As at 30 June 2018, particulars of the principal subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2018	30 June 2017	Principal activities
COSL Chemicals (Tianjin), Ltd.	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	**100%**	100%	Provision of drilling fluids services
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	**100%**	100%	Provision of oil & gas exploration services
COSL-HongKong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	**100%**	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	**100%**	100%	Provision of drilling services
COSL Drilling Strike Pte.Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Provision of drilling services
COSL Prospector Pte.Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	**100%**	100%	Provision of drilling services
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	**100%**	100%	Provision of drilling services

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2018	30 June 2017	Principal activities
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	**100%**	100%	Provision of oil & gas exploration services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	Norwegian Krone ("NOK") 1,541,328,656	**100%**	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	**100%**	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	**100%**	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS")(a)	Indonesia 27 July 2010	Indonesia	US$250,000	**49%**	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	**100%**	100%	Provision of oilfield services and related activities
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	**100%**	100%	Bond issuance
COSL Deepwater Technology Co. Ltd.	Shenzhen, PRC 12 September 2013	PRC	RMB470,000,000	**100%**	100%	Provision of geophysical and surveying services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	**96%**	96%	Provision of drilling services

(a) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's condensed consolidated financial statements for the six months ended 30 June 2018 and 2017.

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

As at 30 June 2018, particulars of the joint ventures of the Group are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2018	Ownership interest 2017	Voting rights held 2018	Voting rights held 2017	Principal activities
China Offshore Fugro GeoSolutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50**	50	**50**	50	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd.	US$6,650,000	Tianjin, PRC 30 November 1983	**50**	50	**50**	50	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50**	50	**50**	50	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60**	60	**50**	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.	US$2,000,000	Tianjin, PRC 14 April 1993	**50**	50	**50**	50	Provision of well completion services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50**	50	**50**	50	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD ("PBS-COSL") (b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49**	49	**50**	50	Provision of drilling services
COSL (Malaysia) SDN.BHD. ("COSL Malaysia") (c) (d)	Ringgit Malaysia 350,000	Malaysia 31 July 2017	**49**	49	**50**	50	Provision of drilling services

(a) The Group has 60% of the equity interests in Magcobar, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of Magcobar, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of this entity. In the opinion of the Directors, the Group does not have control over Magcobar and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, Magcobar has been accounted for in the Group's condensed consolidated financial statements using the equity method.

(b) The Group has 49% of the equity interests in PBS-COSL, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of PBS-COSL, the board of directors of PBS-COSL shall comprise four directors whereby both the Company and the other sole investor shall appoint two directors each. Unanimous approvals by the directors of PBS-COSL are required for decisions on directing the relevant activities of PBS-COSL. In the opinion of the Directors, the Group does not have control over PBS-COSL and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, PBS-COSL has been accounted for in the Group's condensed consolidation financial statements using the equity method.

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

(d) As at 30 June 2018, the Group has yet injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

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

The above joint ventures are accounted for using the equity method in these condensed consolidated financial statements.

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2018 have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants(HKICPA) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2017.

2A. SIGNIFICANT EVENT

In December 2016, COSL Offshore Management AS ("COM", a subsidiary of the Company) as a plaintiff filed a Statement of Claim (the "Claim") against Statoil Petroleum AS (hereinafter "Statoil") with Oslo District Court of Norway through WIKBORG, REIN & CO. ADVOKATFIRMA DA, an international law firm based in Norway, as litigation agent. COM has claimed that Statoil's termination of the contract in respect of the drilling rig of COSLInnovator was unlawful and has claimed the contract to be maintained. If the contract cannot be maintained, COM has claimed that Statoil is obliged to cover COM's loss resulting from the unlawful termination, and the exact amount of damages will be subject to subsequent proceedings. Oslo City Court entered into a judgement on 15 May 2018.The judgement may be appealed by either party within one month following the date of legal notice of the judgement was served. Statoil has recently changed its corporate name to Equinor Petroleum AS (hereinafter "Equinor"). On 14 June 2018, Equinor appealed to Borgarting Court of Appeal being the relevant appeal court in Norway. On 14 June 2018, COM has subsequently filed an independent appeal concerning the cancellation for convenience, since COM is of the view that the cancellation for convenience is unlawful and COM should accordingly be entitled to damages for the loss suffered.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers and the related Amendments*
HKFRIC-Int 22	*Foreign Currency Transactions and Advance Consideration*
Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
Amendments to HKAS 28	*As part of the Annual Improvements to HKFRSs 2014-2016 Cycle*
Amendments to HKAS 40	*Transfers of Investment Property*

In addition, the Group has applied Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019.

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and disclosures as described below.

3.1 Impacts and changes in accounting policies of application on HKFRS 15 *Revenue from Contracts with Customers*

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations.

The Group recognises revenue from the following major sources: drilling services, well services, marine support services and geophysical acquisition and surveying services.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 *Revenue* and HKAS 11 *Construction Contracts* and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognizing revenue:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

Customers generally contract for a comprehensive agreement to provide integrated services to operate a rig and drill a well. The integrated contract contains multiple performance obligations.

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, expect for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services under all the operating segments detailed in note 4.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its drilling services and marine support services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

*3.1.2 **Summary of effects arising from initial application of HKFRS 15***

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2018. Line items that were not affected by the changes have not been included.

	Notes	**Carrying amounts previously reported at 31 December 2017***	**Reclassification**	**Remeasurement**	**Carrying amounts under HKFRS 15 at 1 January 2018****
		RMB'000 (restated)	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Contract costs	*b*	–	130,924	–	130,924
Other non-current assets		326,766	(130,924)	–	195,842
Current assets					
Accounts receivable		6,258,372	–	(5,667)	6,252,705
Current liabilities					
Trade and other payables		8,133,509	(87,225)	–	8,046,284
Tax payable		121,630	–	(253)	121,377
Contract liabilities	*c*	–	87,225	–	87,225
Non-current liabilities					
Contract liabilities	*d*	–	230,430	–	230,430
Deferred income		888,373	(230,430)	–	657,943
Equity					
Reserves	*a*	29,792,965	–	(5,414)	29,787,551

* The amounts in this column are restated for the business combination involving business under common control (note 17).

** The amounts in this column are before the adjustments from the application of HKFRS 9.

Notes:

(a) The net effect arising from the initial application of HKFRS 15 resulted in a decrease in the revenue from contracts with multiple performance obligations of RMB5,667,000 with corresponding adjustment of RMB5,414,000, net of taxes, to retained profits.

(b) As the date of initial application of HKFRS 15, included in other non-current assets, RMB130,924,000 mainly related to the mobilisation expenses. These balances were reclassified to contract costs upon application of HKFRS 15.

(c) As at 1 January 2018, advance from customers of RMB87,225,000 previously included in trade and other payables were reclassified to contract liabilities.

(d) As the date of initial application, balances of RMB68,160,000 related to the mobilisation revenue and RMB162,270,000 related to the subsidies received from customers previously included in the total deferred income were reclassified to contract liabilities upon application of HKFRS 15.

The following tables summarise the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the condensed consolidated statement of financial position

	Notes	**As reported**	**Adjustments**	**Amounts without Application of HKFRS 15**
		RMB'000	*RMB'000*	*RMB'000*
Non-current assets				
Contract costs		128,766	(128,766)	–
Other non-current assets	*12*	162,041	128,766	290,807
Current assets				
Accounts receivable	*11*	8,443,636	2,021	8,445,657
Contract costs		18,919	(18,919)	–
Other current assets	*12*	3,471,343	18,919	3,490,262
Current liabilities				
Trade and other payables		7,343,779	90,802	7,434,581
Contract liabilities		175,502	(175,502)	–
Deferred income		–	84,700	84,700
Non-current liabilities				
Contract liabilities		210,402	(210,402)	–
Deferred income		597,130	210,402	807,532
Equity				
Reserves		29,194,568	2,021	29,196,589

Impact on the condensed consolidated statement of profit or loss and other comprehensive income

	Note	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		RMB'000	*RMB'000*	*RMB'000*
Revenue				
Revenue, net of sales surtaxes	*a*	8,127,876	(3,646)	8,124,230
Loss before taxation		(206,643)	(3,646)	(210,289)
Income tax expense		156,619	(253)	156,366
Loss for the period		(363,262)	(3,393)	(366,655)
Total comprehensive expense for the period		(287,932)	(3,393)	(291,325)

Note:

(a) The net effect arising from the application of HKFRS 15 resulted in an increase in the revenue from contracts with multiple performance obligations of RMB3,646,000 with corresponding adjustment of RMB3,393,000, net of taxes, to the loss for the period.

3.2 Impacts and changes in accounting policies of application on HKFRS 9 *Financial Instruments*

In the current period, the Group has applied HKFRS 9 *Financial Instruments*, Amendments to HKFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instrument that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 *Financial Instruments: Recognition and Measurement*.

3.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's accounts receivable, notes receivable, certain other receivables, other current assets-fixed rate corporate wealth management products, other current assets-treasury bond related investments, which meet the above conditions are subsequently measured at amortised cost.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss is included in the "Gains/(losses) arising from financial assets at fair value through profit or loss" line item.

The Directors reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in note 3.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including accounts receivable, notes receivable, certain other receivables, other current assets – fixed rate corporate wealth management products, other current assets – treasury bond related investments) and contract assets. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for accounts receivable, notes receivable and contract assets without significant financial component. The ECL on these assets are assessed individually for debtors with significant balances and insignificant balances with specific risks. For the rest assets, the ECL are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial assets (including account receivable, notes receivable, certain other receivables, other current assets-fixed rate corporate wealth management products, other current assets-treasury bond related investments) and contract assets, through a loss allowance account.

As at 1 January 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. The results of the assessment and the impact thereof are detailed in note 3.2.2.

3.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	**Available-for-sale investments**	**Other current assets**	**Financial assets at FVTPL required by HKAS39/ HKFRS9**	**Revaluation reserve**	**Retained profits**
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Closing balance at 31 December 2017 HKAS 39 (restated)*		–	2,843,392	–	110	14,968,337
Effect arising from initial application of HKFRS 9:						
Reclassification						
From available-for-sale	*(a)*	–	–	–	–	–
From other current assests	*(b)*	–	(606,008)	606,008	(110)	110
Opening balance at 1 January 2018		–	2,237,384	606,008	–	14,968,447

* The amounts in this row are restated for the business combination involving business under common control (note 17).

Notes:

(a) At the date of initial application of HKFRS 9, the Group's unlisted equity investments were reclassified from available-for-sale investments to financial assets at FVTPL. The equity investment had been made full provision as at 31 December 2017.

(b) At the date of initial application of HKFRS 9, the Group's investments of RMB200,110,000 in liquidity funds and investments of RMB405,898,000 in floating rate corporate wealth management products were reclassified from other current assets to financial assets at FVTPL. The fair value gains of RMB110,000 relating to those investments previously recognised in revaluation reserve were transferred to retained profits.

Except as described above, the application of other amendments to HKFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures set out in these condensed consolidated financial statements.

3.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the Group's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item

	31 December 2017	**HKFRS 15**	**HKFRS 9**	**1 January 2018**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited and restated)*			(Restated)
Non-current assets				
Available-for-sale investments	–	–	–	–
Contract costs	–	130,924	–	130,924
Other non-current assets	326,766	(130,924)	–	195,842
Others with no adjustments	53,737,692	–	–	53,737,692
Current assets				
Accounts receivable	6,258,372	(5,667)	–	6,252,705
Financial assets at fair value through profit or loss	–	–	606,008	606,008
Other current assets	2,843,392	–	(606,008)	2,237,384
Others with no adjustments	10,775,074	–	–	10,775,074
Current liabilities				
Trade and other payables	8,133,509	(87,225)	–	8,046,284
Tax payable	121,630	(253)	–	121,377
Contract liabilities	–	87,225	–	87,225
Others with no adjustments	3,861,640	–	–	3,861,640
Net Current Assets	**7,760,059**	**(5,414)**	**–**	**7,754,645**
Total Assets less Current Liabilities	**61,824,517**	**(5,414)**	**–**	**61,819,103**

	31 December 2017	HKFRS 15	HKFRS 9	1 January 2018
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Audited and restated)*			(Restated)
Non-current liabilities				
Contract liabilities	–	230,430	–	230,430
Deferred income	888,373	(230,430)	–	657,943
Others with no adjustments	26,248,659	–	–	26,248,659
Net Assets	**34,687,485**	**(5,414)**	**–**	**34,682,071**
Equity				
Issued capital	4,771,592	–	–	4,771,592
Reserves	29,792,965	(5,414)	–	29,787,551
Non-controlling interests	122,928	–	–	122,928
Total Equity	**34,687,485**	**(5,414)**	**–**	**34,682,071**

* The amounts in this column are restated for the business combination involving business under common control (note 17).

4. OPERATING SEGMENT INFORMATION

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

During the period ended 30 June 2018, following the development of business operations, the Group reorganised the reportable segments based on the business units to which the assets service, other than the assets categories. The adjustment does not have material impact on the segment reports except reallocation of some assets among segments.

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, the transportation of crude oil and refined products;

(d) the geophysical acquisition and surveying services segment is engaged in the provision of offshore seismic data collection 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 loss before tax. The adjusted loss before tax is measured consistently with the Group's loss before tax except that interest income, finance costs, exchange gains/(losses), investment income and gains 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 corporate treasury), pledged deposits, time deposits with maturity of over three months, certain other receivables, certain other 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 certain other payables, loan from a related party, interest-bearing bank borrowings and long term bonds (funds managed by the corporate treasury), 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.

Six months ended 30 June 2018 (Unaudited)

	Drilling services *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Total** *RMB'000*
Revenue:					
Sales to external customers, net of sale surtaxes	**3,003,493**	**3,396,570**	**1,242,095**	**485,718**	**8,127,876**
Sales surtaxes	**2,755**	**6,949**	**1,557**	**871**	**12,132**
Sales to external customers, before net of sales surtaxes	**3,006,248**	**3,403,519**	**1,243,652**	**486,589**	**8,140,008**
Intersegment sales	**33,895**	**41,994**	**35,470**	**–**	**111,359**
Segment revenue	**3,040,143**	**3,445,513**	**1,279,122**	**486,589**	**8,251,367**
Elimination	**(33,895)**	**(41,994)**	**(35,470)**	**–**	**(111,359)**
Group revenue	**3,006,248**	**3,403,519**	**1,243,652**	**486,589**	**8,140,008**
Segment results	**(437,123)**	**575,768**	**88,043**	**(170,033)**	**56,655**

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Reconciliation:					
Exchange gain, net					**88,861**
Finance costs					**(518,023)**
Interest income					**47,831**
Investment income					**93,658**
Gains arising from financial assets at FVTPL					**24,375**
Loss before tax					**(206,643)**
Income tax expenses					**156,619**
As at 30 June 2018 (Unaudited)					
Segment assets	**43,620,481**	**7,961,190**	**8,244,197**	**4,293,236**	**64,119,104**
Unallocated assets					**8,649,035**
Total assets					**72,768,139**
Segment liabilities	**3,655,507**	**3,435,073**	**1,095,369**	**996,765**	**9,182,714**
Unallocated liabilities					**29,483,045**
Total liabilities					**38,665,759**

Six months ended 30 June 2017 (Unaudited and 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 sale surtaxes	2,656,079	2,640,973	1,138,922	671,431	7,107,405
Sales surtaxes	1,640	3,200	1,198	350	6,388
Sales to external customers, before net of sales surtaxes	2,657,719	2,644,173	1,140,120	671,781	7,113,793
Intersegment sales	30,181	121	1,289	–	31,591
Segment revenue	2,687,900	2,644,294	1,141,409	671,781	7,145,384
Elimination	(30,181)	(121)	(1,289)	–	(31,591)
Group revenue	2,657,719	2,644,173	1,140,120	671,781	7,113,793
Segment results	(237,076)	526,444	106,513	(137,455)	258,426
Reconciliation:					
Exchange loss, net					(122,721)
Finance costs					(579,424)
Interest income					47,682
Investment income					124,966
Loss before tax					(271,071)
Income tax expenses					95,024
As at 31 December 2017 (Audited and restated)					
Segment assets	43,903,685	7,284,561	8,216,236	4,169,604	63,574,086
Unallocated assets					10,367,210
Total assets					73,941,296
Segment liabilities	3,847,404	3,748,947	1,130,745	958,914	9,686,010
Unallocated liabilities					29,567,801
Total liabilities					39,253,811

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
(Gain)/loss on disposal of plant and equipment, net	**(207,313)**	21,664
Gain on disposal of intangible assets	**(34,420)**	–
Provision for impairment of property, plant and equipment	**122,962**	–
Provision for/(reversal of) impairment of accounts receivable	**8,540**	(44,431)
(Reversal of)/provision for impairment of other receivables	**(8,457)**	9,767
Provision for impairment of inventories	**3,478**	1,627
Income from investments in floating and fixed rate corporate wealth management products, liquidity funds and treasury bond related investments	**93,658**	124,966
Fair value changes of financial assets at FVTPL	**24,375**	–
Cost of inventories recognised as an expense	**950,098**	558,256

6. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the profit 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 in Mainland China is 25%.

According to the High-New Technical Enterprise ("HNTE") certificate renewed by the Company in October 2017, the CIT rate of the Company is to be 15% for the period from 2017 to 2019.

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

Countries and regions	Six months ended 30 June **2018**	 2017
Indonesia	**25%**	25%
Australia	**30%**	30%
Mexico	**30%**	30%
Norway	**23%**	24%
The United Kingdom	**19%**	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	**21%**	34%
Canada	**Net federal corporate income tax of 15% and provincial income tax ranging from 10% to 16%, depending on the province and the size of the business**	Net federal corporate income tax of 15% and provincial income tax ranging from 11% to 16%, depending on the province and the size of the business
Malaysia	**24%**	24%
Saudi Arabia	**20%**	20%
Oman	**15%**	15%
Gabonese Republic	**Borne by customers**	Borne by customers
Myanmar	**Withholding tax based on 2.5% of revenue generated in Myanmar**	Not applicable
Brazil	**34%**	Not applicable
Cameroon	**Withholding tax based on 15% of revenue generated in Cameroon**	Not applicable

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

	Six months ended 30 June **2018** ***RMB'000*** **(Unaudited)**	 2017 *RMB'000* (Unaudited and restated)
Hong Kong profits tax:	**–**	–
Overseas income taxes:		
Current	**61,760**	24,599
Deferred	**(7,095)**	(8,213)
PRC corporate income taxes:		
Current	**185,644**	1,893
Deferred	**(78,157)**	77,568
Over provision in prior year	**(5,533)**	(823)
Total tax charge for the period	**156,619**	95,024

A reconciliation of the income tax expense applicable to loss before tax at the statutory rate for Mainland China, where the Company, certain subsidiaries 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:

	Six months ended 30 June			
	2018	**%**	2017	%
	RMB'000		*RMB'000*	
	(Unaudited)		(Unaudited and restated)	
Loss before tax	**(206,643)**		(271,071)	
Tax at the statutory tax rate of 25% (six months ended 30 June 2017: 25%)	**(51,661)**	**25.0**	(67,768)	25.0
Tax effect as an HNTE	**(126,194)**	**61.1**	(23,028)	8.5
Tax effect of income not subject to tax	**(21,444)**	**10.4**	(9,134)	3.4
Tax effect of expense not deductible for tax	**13,968**	**(6.8)**	22,134	(8.2)
Tax benefit for qualifying research and development expenses	**(20,642)**	**10.0**	(17,837)	6.6
Effect of non-deductible-expenses/(non-taxable profit) and different tax rates for overseas subsidiaries	**291,220**	**(140.9)**	150,418	(55.5)
Tax effect of tax losses and deductible temporary differences unrecognised	**62,252**	**(30.1)**	4,363	(1.6)
Translation adjustment (a)	**1,863**	**(0.9)**	58,926	(21.7)
Others	**7,257**	**(3.6)**	(23,050)	8.5
Total tax charge at the Group's effective tax rate	**156,619**	**(75.8)**	95,024	(35.0)

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

7. DIVIDENDS PAID AND PROPOSED

During the current interim period, a final dividend of RMB0.06 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2017 (2016: RMB0.05 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2016) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB286,296,000 (2017: RMB238,580,000).

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

8. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited and restated)
Loss		
Loss for the purposes of basic loss per share (loss for the period attributable to owners of the Company)	**(375,004)**	(385,242)

	Six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic loss per share	**4,771,592,000**	4,771,592,000

No diluted loss per share is presented for the six-month periods ended 30 June 2018 and 2017 as the Group had no dilutive potential ordinary shares in issue during those periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain machinery and equipment, motor vehicles and incurred cost on construction in progress with an aggregate cost amounting to approximately RMB488,141,000 (six months ended 30 June 2017: RMB1,364,128,000). Machinery and equipment with an aggregate net carrying amount amounting to RMB116,535,000 (six months ended 30 June 2017: RMB31,457,000) were disposed during the current interim period, resulting in a gain on disposal of RMB207,313,000 (six months ended 30 June 2017: loss on disposal of RMB21,664,000).

Out of the total interest costs incurred, an amount of approximately RMB2,721,000 (six months ended 30 June 2017: RMB8,203,000) was capitalised in property, plant and equipment in the current interim period.

During the six months ended 30 June 2018, the Directors carried out the review of the recoverable amounts of the Group's plant and machinery under drilling services segment due to sluggish recovery of global oilfield services market and impairment loss of RMB122,962,000 (six months ended 30 June 2017: nil) was recognised. The recoverable amount of the relevant assets, each of which was identified as a cash-generated unit within the drilling services segment, has been determined based on the higher of fair value less costs of disposal and value in use. And value in use is in line with the relevant Group's accounting policy disclosed in the annual financial statements for the year ended 31 December 2017.

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 relevant assets are determined based on a variety of valuation methods, including income approach and market approach, and the reasonableness of the assumptions and range of estimates indicated by those valuation methods were also considered by the Group. The income approach is by reference to the projected discounted cash flows over the remaining economic life of relevant assets. The market approach is by reference to the value that would be received from selling the asset in an orderly transaction between market participants at the measurement date. The above estimates of fair value required to use significant unobservable inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets, nonbinding quotes from brokers and/or indicative bids, estimated utilization rates, service prices, cost level and capital requirements.

In assessing value in use, the estimated future cash flows are discounted to their present value. The cash flow projection was based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The discount rate applied to the cash flow projection is 8% (2017: 8%) The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the value in use calculations reflect management's judgments and expectation regarding the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilization rates, day rates, cost level and capital requirements.

10. GOODWILL

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

11. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 30 to 45 days to its trade customers in Mainland China and no more than 6 months to 1 year to its trade customers with good trading history in overseas. The aged analysis of the accounts receivable, net of provision for impairment, as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited and restated)
Outstanding balances aged:		
Within six months	**7,914,208**	5,759,162
Six months to one year	**198,092**	185,095
One to two years	**200,816**	235,209
Over two years	**130,520**	78,906
	8,443,636	6,258,372

The movement in the allowance for impairment during the current interim period was as follows.

	2018
	RMB'000
Balance at 1 January 2018	**2,036,704**
Impairment losses recognised	**10,689**
Impairment losses reversed	**(2,149)**
Exchange realignment	**22,155**
Balance at 30 June 2018	**2,067,399**

12. OTHER CURRENT ASSETS/LIABILITIES AND OTHER NON-CURRENT ASSETS

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investments in fixed rate corporate wealth management products	**3,352,670**	1,819,946
Value-added tax to be deducted and prepaid	**94,266**	11,836
Value-added tax recoverable	**24,407**	52,960
Treasury bond related investments	**–**	758,540
Investments in liquidity funds	**–**	200,110
Other current assets	**3,471,343**	2,843,392
Output value-added tax to be recognised	**(341,486)**	(154,730)
Provision of onerous contracts	**–**	(22,450)
Other current liabilities	**(341,486)**	(177,180)
Deposits paid for the acquisition of property, plant and equipment	**82,135**	8,760
Tax recoverable	**50,362**	101,376
Value-added tax recoverable	**29,544**	85,706
Non-current portion of deferred expenses	**–**	130,924
Other non-current assets	**162,041**	326,766

13. TRADE AND OTHER PAYABLES

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

	30 June 2018	31 December 2017
	RMB'000	*RMB'000*
	(Unaudited)	(Audited and restated)
Outstanding balances aged:		
Within one year	**6,303,893**	6,617,294
One to two years	**179,246**	228,751
Two to three years	**90,325**	76,451
Over three years	**74,266**	82,469
	6,647,730	7,004,965

14. LOAN FROM A RELATED PARTY

During the six months ended 30 June 2017, the Group obtained a loan of US$250,000,000, equivalent to approximately RMB1,722,884,000, from a fellow subsidiary, which is repayable on demand and carries effective interest rate of LIBOR+0.5% per annum. The proceeds were used to financing CNA's daily operations.

During the current interim period, the Group did not obtain any new loans from related parties.

15. INTEREST-BEARING BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of US$42,100,000, equivalent to approximately RMB266,451,000 (six months ended 30 June 2017: US$721,410,000, equivalent to approximately RMB4,994,919,000).

No bank borrowings obtained during the six months ended 30 June 2018 and 2017.

The weighted average effective interest rate of bank borrowings for the six months ended 30 June 2018 was 3.29% per annum (six months ended 30 June 2017: 2.67% per annum) and the borrowings are repayable in instalments over a period of 1 to 18 years.

16. LONG TERM BONDS

	Year of maturity	30 June 2018 *RMB'000* (Unaudited)	31 December 2017 *RMB'000* (Audited)
Corporate bonds (a)	2022	**1,500,000**	1,500,000
2016 Corporate Bonds			
(Type I of the First Tranche Issue as defined below) (b)	2019	**1,999,144**	1,998,678
(Type II of the First Tranche Issue as defined below) (b)	2026	**2,996,675**	2,996,465
(Type I of the Second Tranche Issue as defined below) (b)	2019	**2,098,740**	2,098,268
(Type II of the Second Tranche Issue as defined below) (b)	2021	**2,897,390**	2,896,998
Senior unsecured USD bonds (c)	2022	**6,589,497**	6,503,770
Guaranteed medium term notes			
First Drawdown Note (d)	2020	**3,298,797**	3,255,473
Second Drawdown Note (d)	2025	**3,288,255**	3,246,117
		24,668,498	24,495,769
Current		**1,999,144**	–
Non-current		**22,669,354**	24,495,769
		24,668,498	24,495,769

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500,000,000. The bonds carry effective interest rate of 4.48% per annum (2017: 4.48% per annum), and the redemption or maturity date is 14 May 2022.

(b) On 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 (the "Type I of the First Tranche Issue") carries effective interest rate of 3.19% per annum and the maturity date is 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 effective interest rate of 4.12% per annum and the maturity date is 27 May 2026.

On 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") and is repayable on 24 October 2021. The Group has the right to unadjust or adjust the coupon rate for the fourth and fifth year at the end of the third year on 24 October 2019 by giving a notice to the bondholders. The bondholders may accordingly at their option to require the Group to redeem the Type I 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 third year until the maturity date. The effective interest rate of the Type I of the Second Tranche Issue is 3.13% per annum. 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 unadjust or adjust the coupon rate for the sixth and seventh year 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 to 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 effective interest rate of the Type II of the Second Tranche Issue is 3.38% per annum.

(c) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Company, issued 10-year senior unsecured bonds, with a US$1,000,000,000 principal amount. The redemption or maturity date is 6 September 2022. The effective interest rate of the senior unsecured bonds is 3.38% per annum.

(d) On 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.

On 30 July 2015, COSL Singapore Capital Ltd. issued the first tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the “First Drawdown Note”). The effective interest rate was 3.61% per annum after taking into consideration of initial transaction costs. The principal of the First Drawdown Note will be repaid on 30 July 2020. On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the “Second Drawdown Note”). The effective interest rate is 4.58% per annum after taking into consideration of initial transaction costs. The principal of the Second Drawdown Note will be repaid on 30 July 2025.

17. BUSINESS COMBINATION INVOLVING BUSINESSES UNDER COMMON CONTROL

On 31 January 2018, the Company and CNOOC Energy Technology & Services Limited (“CNOOC Energy”), a subsidiary of the CNOOC, completed a transaction where the Company purchased certain seismic data processing business of CNOOC Ener Tech – Drilling & Production Co. Data Processing Co. (the “Acquired Business”) from CNOOC Energy with a total consideration of RMB44,525,060. In connection with this transaction, the net liability of RMB39,062,000 of the Acquired Business, mainly including property, plant and equipment, trade and other payables, that were retained by CNOOC Energy was regarded as a deemed contribution by owners of the Company. The primary objective of the transaction is to improve the Group’s market share in seismic data processing business.

The above transaction was accounted for as a business combination under common control since the Company and CNOOC Energy both were under the common control of CNOOC. The consolidated financial statements of the Group incorporate the financial statements items of the Acquired Business as if it had been combined from the date when the Acquired Business first came under control of the CNOOC Energy. The net assets of the Acquired Business are consolidated using the existing book values from CNOOC Energy’s perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination. The difference between the carrying amount of the net assets of the Acquired Business at 31 January 2018 and the consideration transferred was recognised in capital reserve. The consolidated statement of profit or loss and other comprehensive income includes the results of the Acquired Business as if it had been combined at the beginning of the previous reporting period. The effects on the results of the Group for the period ended 30 June 2017 and the financial position of the Group at 31 December 2017 and at 1 January 2017 are summarised below:

Condensed consolidated statement of financial position at 31 December 2017

	31 December 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	31 December 2017 *RMB'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	52,599,471	32,175	52,631,646
Other intangible assets	419,294	10,429	429,723
MultiClient library	22,821	–	22,821
Investments in joint ventures	582,702	–	582,702
Other non-current assets	326,766	–	326,766
Deferred tax assets	70,800	–	70,800
Total non-current assets	54,021,854	42,604	54,064,458
CURRENT ASSETS			
Inventories	1,148,507	–	1,148,507
Prepayments, deposits and other receivables	460,401	1,597	461,998
Accounts receivable	6,218,549	39,823	6,258,372
Notes receivable	85,533	–	85,533
Other current assets	2,843,392	–	2,843,392
Pledged deposits	41,092	–	41,092
Time deposits with maturity over three months	28,870	–	28,870
Cash and cash equivalents	9,009,074	–	9,009,074
Total current assets	19,835,418	41,420	19,876,838
CURRENT LIABILITIES			
Trade and other payables	8,062,653	70,856	8,133,509
Salary and bonus payables	830,873	3,237	834,110
Tax payable	121,630	–	121,630
Loan from a related party	2,286,970	–	2,286,970
Interest-bearing bank borrowings	563,380	–	563,380
Other current liabilities	177,180	–	177,180
Total current liabilities	12,042,686	74,093	12,116,779
NET CURRENT ASSETS	7,792,732	(32,673)	7,760,059

	31 December 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	31 December 2017 *RMB'000* (restated)
TOTAL ASSETS LESS CURRENT LIABILITIES	61,814,586	9,931	61,824,517
NON-CURRENT LIABILITIES			
Deferred tax liabilities	322,858	–	322,858
Interest-bearing bank borrowings	1,409,175	–	1,409,175
Long term bonds	24,495,769	–	24,495,769
Deferred income	888,146	227	888,373
Employee benefit liabilities	20,857	–	20,857
Total non-current liabilities	27,136,805	227	27,137,032
Net assets	34,677,781	9,704	34,687,485
EQUITY			
Equity attributable to owners of the Company			
Issued capital	4,771,592	–	4,771,592
Reserves	29,783,261	9,704	29,792,965
	34,554,853	9,704	34,564,557
Non-controlling interests	122,928	–	122,928
Total equity	34,677,781	9,704	34,687,485

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2017

	Six months ended 30 June 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	Six months ended 30 June 2017 *RMB'000* (restated)
REVENUE	7,102,216	11,577	7,113,793
Sales surtaxes	(6,346)	(42)	(6,388)
Revenue, net of sales surtaxes	7,095,870	11,535	7,107,405
Other revenues	29,074	33	29,107
	7,124,944	11,568	7,136,512
Depreciation of property, plant and equipment and amortisation of intangible assets	(2,257,973)	(11,009)	(2,268,982)
Employee compensation costs	(1,703,455)	(10,813)	(1,714,268)
Repair and maintenance costs	(111,247)	(45)	(111,292)
Consumption of supplies, materials, fuel, services and others	(1,186,885)	(2,740)	(1,189,625)
Subcontracting expenses	(897,053)	(522)	(897,575)
Operating lease expenses	(217,432)	(120)	(217,552)
Other operating expenses	(513,372)	(1,957)	(515,329)
Total operating expenses	(6,887,417)	(27,206)	(6,914,623)
PROFIT/(LOSS) FROM OPERATIONS	237,527	(15,638)	221,889
Exchange (loss)/gain, net	(122,723)	2	(122,721)
Finance costs	(579,424)	–	(579,424)
Interest income	47,682	–	47,682
Investment income	124,966	–	124,966
Share of profits of joint ventures, net of tax	36,537	–	36,537
LOSS BEFORE TAX	(255,435)	(15,636)	(271,071)
Income tax expense	(94,931)	(93)	(95,024)
LOSS FOR THE PERIOD	(350,366)	(15,729)	(366,095)
Attributable to:			
Owners of the Company	(369,513)	(15,729)	(385,242)
Non-controlling interests	19,147	–	19,147
	(350,366)	(15,729)	(366,095)
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	(7.74) cents		(8.07) cents

	Six months ended 30 June 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	Six months ended 30 June 2017 *RMB'000* (restated)
LOSS FOR THE PERIOD	(350,366)	(15,729)	(366,095)
OTHER COMPREHENSIVE EXPENSE			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(181,269)	–	(181,269)
Net fair value loss on available-for-sale investments	(25,450)	–	(25,450)
Share of exchange differences of joint ventures	(3,460)	–	(3,460)
Income tax relating to items that may be reclassified subsequently to profit or loss	3,817	–	3,817
	(206,362)	–	(206,362)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF INCOME TAX	(206,362)		(206,362)
TOTAL COMPREHENSIVE EXPENSE FOR THE PERIOD	(556,728)	(15,729)	(572,457)
Attributable to:			
Owners of the Company	(573,765)	(15,729)	(589,494)
Non-controlling interests	17,037	–	17,037
	(556,728)	(15,729)	(572,457)

Condensed consolidated statement of financial position at 1 January 2017

	1 January 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	1 January 2017 *RMB'000* (restated)
NON-CURRENT ASSETS			
Property, plant and equipment	57,457,239	41,971	57,499,210
Other intangible assets	427,027	20,977	448,004
Investments in joint ventures	600,364	–	600,364
Other non-current assets	439,121	–	439,121
Deferred tax assets	68,514	–	68,514
Total non-current assets	58,992,265	62,948	59,055,213

	1 January 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	1 January 2017 *RMB'000* (restated)
CURRENT ASSETS			
Inventories	1,157,617	–	1,157,617
Prepayments, deposits and other receivables	442,960	1,597	444,557
Accounts receivable	4,795,964	53,020	4,848,984
Notes receivable	1,844,306	–	1,844,306
Other current assets	7,216,070	–	7,216,070
Pledged deposits	23,806	–	23,806
Cash and cash equivalents	6,071,069	–	6,071,069
Total current assets	21,551,792	54,617	21,606,409
CURRENT LIABILITIES			
Trade and other payables	9,304,300	112,118	9,416,418
Salary and bonus payables	776,939	5,411	782,350
Tax payable	101,124	–	101,124
Loan from a related party	693,700	–	693,700
Interest-bearing bank borrowings	5,296,469	–	5,296,469
Other current liabilities	543,649	–	543,649
Total current liabilities	16,716,181	117,529	16,833,710
NET CURRENT ASSETS	4,835,611	(62,912)	4,772,699
TOTAL ASSETS LESS CURRENT LIABILITIES	63,827,876	36	63,827,912
NON-CURRENT LIABILITIES			
Deferred tax liabilities	234,456	–	234,456
Provisions	14,505	–	14,505
Interest-bearing bank borrowings	2,057,206	–	2,057,206
Long term bonds	25,279,744	–	25,279,744
Deferred income	936,804	36	936,840
Employee benefit liabilities	8,783	–	8,783
Total non-current liabilities	28,531,498	36	28,531,534
Net assets	35,296,378	–	35,296,378

	1 January 2017 *RMB'000* (previously reported)	Business combination under common control *RMB'000*	1 January 2017 *RMB'000* (restated)
EQUITY			
Equity attributable to owners of the Company			
Issued capital	4,771,592	–	4,771,592
Reserves	30,434,776	–	30,434,776
	35,206,368	–	35,206,368
Non-controlling interests	90,010	–	90,010
Total equity	35,296,378	–	35,296,378

The effect of the business combination of entities under common control, described above, on the Group's basic loss per share for the six months ended 30 June 2017 is as follows:

	Impact on basic loss per share *RMB cents*
Figures before adjustments	(7.74)
Effect arising from business combination under common control	(0.33)
Figures after adjustments	(8.07)

The effect of business combination of entities under common control described above on the Group's net loss for the period for the six months ended 30 June 2017 is as follows:

	Net loss *RMB'000*
Reported figures before restatement	(369,513)
Restatement arising from business combination of entities under common control	(15,729)
Figures after adjustments	(385,242)

18. REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2018 have been reviewed with no disagreement by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

In the first half of 2018, the international crude oil price shocked up, which recovered to a certain extent compared with the same period last year. With increasing bidding opportunities, the capital expenditure in the overall oilfield services industry increased, and the workload of oilfield services market warmed up. Since the recovery of oilfield service industry has a lagging characteristic and the situation of oversupply in equipment has not improved fundamentally, the equipment services business is facing more competitive pressure than technical services business and the overall price of oilfield services industry has not yet recovered.

BUSINESS REVIEW

In the first half of 2018, international oil prices rebounded slowly and remained at a relatively stable price. However, the oilfield services industry still faced over-supply situation, and service prices were still at a low level. At the same time, as there is a lagging effect of oil prices on the oilfield services industry, the industry as a whole was at still in the stage of climbing up from the trough. During the period, the Group actively responded to fierce competition in the industry, further developed domestic and overseas markets, continued to promote technological development, enhanced research of technology products and transformation of scientific research results, and achieved certain operating results. As a result of efforts, the operation volume and utilization rate of the jack-up and semi-submersible drilling rigs and vessels of the Company's equipments in the first half of the year have been significantly improved, and the operation volume and revenue of the technical services business has achieved a rapid recovery. In the first half of 2018, the revenue of the Group amounted to RMB8,127.9 million, representing an increase of RMB1,020.5 million as compared with the same period last year. Net profit amounted to RMB-363.3 million, while net profit amounted to RMB-366.1 million for the same period last year.

Drilling Services Segment

The revenue of the drilling services segment in the first half of the year was RMB3,003.5 million, representing an increase of 13.1% as compared with RMB2,656.1 million for the same period last year.

In the first half of 2018, in the face of the slowly rising oil price and fierce market competition environment, on the one hand, the Group continued to promote cost refinement management, on the other hand, the Group took the initiative to develop the international market, actively revitalized equipment resources, and realized advance of market development frontline, and obtained several service contracts successfully. In the first half of the year, the Company's self-invested sixth-generation deep-water semi-submersible drilling rig "HYSY982" was officially delivered in Dalian, which further optimized and improved the high-end equipment echelon and international competitiveness of the Group, and so far it has completed the first ocean sailing and arrived at the working site and commenced operation; "NH9" launched the Indonesian semi-submersible platform drilling service contract in the first half of the year; with the good brand effect of "HYSY937", it successfully won the Indonesian operation opportunity for "COSLPower"; "COSLSeeker" has begun drilling service contracts in Cameroon and

Gabon in West Africa; "COSLGift" and "COSLStrike" obtained contracts for operations in the Middle East; "COSLConfidence" restarted the Mexican drilling service contract and received a 2,000-day no recordable incedent award, the flagpole role of "Star Rigs" in the Gulf of Mexico continued to be maintained and promoted; "COSLPioneer" began a one-year UK drilling service contract for the first time.

At the end of June 2018, the Group operated and managed a total of 46 drilling rigs (including 34 jack-up drilling rigs and 12 semi-submersible drilling rigs). 24 of them were operating in the coastal area of China, 11 were operating in international regions such as the North Sea of Norway, England, Mexico and Indonesia, and 9 rigs were on standby. During the first half of the year, the number of operating days of the Group's drilling rigs amounted to 5,166 days, representing an increase of 1,151 days, or 28.7% as compared with the same period last year. The calendar day utilization rate was 64.1%, representing an increase of 12.8 percentage points as compared with the same period last year due to the decrease in the number of standby days.

The operation details of the Group's jack-up and semi-submersible drilling rigs in the first half of 2018 are as follows:

	For the six months ended 30 June		
Drilling Services	**2018**	2017	Change
Operating days (day)	**5,166**	4,015	28.7%
Jack-up drilling rigs	**3,893**	3,363	15.8%
Semi-submersible drilling rigs	**1,273**	652	95.2%
Available day utilization rate	**66.9%**	54.6%	Up 12.3 percentage points
Jack-up drilling rigs	**65.9%**	59.1%	Up 6.8 percentage points
Semi-submersible drilling rigs	**70.4%**	39.3%	Up 31.1 percentage points
Calendar day utilization rate	**64.1%**	51.3%	Up 12.8 percentage points
Jack-up drilling rigs	**64.6%**	57.6%	Up 7.0 percentage points
Semi-submersible drilling rigs	**62.5%**	32.7%	Up 29.8 percentage points

As at 30 June 2018, the number of operating days of the jack-up drilling rigs of the Group amounted to 3,893 days, representing an increase of 530 days compared with the same period last year. The number of operating days of the semi-submersible drilling rigs amounted to 1,273 days, representing an increase of 621 days compared with the same period last year, mainly due to the decrease of standby days during the period.

In the first half of 2018, the average daily revenue of the Group's drilling rigs decreased as compared with the same period last year, details are as follows:

Average daily revenue (US$10,000 per day)	**For the six months ended 30 June 2018**	2017	Change	Percentage change
Jack-up drilling rigs	**5.7**	6.8	(1.1)	(16.2%)
Semi-submersible drilling rigs	**14.6**	18.8	(4.2)	(22.3%)
Subtotal of drilling rigs	**7.9**	8.7	(0.8)	(9.2%)

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

(2) USD/RMB exchange rate was 1:6.6166 on 29 June 2018 and 1:6.7744 on 30 June 2017, respectively.

Well Services Segment

In the first half of the year, the Group had an increase in the operation volume of main lines of the well services segment, and its overall revenue increased to RMB3,396.6 million accordingly, representing an increase of 28.6% compared with the same period last year.

In the first half of the year, the Group continued to maintain stable R&D investment, fully accelerated the transformation of scientific research results, continued to improve its technological profitability, and continuously created value for customers. The EFDT formation dynamic tester breaks through double-probe hanging and fine pumping technology, with the operation efficiency greatly improved and the operation ability for ultra-low permeability reservoir greatly enhanced; the deep-water cement head with independent intellectual property rights and wireless remote control have been successfully used in the deep water well of the South China Sea for the first time; the new water shutoff technology was unveiled in the South China Sea and completed the first water shutoff operation in China, and the moisture content of the working wells decreased from 92% to 76%; the large-diameter multi-layer filling tool was first applied to the Bohai 7-inch casing sand control operation, with the regular operation cycle shortened by 1/4; the polymer microsphere adjustment and control technology continued to expand the application in Bohai Oilfield, and single well group increased by 8,600 cubic meters in average.

The well service business achieved fruitful results in the first half of the year. During this time, the Group has won the Misan oilfield drilling and completion general integration service contract; won the bid for Indonesia's two-year production increase service contract and one-and-a-half-year rental service project of cementing pump; won the bid for the largest national oil company service contract in Indonesia, successfully launching the second cementing service cooperation; received an extension of the drilling and completion fluid contract from an Indonesian customer, and extended the operation until March 2020, while obtaining a new one-year service contract for drilling and completion fluids in the Indonesian market; won bids for two contracts for Indonesian wireline logging and directional well services; won bid for the large-scale self-developed slotted screen sales contract in the international market. Besides, the Group newly signed the cementing service contract in the Middle East.

Marine Support Services Segment

In the first half of 2018, revenue from the marine support services segment of the Group increased by 9.1% as compared with the same period last year to RMB1,242.1 million, among which, revenue from chartered vessels amounted to RMB236.5 million.

In the first half of the year, the Group's marine support services segment reduced its cost and improved its equipment maintenance capabilities through effective innovation and transformation in technology; established a long-term mechanism for safety management and strengthened intrinsic safety; in the face of fierce market competition, the marine support services segment made full use of effective resources. While ensuring domestic dominance, it actively expanded the international market and acquired new service contracts once again in the Mexican seas through brand value.

As at 30 June 2018, the operating days of the self-owned vessels of the Group's marine support services business amounted to 14,900 days, representing an increase of 1,494 days as compared with the same period last year, and the calendar day utilization rate increased by 4.1 percentage points to 89.3% as compared with the same period last year, which was mainly attributable to the decrease of standby days for the period, resulting in the increase of the operation volume and utilization rate of standby vessels and AHTS vessels. In addition, the operation volume of the Group's chartered vessels for the period also increased, with 4,666 days of operation which was 677 days more as compared with the same period last year. Details are set out in the following table:

	For the six months ended 30 June		Percentage
Marine Support Services (self-owned vessels)	**2018**	2017	change
Operating days (day)	**14,900**	13,406	11.1%
Standby vessels	**7,071**	6,016	17.5%
AHTS vessels	**4,630**	4,128	12.2%
Platform supply vessels	**2,165**	2,062	5.0%
Multi-purpose vessels	**314**	476	(34.0%)
Workover support barges	**720**	724	(0.6%)

Geophysical Acquisition and Surveying Services Segment

Revenue of the geophysical acquisition and surveying services segment of the Group was RMB485.7 million for the first half of the year, representing a decrease of RMB185.7 million, or 27.7% as compared with the same period last year, the revenue of acquisition business decreased mainly due to the newly added multi-client operations. The revenue of multi-client operations will be confirmed when the acquisition data can be sold in the future.

In the first half of 2018, geophysical business continued to consolidate the domestic sea acquisition market, won bid repeatedly for cooperative block projects, and continued to pay close attention to offshore wind power market; continued to make new breakthroughs in the overseas market. In the first half of this year, the operation contracts for Bangladesh 3D acquisition and Canada 2D acquisition projects were successfully entered into, and the northern Gabon 3D, Myanmar 3D, Bangladesh 3D and Argentina 2D projects were successfully completed; the dual-source high-efficiency acquisition technology of submarine cable was applied for production in Penglai working area, and the acquisition efficiency was increased by 30%.

In terms of operation volume, the Group actively explored the international market and adjusted the operation arrangement according to market situation, and at the same time participated in multi-client operation successfully. During the first half of the year, the Group's 2D acquisition business was 16,091 km, all of them were multi-client operations for international market; the Group's 3D acquisition was 15,836 km^2, among which, operation volume of 3D multi-client was 5,593 km^2; operation volume of submarine cable increased by 50.0% to 285 km^2 due to efficiency improvement. Details are as follows:

Geophysical Acquisition and Surveying Services	**For the six months ended 30 June 2018**	2017	Percentage change
2D			
Acquisition (km)	**16,091**	–	100%
of which: multi-client acquisition (km)	**16,091**	–	100%
3D			
Acquisition (km^2)	**15,836**	16,577	(4.5%)
of which: multi-client acquisition (km^2)	**5,593**	–	100%
submarine cable (km^2)	**285**	190	50.0%

FINANCIAL REVIEW

1 Analysis of condensed consolidated statement of profit or loss

1.1 Revenue

In the first half of the 2018, operation volume of the main business lines of four major business segments of the Group increased to different extent, revenue increased by RMB1,020.5 million, or 14.4% as compared with the same period last year. Details of analysis are as follows:

Revenue of each of the business segments in the first half of 2018:

Unit: RMB million **Business segments**	**For the six months ended 30 June** **2018**	2017 (Restated)	Change	Percentage change
Drilling services	**3,003.5**	2,656.1	347.4	13.1%
Well services	**3,396.6**	2,641.0	755.6	28.6%
Marine support services	**1,242.1**	1,138.9	103.2	9.1%
Geophysical acquisition and surveying services	**485.7**	671.4	(185.7)	(27.7%)
Total	**8,127.9**	7,107.4	1,020.5	14.4%

- Revenue generated from drilling services increased by 13.1% over the same period last year. The major reason was that both utilization rate and operation volume increased.

- Revenue of well services increased by 28.6% over the same period last year, which was mainly due to the increase in operation volume of most business lines.

- Revenue from marine support services increased by 9.1% over the same period last year, mainly due to the operation volume of self-owned vessels and chartered vessels increased during the period.

- Revenue from geophysical acquisition and surveying services decreased by 27.7% as compared with the same period last year, the revenue of acquisition business decreased mainly due to the newly added multi-client operations. The revenue of multi-client operations will be confirmed when the acquisition data can be sold in the future.

1.2 *Operating expenses*

In the first half of 2018, the operating expenses of the Group amounted to RMB8,469.0 million, representing an increase of RMB1,554.4 million or 22.5% from RMB6,914.6 million for the same period last year.

The table below shows the breakdown of operating expenses of the Group in the first half of 2018:

Unit: RMB million	**For the six months ended 30 June**			
	2018	2017 (Restated)	Change	Percentage change
Depreciation of property, plant and equipment and amortization of intangible assets	**2,039.0**	2,269.0	(230.0)	(10.1%)
Employee compensation costs	**2,030.6**	1,714.3	316.3	18.5%
Repair and maintenance costs	**141.8**	111.3	30.5	27.4%
Consumption of supplies, materials, fuel, services and others	**1,789.2**	1,189.6	599.6	50.4%
Subcontracting expenses	**1,349.2**	897.5	451.7	50.3%
Operating lease expenses	**513.4**	217.6	295.8	135.9%
Impairment of property, plant and equipment	**123.0**	–	123.0	100%
Impairment losses of accounts receivable and other receivables, net of reversal	**0.1**	–	0.1	100%
Other operating expenses	**482.7**	515.3	(32.6)	(6.3%)
Total operating expenses	**8,469.0**	6,914.6	1,554.4	22.5%

From the above breakdown in operating expenses, affected by the sale of large-scale assets and the decrease in long-term deferred expenses, this led to the depreciation of property, plant and equipment and the amortization of intangible assets decreased by RMB230.0 million.

Affected by the recovery of some rigs and the increase in operation volume, the employee compensation costs increased by RMB316.3 million as compared with the same period last year.

Affected by inspection and upgrade of large-scale equipment, repair and maintenance costs increased by RMB30.5 million.

Due to operation volume of most business lines increased, materials consumption cost increased by RMB599.6 million as compared with the same period last year.

Affected by the increase in operation volume, subcontracting expenses increased by RMB451.7 million as compared with the same period last year.

Due to the increase in operating demand and affected by adjustment of estimated liabilities for the same period of last year, operating lease expenses for the period increased by RMB295.8 million as compared with the same period last year.

Affected by downturn in global oilfield market, the utilization rate and service price of the Group's large-scale equipment have not returned to normal levels, and recognised impairment loss of RMB123.0 million for the period.

Other operating expenses decreased by RMB32.6 million as compared with the same period last year, mainly due to non-operating expenses decreased for the period.

The table below shows the operating expenses of each of the business segments in the first half of 2018:

Unit: RMB million	**For the six months ended 30 June**			
Business segments	**2018**	2017 (Restated)	Change	Percentage change
Drilling services	**3,685.4**	2,901.1	784.3	27.0%
Well services	**2,926.6**	2,162.4	764.2	35.3%
Marine support services	**1,166.0**	1,035.3	130.7	12.6%
Geophysical acquisition and surveying services	**691.0**	815.8	(124.8)	(15.3%)
Total	**8,469.0**	6,914.6	1,554.4	22.5%

1.3 Profit (loss) from operations

The loss from operations of the Group during the first half of 2018 amounted to RMB239.8 million, representing a decrease of RMB461.7 million as compared with the profit from operations amounting to RMB221.9 million for the same period last year.

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

Unit: RMB million	**For the six months ended 30 June**		
Business segments	**2018**	2017 (Restated)	Change
Drilling services	**(664.7)**	(235.3)	(429.4)
Well services	**518.9**	491.1	27.8
Marine support services	**88.7**	106.5	(17.8)
Geophysical acquisition and surveying services	**(182.7)**	(140.4)	(42.3)
Total	**(239.8)**	221.9	(461.7)

1.4 Financial expenses, net

In the first half of 2018, the net financial expenses of the Group were RMB381.3 million, representing a decrease of RMB273.2 million or 41.7% as compared to RMB654.5 million for the same period of last year, mainly due to the decrease in finance costs by RMB61.4 million and decrease in exchange loss by RMB211.6 million.

1.5 Investment income

During the first half of 2018, the investment income of the Group amounted to RMB93.7 million, representing a decrease of RMB31.3 million or 25.0% from RMB125.0 million for the same period last year, mainly due to the application of newly amended standards and revenue from liquidity funds and treasury bond related investments decreased.

1.6 Gains arising from financial assets at fair value through profit or loss

In the first half of 2018, due to new standards that been amended, gains arising from financial assets at fair value was adjusted to this item.

1.7 Share of profits of joint ventures, net of tax

In the first half of 2018, the Group's share of profits of joint ventures amounted to RMB54.7 million, representing an increase of RMB18.2 million as compared with RMB36.5 million for the same period last year, which was mainly attributable to the increase in the profits of some of our joint ventures during the period.

1.8 Other gains and losses

In the first half of 2018, the net income from disposal of non-current assets was RMB241.7 million.

1.9 Income tax

In the first half of 2018, the income tax expense of the Group was RMB156.6 million, representing an increase of RMB61.6 million or 64.8% as compared with RMB95.0 million for the same period last year, mainly due to profits of the Company increased during the period.

2.0 Loss for the period

In the first half of 2018, loss for the period of the Group was RMB363.3 million, representing a decrease in loss of RMB2.8 million as compared with RMB366.1 million for the same period last year.

2.1 Basic loss per share

In the first half of 2018, the Group's basic loss per share was RMB7.86 cents, representing a decrease in loss of RMB0.21 cent as compared with the loss per share of RMB8.07 cents for the same period of last year.

2 Analysis on condensed consolidated statement of financial position

As at 30 June 2018, total assets of the Group amounted to RMB72,768.1 million, representing a decrease of RMB1,173.2 million or 1.6% as compared with RMB73,941.3 million as at the end of 2017. Total liabilities were RMB38,665.8 million, representing a decrease of RMB588.0 million or 1.5% as compared with RMB39,253.8 million as at the end of 2017. Shareholders' equity was RMB34,102.4 million, representing a decrease of RMB585.1 million or 1.7% as compared with RMB34,687.5 million as at the end of 2017.

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

Unit: RMB million **Items**	**30 June 2018**	31 December 2017 (Restated)	Percentage change	Reasons
Other intangible assets	**283.4**	429.7	(34.0%)	Transfer of land use rights during the period.
Multi-client database	**130.8**	22.8	473.7%	Mainly due to the increase in multi-client operation during the period.
Contract costs (non-current assets)	**128.8**	–	100%	Due to application of new standards, mobilisation cost for the amortisation period over one year under the contract cost was adjusted to this item.

Unit: RMB million **Items**	**30 June 2018**	31 December 2017 (Restated)	Percentage change	Reasons
Other non-current assets	**162.0**	326.8	(50.4%)	Mobilisation costs of rigs were newly included in the contract cost during the period.
Accounts receivable	**8,443.6**	6,258.4	34.9%	Affected by industry environment and the approval process of clients, the accounts receivable increased during the period.
Notes receivable	**7.2**	85.5	(91.6%)	Cash was received due to the maturity of the notes receivable.
Contract costs (current assets)	**18.9**	–	100%	Due to application of new standards, mobilisation cost for the amortisation period less than one year under the contract cost was adjusted to this item.
Time deposits with maturity of over three months	**132.3**	28.9	357.8%	The time deposits with maturity of over three months held by the Group increased as compared with the beginning of the period.
Cash and cash equivalents	**5,077.9**	9,009.1	(43.6%)	Mainly due to the loan repayment, interest payments and distributing dividend during the period, while the investment in wealth management and liquidity funds increased.
Notes payable	**4.1**	–	100%	Notes payable increased during the period.
Tax payable	**213.3**	121.6	75.4%	Mainly due to tax payable increased during the period.
Contract liability (current liabilities)	**175.5**	–	100%	Due to application of new standards, advances received from equipment, advances received from operation and mobilisation revenue under the contract revenue were adjusted to this item.
Long term bonds (current liabilities)	**1,999.1**	–	100%	The three-year corporate bonds issued in 2016 will due within one year.
Other current liabilities	**341.5**	177.2	92.7%	Output value-added tax to be recognised increased during the period.

Unit: RMB million **Items**	**30 June 2018**	31 December 2017 (Restated)	Percentage change	Reasons
Contract liability (non-current liabilities)	**210.4**	–	100%	Due to application of new standards, mobilisation revenue and equipment compensation for amortisation period over one year were adjusted to this item.
Deferred revenue	**597.1**	888.4	(32.8%)	The equipment compensation and mobilisation revenue under the deferred revenue were adjusted to contract liabilities.

3 Analysis of consolidated statement of cash flows

At the beginning of 2018, the Group held cash and cash equivalents of RMB9,009.1 million. Net cash outflows from operating activities for the period amounted to RMB849.3 million. Net cash outflows from investing activities were RMB1,992.5 million. Net cash outflows from financing activities were RMB1,147.7 million. The impact of foreign exchange fluctuations on cash was an increase of RMB58.3 million. As at 30 June 2018, the Group's cash and cash equivalents amounted to RMB5,077.9 million.

3.1 Cash flows from operating activities

For the six months ended 30 June 2018, the Group's net cash outflows from operating activities amounted to RMB849.3 million, the cash inflows from operating activities amounted to RMB396.9 million for the same period of last year, mainly due to the proceeds from the sales of goods and rendering of services.

3.2 Cash flows from investing activities

For the six months ended 30 June 2018, the net cash outflows from the Group's investing activities amounted to RMB1,992.5 million, representing an increase of RMB5,557.5 million in cash outflows as compared with the same period last year. This was mainly due to the cash outflows paid for purchase of property, plant, and equipment and other intangible assets decreased by RMB940.6 million as compared with the same period last year; the cash outflows paid for the purchase of corporate wealth management products, liquidity funds and treasury bond related investments increased by RMB1,800.0 million as compared with the same period last year; the cash inflows received from the disposal of corporate wealth management products, liquidity funds and treasury bond related investments decreased by RMB4,970.9 million as compared with the same period last year; the net cash outflows for time deposits with maturity over three months increased by RMB98.6 million as compared with the same period last year; and the total increase of cash inflows of other investing activities was RMB371.4 million.

3.3 Cash flows from financing activities

For the six months ended 30 June 2018, the Group's net cash outflows from financing activities amounted to RMB1,147.7 million, representing a decrease of RMB2,989.0 million in cash outflows over the same period last year. This was mainly due to no new financing activities and so the cash inflows from financing activities decreased by RMB1,722.9 million as compared with the same period last year; the cash outflows paid for the repayment of bank borrowings decreased by RMB4,728.5 million as compared with the same period last year; and the total increase of cash outflows of other financing activities was RMB16.6 million.

3.4 The impact of foreign exchange rate changes on cash during the period was an increase of RMB58.3 million.

4 Capital Expenditure

In the first half of 2018, the capital expenditure of the Group was RMB595.3 million, representing a decrease of RMB771.1 million or 56.4% as compared with RMB1,366.4 million for the same period last year.

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

Unit: RMB million	**For the six months ended 30 June**			Percentage
Business segments	**2018**	2017 (Restated)	Change	change
Drilling services	**326.2**	629.9	(303.7)	(48.2%)
Well services	**78.3**	346.5	(268.2)	(77.4%)
Marine support services	**37.8**	377.0	(339.2)	(90.0%)
Geophysical acquisition and surveying services	**153.0**	13.0	140.0	1,076.9%
Total	**595.3**	1,366.4	(771.1)	(56.4%)

The capital expenditure of the drilling services segment was mainly used for one 5,000 ft. semi-submersible drilling rig and transformation and renovation of rigs. The capital expenditure of the well services segment was mainly used for the construction and purchase of relevant well services equipment relating to such business segment. The capital expenditure of the marine support services segment was mainly used for construction of oilfield utility vessels and Standby vessels. The increase in capital expenditure of geophysical acquisition and surveying services business was mainly for multi-client data development expenditure.

5 Major Subsidiaries

COSL America, Inc., COSL Norwegian AS ("CNA"), COSL Singapore Limited, COSL DRILLING STRIKE PTE. LTD.and COSL PROSPECTOR PTE. LTD. are major subsidiaries of the Group engaged in drilling services and well services relevant operations.

As at 30 June 2018, the total assets of COSL America, Inc. amounted to RMB842.4 million and equity was RMB-161.0 million. COSL America, Inc. realized revenue of RMB207.9 million in the first half of 2018, representing a decrease of RMB52.6 million or 20.2% as compared with same period last year. The net profit amounted to RMB-100.2 million, representing an increase in loss of RMB73.9 million as compared with last year due to decrease of workload.

As at 30 June 2018, the total assets of CNA amounted to RMB12,118.6 million and equity was RMB-243.2 million. CNA realized revenue of RMB984.6 million in the first half of 2018, representing an increase of RMB421.0 million or 74.7% as compared with the same period last year. The major reason of revenue increase was that operation volume increased. The net profit amounted to RMB -266.0 million, representing an increase in loss of RMB35.8 million as compared with the same period last year, which was effected by the increase of staff costs and preparation expense due to the workload recovery.

As at 30 June 2018, the total assets of COSL Singapore Limited amounted to RMB26,256.7 million and equity was RMB2,587.4 million. COSL Singapore Limited realized revenue of RMB619.7 million in the first half of 2018, representing a decrease of RMB250.2 million or 28.8% as compared with same period last year. The net profit amounted to RMB-884.2 million, representing an increase in loss of RMB301.5 million as compared with same period last year, which was effected by downturn in global oilfield market, the utilization rate and service price of the large-scale equipment have not returned to normal levels, and recognized impairment loss of RMB123.0 million in this period. Thereinto, COSL DRILLING STRIKE PTE. LTD., COSL PROSPECTOR PTE. LTD. are major subsidiaries of COSL Singapore Limited.

As at 30 June 2018, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB4,832.4 million and equity was RMB-1,403.5 million. COSL DRILLING STRIKE PTE. LTD. realized revenue of RMB180.4 million, representing a decrease of RMB50.4 million as compared with the same period last year; and the net profit amounted to RMB-207.9 million in the first half of 2018, representing a decrease in loss of RMB27.8 million as compared with the same period last year.

As at 30 June 2018, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,845.4 million and equity was RMB-2,111.0 million. COSL PROSPECTOR PTE. LTD. realized revenue of RMB83.6 million in the first half of 2018, representing an increase of RMB28.4 million or 51.4% as compared with same period last year. The net profit amounted to RMB-648.4 million, representing an increase in loss of RMB206.6 million as compared with same period last year, which was effected by the non-sufficient workload and the impairment loss.

PROSPECT

Looking forward to the second half of 2018, the price of crude oil will remain sustaining volatile. The oilfield services industry is supposed to further slowly recovery with the warm up of the oil price and the growth expenditure of exploration and development, which is conductive to the development of business segments of the Company. The Company will grasp the opportunity of the recovery of the industry, as well as starting a new undertaking and striving to achieve its target of "dual 50%".

SUPPLEMENTARY INFORMATION

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the risk management, internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2018 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2018, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereafter referred to as the "Listing Rules").

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

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors have confirmed that they have, for the six months ended 30 June 2018, complied with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2018.

PROGRESS OF BUSINESS PLAN

In the first half of 2018, the revenue of the Company increased to RMB8.14 billion. Affected by the situation of oversupply in equipment, the incremental expenses for preparation before operation and compliance delay in some customers' projects, the net profit attributable to shareholders of the Company was RMB -0.375 billion, basically as same as the same period last year. It's supposed that the workload in the third quarter will further increase compared with the second quarter. Meanwhile, the operating cost of the Company are under pressure such as delay in some customers' projects, the high-demanding of environmental and so on. The Company will strive for a better operating results through various measures, especially by strengthening cost control.

MISCELLANEOUS

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. (the "CNOOC Infrastructure"). As at the date of this report, the Company has completed the transfer of the land use right with CNOOC Infrastructure and CNOOC Infrastructure has completed the registration of land use right. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

In December 2016, COSL Offshore Management AS ("COM", a subsidiary of the Company) as a plaintiff filed a Statement of Claim (the "Claim") against Statoil Petroleum AS (hereinafter "Statoil") with Oslo District Court of Norway through WIKBORG, REIN & CO. ADVOKATFIRMA DA, an international law firm based in Norway, as litigation agent. COM has claimed that Statoil's termination of the contract in respect of the drilling rig of COSLInnovator was unlawful and has claimed the contract to be maintained. If the contract cannot be maintained, COM has claimed that Statoil is obliged to cover COM's loss resulting from the unlawful termination, and the exact amount of damages will be subject to subsequent proceedings. Oslo City Court entered into a judgement on 15 May 2018. The judgement may be appealed by either party within one month following the date of legal notice of the judgement was served. Statoil has recently changed its corporate name to Equinor Petroleum AS (hereinafter "Equinor"). On 14 June 2018, Equinor appealed to Borgarting Court of Appeal being the relevant appeal court in Norway. On 14 June 2018, COM has subsequently filed an independent appeal concerning the cancellation for convenience, since COM is of the view that the cancellation for convenience is unlawful and COM should accordingly be entitled to damages for the loss suffered. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

In January 2017, COM, a subsidiary of the Company as plaintiff, has filed a Statement of Claim through WIKBORG REIN ADVOKATFIRMA AS, an international law firm based in Norway, as litigation agent, to Oslo District Court against Statoil. COM is of the view that Statoil shall responsible for the cost reimbursement and rate reductions happened in the period of year 2016 in amount up to the equivalence of US$15,238,596 regarding the COSLPromoter, a drilling platform. For more information, please refer to the relevant announcements issued by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

In January 2018, the Company entered into the assets and personnel transfer contract (the "Assets and Personnel Transfer Contract") with CNOOC Energy Technology & Services Limited (the "CNOOC Development"). Pursuant to the Assets and Personnel Transfer Contract, the Company agreed to purchase assets, credits and debts, and receive the personnel related to seismic data processing business of CNOOC Ener Tech-Drilling & Production Co. Data Processing Co., from CNOOC Development. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

In January 2018, the Company entered into the drilling and workover rigs business and related assets transfer contract (the "Drilling and Workover Rigs Transfer Contract") with CNOOC Development and CNOOC Energy Technology & Services Equipment Technology Company (the "Equipment Company"). Pursuant to the Drilling and Workover Rigs Transfer Contract, the Company agreed to purchase the drilling and workover rigs business and related assets which are owned and operated by CNOOC Development and Equipment Company, and receive the personnel related to the business and assets to be transferred. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2017, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

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

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

22 August 2018

As at the date of this announcement, the executive directors of the Company are Messrs. Qi Meisheng (Chairman) and Cao Shujie; the non-executive directors of the Company are Messrs. Meng Jun and Zhang Wukui; and the independent non-executive directors of the Company are Messrs. Law Hong Ping, Lawrence, Fong Chung, Mark and Wong Kwai Huen, Albert.