COSL

中海油田服務股份有限公司
China Oilfield Services Limited

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

1. Revenue was RMB21,886.6 million
2. Profit from operations was RMB643.5 million
3. Profit for the year was RMB88.7 million
4. Basic earnings per share were RMB1.48 cents
5. Total assets were RMB74,687.0 million
6. Total equity was RMB34,677.4 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000 (Restated)
REVENUE	5	**21,945,877**	17,516,288
Sales surtaxes		**(59,249)**	(57,734)
Revenue, net of sales surtaxes		**21,886,628**	17,458,554
Other income	6	**284,090**	324,056
Depreciation of property, plant and equipment and amortisation of intangible assets		**(4,262,776)**	(4,488,936)
Employee compensation costs	7	**(5,026,085)**	(4,031,973)
Repair and maintenance costs		**(523,764)**	(364,063)
Consumption of supplies, materials, fuel, services and others		**(4,954,252)**	(3,069,432)
Subcontracting expenses		**(3,578,949)**	(2,367,934)
Operating lease expenses	7	**(1,126,191)**	(594,735)
Other operating expenses		**(1,516,863)**	(1,309,038)
Impairment of property, plant and equipment	11	**(122,962)**	(4,942)
Impairment losses of accounts receivable and other receivables, net of reversal		**(415,364)**	(83,602)
Total operating expenses		**(21,527,206)**	(16,314,655)
PROFIT FROM OPERATIONS		**643,512**	1,467,955
Exchange gain/(loss), net		**358,647**	(388,092)
Finance costs		**(1,082,501)**	(1,100,941)
Interest income		**107,552**	99,575
Investment income	7	**164,730**	187,545
Gains arising from financial assets at fair value through profit or loss	7	**49,441**	–
Share of profits of joint ventures, net of tax		**184,288**	106,867
Other gains and losses	7	**280,660**	(30,644)
PROFIT BEFORE TAX	7	**706,329**	342,265
Income tax expense	8	**(617,657)**	(261,350)
PROFIT FOR THE YEAR		**88,672**	80,915
Attributable to:			
Owners of the Company		**70,802**	42,771
Non-controlling interests		**17,870**	38,144
		88,672	80,915
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	10	**1.48 cents**	0.90 cent

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
PROFIT FOR THE YEAR	**88,672**	80,915
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	**(4,265)**	(6,845)
Income tax relating to item that will not be reclassified subsequently to profit or loss	**981**	1,684
	(3,284)	(5,161)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**185,846**	(401,614)
Net fair value loss on available-for-sale investment	**–**	(42,246)
Share of other comprehensive income/(expense) of joint ventures, net of related income tax	**4,564**	(8,559)
Income tax relating to item that may be reclassified subsequently to profit or loss	**11,296**	6,352
	201,706	(446,067)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF INCOME TAX	**198,422**	(451,228)
TOTAL COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR	**287,094**	(370,313)
Attributable to:		
Owners of the Company	**262,492**	(403,231)
Non-controlling interests	**24,602**	32,918
	287,094	(370,313)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	31 December 2018 RMB'000	31 December 2017 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**51,533,128**	52,631,646
Goodwill	12	**–**	–
Other intangible assets		**289,502**	429,723
MultiClient library	13	**139,707**	22,821
Investments in joint ventures		**679,162**	582,702
Available-for-sale investment		**–**	–
Financial assets at fair value through profit or loss		**–**	–
Contract costs		**172,893**	–
Other non-current assets		**97,816**	326,766
Deferred tax assets	19	**65,869**	70,800
Total non-current assets		**52,978,077**	54,064,458
CURRENT ASSETS			
Inventories		**1,326,755**	1,148,507
Prepayments, deposits and other receivables	14	**390,106**	461,998
Accounts receivable	15	**8,015,313**	6,258,372
Notes receivable	16	**232,904**	85,533
Financial assets at fair value through profit or loss		**1,749,723**	–
Contract costs		**53,023**	–
Other current assets		**6,601,235**	2,843,392
Pledged deposits	17	**27,657**	41,092
Time deposits with maturity of over three months	17	**143,242**	28,870
Cash and cash equivalents	17	**3,168,969**	9,009,074
Total current assets		**21,708,927**	19,876,838
CURRENT LIABILITIES			
Trade and other payables	18	**9,272,434**	8,133,509
Notes payable		**50,266**	–
Salary and bonus payables		**909,174**	834,110
Tax payable		**373,566**	121,630
Loan from a related party	20	**1,372,640**	2,286,970
Interest-bearing bank borrowings	21	**596,081**	563,380
Long term bonds	22	**4,098,824**	–
Contract liabilities		**154,410**	–
Other current liabilities		**183,648**	177,180
Total current liabilities		**17,011,043**	12,116,779
NET CURRENT ASSETS		**4,697,884**	7,760,059
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,675,961**	61,824,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2018

	Notes	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000* (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*19*	**286,560**	322,858
Interest-bearing bank borrowings	*21*	**787,631**	1,409,175
Long term bonds	*22*	**21,069,892**	24,495,769
Contract liabilities		**308,000**	–
Deferred income	*23*	**522,839**	888,373
Employee benefit liabilities		**23,633**	20,857
Total non-current liabilities		**22,998,555**	27,137,032
Net assets		**34,677,406**	34,687,485
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*24*	**4,771,592**	4,771,592
Reserves		**29,758,284**	29,792,965
		34,529,876	34,564,557
Non-controlling interests		**147,530**	122,928
Total equity		**34,677,406**	34,687,485

1. GENERAL

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

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

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

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

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

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

The Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants for the first time in the current year:

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.

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 15 Revenue from Contracts with Customers

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

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.

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

Information about the Group's performance obligations resulting from application of HKFRS 15 is disclosed in note 5.

Summary of effects arising from initial application of HKFRS 15

The following adjustments were made to the amounts recognised in the 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 25).

** 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 and contract agency fees. 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 of HKFRS 15, balances of RMB68,160,000 related to the mobilisation fee 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 consolidated statement of financial position as at 31 December 2018, its consolidated statement of profit or loss and its consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2018 for each of the line items affected. Line items that were not affected by the changes have not been included.

Impact on the 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		172,893	(172,893)	–
Other non-current assets		97,816	172,893	270,709
Current assets				
Contract costs		53,023	(53,023)	–
Other current assets		6,601,235	53,023	6,654,258
Current liabilities				
Trade and other payables	*18*	9,272,434	141,348	9,413,782
Contract liabilities		154,410	(154,410)	–
Deferred income		–	13,062	13,062
Non-current liabilities				
Contract liabilities		308,000	(308,000)	–
Deferred income	*23*	522,839	308,000	830,839

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

	Notes	As reported	Adjustments	Amounts without application of HKFRS 15
		RMB'000	*RMB'000*	*RMB'000*
Revenue				
Revenue, net of sales surtaxes	*a*	21,886,628	(5,667)	21,880,961
Profit before taxation		706,329	(5,667)	700,662
Income tax expense		617,657	(253)	617,404
Profit for the year		88,672	(5,414)	83,258
Total comprehensive income for the year		287,094	(5,414)	281,680
Earnings per share attributable to owners of the Company		1.48 cents	(0.11) cent	1.37 cents

Note:

(a) Under IFRS 15, the Group recognised certain revenue related to contractual performance obligations of RMB 5,667,000 fulfilled in 2018, previously recognised in 2017 before the application of IFRS 15. The change in accounting policy increased 2018 revenue and profit for the year by RMB5,667,000 and RMB5,414,000, respectively.

Impact on the consolidated statement of cash flows

	As reported	Adjustments	Amounts without application of HKFRS 15
	RMB'000	*RMB'000*	*RMB'000*
OPERATING ACTIVITIES			
Profit before taxation	706,329	(5,667)	700,662
Increase in accounts receivable	(2,069,956)	5,667	(2,064,289)
Cash generated from operations	4,512,629	–	4,512,629

2.2 HKFRS 9 Financial Instruments

In the current year, the Group has applied HKFRS 9 Financial Instruments, Amendments to HKFRS9 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 under ECL model) 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.

Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement 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 investment**	**Other current assets**	**Financial assets at fair value through profit or loss ("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 investment	*(a)*	–	–	–	–	–
From other current assets	*(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 25).

Notes:

(a) At the date of initial application of HKFRS 9, the Group's unlisted equity investment was reclassified from available-for-sale investment to 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.

(c) The adoption of IFRS 9 has had no material impact on the Group's impairment under expected credit loss model at 1 January 2018.

2.3 Impacts on opening 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 consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item affected, line items that were not affected by the changes have not been included.

	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 investment	–	–	–	–
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 25).

Note: For the purposes of reporting cash flows from operating activities under indirect method for the year ended 31 December 2018, movements in working capital have been computed based on opening statement of financial position as at 1 January 2018 as disclosed above.

2.4 New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 3	Definition of a Business[4]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKAS 1 and HKAS 8	Definition of Material[5]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or after 1 January 2021.

4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

5 Effective for annual periods beginning on or after 1 January 2020

Except for the new and amendments to HKFRSs and Interpretations mentioned below, the Directors anticipate that the application of all other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

HKFRS 16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 Leases and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, HKFRS 16 requires sales and leaseback transactions to be determined based on the requirements of HKFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. HKFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurment of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for own use while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payment in relation to lease liability will be allocated into a principal and an interest portion which will be both presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

Under HKAS 17, the Group has already recognised an asset and a related finance lease liability for finance lease arrangement and prepaid lease payments for leasehold lands where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

Other than certain requirements which are also applicable to lessor, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB2,048,554,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases, unless they qualify for low value or short-term leases.

Based on the definition of lease payments under HKFRS 16, refundable rental deposits paid by the Group are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets. As at 31 December 2018, such refundable rental deposits paid is not material, as a result, the Directors do not anticipate that adjusting such deposits to amortised cost will have a material impact on the carrying amount of such deposits.

Upon application of HKFRS 16, the Group will apply the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial liabilities within the scope of HKFRS 9. In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group intends to elect the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying HKAS 17 and HK(IFRIC)-Int 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. Furthermore, the Group intends to elect the modified retrospective approach for the application of HKFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

Amendments to HKFRS 3 Definition of a Business

The amendments clarify the definition of a business and provide additional guidance with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or an asset acquisition. Furthermore, an optional concentration test is introduced to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The amendments will be mandatorily effective to the Group prospectively for acquisition transactions completed on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 Definition of Material

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgements. The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

3. SIGNIFICANT EVENT IN THE YEAR

In December 2016, COSL Offshore Management AS ("COM", a subsidiary of the Company) as a plaintiff filed a claim (the "Claim") against Statoil Petroleum AS (hereinafter "Statoil") with a court in Norway, claiming that Statoil's termination of a contract was unlawful and for the contract to be maintained or otherwise Statoil is obliged to cover COM's loss resulting from the unlawful termination. The court delivered a judgement on 15 May 2018 against Equinor Petroleum AS (Statoil's new company name, hereinafter "Equinor") with an award of damages in COM's favor. On 14 June 2018, Equinor appealed and COM filed on the same day for its entitlement to the damages against Equinor's appeal. As of the issuance date of this consolidated financial statements, no further court hearing has taken place.

The Directors consider the award of damages as a contingent asset and has not recognised it as a receivable at 31 December 2018 as receipt of such award of damages is dependent on the outcome of the further court process.

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 year ended 31 December 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 profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains/(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.

Year ended 31 December 2018	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	7,749,875	9,792,596	2,698,148	1,646,009	21,886,628
Sales surtaxes	15,784	29,662	8,343	5,460	59,249
Sales to external customers, before net of sales surtaxes	7,765,659	9,822,258	2,706,491	1,651,469	21,945,877
Intersegment sales	102,271	60,955	202,451	1,654	367,331
Segment revenue	7,867,930	9,883,213	2,908,942	1,653,123	22,313,208
Elimination	(102,271)	(60,955)	(202,451)	(1,654)	(367,331)
Group revenue	7,765,659	9,822,258	2,706,491	1,651,469	21,945,877
Segment results	(1,030,943)	1,765,242	289,324	84,837	1,108,460
Reconciliation:					
Exchange gain, net					358,647
Finance costs					(1,082,501)
Interest income					107,552
Investment income					164,730
Gains arising from financial assets at FVTPL					49,441
Profit before tax					706,329
Income tax expense					617,657
As at 31 December 2018					
Segment assets	44,231,273	8,033,369	7,693,239	4,329,946	64,287,827
Unallocated assets					10,399,177
Total assets					74,687,004
Segment liabilities	4,304,514	4,625,860	1,112,851	1,153,677	11,196,902
Unallocated liabilities					28,812,696
Total liabilities					40,009,598
Other segment information:					
Capital expenditure	1,252,427	642,146	200,619	302,766	2,397,958
Depreciation of property, plant and equipment and amortisation of intangible assets	2,549,661	705,041	642,896	365,178	4,262,776
Impairment of accounts receivable	430,895	1,695	384	368	433,342
Reversal of impairment of other receivables	(5,237)	(8,483)	(2,601)	(1,657)	(17,978)
Impairment of inventories	1,651	2,089	575	351	4,666
Impairment of property, plant and equipment	122,962	–	–	–	122,962
Share of (losses)/profits of joint ventures	(3,073)	138,610	–	48,751	184,288
Investments in joint ventures	–	518,243	–	160,919	679,162

Year ended 31 December 2017 (restated)	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	6,340,799	6,995,618	2,437,812	1,684,325	17,458,554
Sales surtaxes	16,039	26,998	8,958	5,739	57,734
Sales to external customers, before net of sales surtaxes	6,356,838	7,022,616	2,446,770	1,690,064	17,516,288
Intersegment sales	77,055	82,582	103,995	4,549	268,181
Segment revenue	6,433,893	7,105,198	2,550,765	1,694,613	17,784,469
Elimination	(77,055)	(82,582)	(103,995)	(4,549)	(268,181)
Group revenue	6,356,838	7,022,616	2,446,770	1,690,064	17,516,288
Segment results	(124,194)	1,464,878	294,486	(90,992)	1,544,178
Reconciliation:					
Exchange loss, net					(388,092)
Finance costs					(1,100,941)
Interest income					99,575
Investment income					187,545
Profit before tax					342,265
Income tax expense					261,350
As at 31 December 2017 (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
Other segment information:					
Capital expenditure	1,074,604	653,195	466,160	105,761	2,299,720
Depreciation of property, plant and equipment and amortisation of intangible assets	2,587,793	728,306	607,959	564,878	4,488,936
Impairment of accounts receivable	86,969	(13,387)	(2,882)	(1,990)	68,710
Impairment of other receivables	5,405	5,971	2,079	1,437	14,892
Reversal of impairment of inventories	(187)	(205)	(72)	(50)	(514)
Impairment of property, plant and equipment	–	–	4,942	–	4,942
Share of (losses)/profits of joint ventures	(5,657)	96,439	–	16,085	106,867
Investments in joint ventures	–	443,775	–	138,927	582,702

Geographical information

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

In determining the Group's geographical information, revenue is presented below based on the location of operations. Information about the Group's non-current assets is presented based on the geographical location of the assets.

The following table presents revenue and non-current assets (excluding goodwill, investments in joint ventures, financial instruments and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2018 and 2017.

Year ended/as at 31 December 2018	**Domestic**	**International**		**Total**
		North sea	**Others**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**16,284,807**	**1,446,332**	**4,214,738**	**21,945,877**
Less: Sales surtaxes	**(59,249)**	**–**	**–**	**(59,249)**
Sales to external customers, net of sales surtaxes	**16,225,558**	**1,446,332**	**4,214,738**	**21,886,628**
Non-current assets:	**26,946,913**	**12,469,385**	**12,816,748**	**52,233,046**

Year ended/as at 31 December 2017 (restated)	Domestic	International		Total
		North sea	Others	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	13,193,700	1,033,859	3,288,729	17,516,288
Less: Sales surtaxes	(57,734)	–	–	(57,734)
Sales to external customers, net of sales surtaxes	13,135,966	1,033,859	3,288,729	17,458,554
Non-current assets:	31,067,791	9,734,108	12,609,057	53,410,956

Information about a major customer

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control of CNOOC Limited, accounted for 76% (2017: 75%) of the total sales of the Group for the year ended 31 December 2018.

5. REVENUE

(A) For the year ended 31 December 2018

(a) Disaggregation of revenue from contracts with customers

	For the year ended 31 December 2018				
	Drilling services	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Geographical markets					
Domestic	**4,226,449**	**8,223,615**	**2,553,136**	**1,281,607**	**16,284,807**
North Sea	**1,446,332**	**–**	**–**	**–**	**1,446,332**
Others	**2,092,878**	**1,598,643**	**153,355**	**369,862**	**4,214,738**
Total	**7,765,659**	**9,822,258**	**2,706,491**	**1,651,469**	**21,945,877**
Timing of revenue recognition					
At a point of time	**–**	**53,349**	**–**	**88,292**	**141,641**
Over time	**7,765,659**	**9,768,909**	**2,706,491**	**1,563,177**	**21,804,236**
Total	**7,765,659**	**9,822,258**	**2,706,491**	**1,651,469**	**21,945,877**
Type of customer					
CNOOC Limited Group	**4,124,740**	**8,901,508**	**2,461,746**	**1,168,780**	**16,656,774**
Others	**3,640,919**	**920,750**	**244,745**	**482,689**	**5,289,103**
Total	**7,765,659**	**9,822,258**	**2,706,491**	**1,651,469**	**21,945,877**

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

	For the year ended 31 December 2018		
	Segment revenue	**Adjustments and eliminations**	**Consolidated**
	RMB'000	*RMB'000*	*RMB'000*
Drilling Services	**7,867,930**	**(102,271)**	**7,765,659**
Well Services	**9,883,213**	**(60,955)**	**9,822,258**
Marine Support Services	**2,908,942**	**(202,451)**	**2,706,491**
Geophysical Acquisition and Surveying Services	**1,653,123**	**(1,654)**	**1,651,469**
Revenue from contracts with customers	**22,313,208**	**(367,331)**	**21,945,877**

(b) Performance obligations for contracts with customers

(i) Drilling Services

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

(ii) Well Services

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

(iii) Marine Support Services

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

(iv) Geophysical Acquisition and Surveying Services

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

(c) Transaction price allocated to the remaining performance obligation for contracts with customers

	As at 31 December 2018				
	Drilling services *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Total** *RMB'000*
Within one year	**117,836**	**594,884**	**–**	**525,060**	**1,237,780**
In the second to fifth year, inclusive	**191,953**	**34,175**	**–**	**476**	**226,604**
After five years	**1,019**	**–**	**–**	**–**	**1,019**
Total	**310,808**	**629,059**	**–**	**525,536**	**1,465,403**

The Group's most contracts with customers generally provide for payment on a day rate or operation volume basis. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not included in the table above.

B. For the year ended 31 December 2017

An analysis of revenue is as follows:

	2017 *RMB'000* (Restated)
Revenue:	
Rendering of services	17,516,288

6. OTHER INCOME

	2018 *RMB'000*	2017 *RMB'000* (Restated)
Insurance claims received	**22,081**	28,842
Government grants (i)	**191,009**	156,336
Compensation income on late delivery of assets (ii)	**61,450**	100,222
Others	**9,550**	38,656
Total	**284,090**	324,056

(i) Government grants include release of deferred income of RMB141,372,000 for the year. (2017: RMB95,358,000) (note 23).

(ii) Due to late delivery of certain vessels from suppliers, incremental costs were incurred as extra vessels were chartered by the Group in order to meet the working requirement of customers. The suppliers reimbursed the Group of these actual incremental costs incurred and it was accounted for as compensation income on late delivery of assets in other income upon the compensation agreement reached between the Group and suppliers.

7. PROFIT BEFORE TAX

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**3,686,628**	2,858,033
Social security costs	**866,469**	769,179
Retirement benefits and pensions	**472,988**	404,761
	5,026,085	4,031,973
Auditor's remuneration	**14,266**	15,927
Gain/(loss) on disposal of plant and equipment, net	**246,240**	(30,644)
Gain on disposal of intangible assets	**34,420**	–
Lease expenses under operating leases in respect of land and buildings, berths and equipment	**1,126,191**	594,735
Provision/(reversal) of impairment of inventories	**4,666**	(514)
Income from investments in floating rate corporate wealth management products and liquidity funds related investments	**19,984**	71,802
Income from investments in fixed rate corporate wealth management products and treasury bond related investments	**144,746**	115,743
Gain arising on change in fair value of financial assets at FVTPL	**49,441**	–
Cost of inventories recognised as an expense	**2,672,589**	1,512,922
Research and development costs, included in:	**742,103**	599,033
Depreciation of property, plant and equipment	**102,145**	107,372
Employee compensation costs	**263,562**	210,491
Consumption of supplies, materials, fuel, services and others	**376,396**	281,170

8. 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.

According to the HNTE certificate renewed by the Group's subsidiary COSL Chemicals (Tianjin), Ltd in October 2017, the CIT rate of COSL Chemicals (Tianjin), Ltd is to be 15% for the period from 2017 to 2019.

According to the HNTE certificate renewed by the Group's subsidiary COSL Deepwater Technology Co. Ltd. in 2016, the CIT rate of COSL Deepwater Technology Co. Ltd is to be 15% for the period from 2016 to 2018.

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

Countries and regions	**2018**	2017
Indonesia	**25%**	25%
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%
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:

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Hong Kong profits tax	–	–
Overseas income taxes:		
Current	**198,700**	81,426
Deferred	**(13,951)**	(27,583)
PRC corporate income taxes:		
Current	**455,351**	132,143
Deferred	**(17,661)**	121,742
Over provision in prior years	**(4,782)**	(46,378)
Total tax charge for the year	**617,657**	261,350

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

	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
			(Restated)	
Profit before tax	**706,329**		342,265	
Tax at the statutory tax rate of 25% (2017: 25%)	**176,582**	**25.0**	85,566	25.0
Tax effect as an HNTE	**(322,521)**	**(45.7)**	(170,097)	(49.7)
Tax effect of income not subject to tax	**(13,320)**	**(1.9)**	(14,919)	(4.4)
Tax effect of share of profit of joint ventures	**(46,072)**	**(6.5)**	(26,717)	(7.8)
Tax effect of expense not deductible for tax	**17,030**	**2.3**	37,768	11.0
Tax benefit for qualifying research and development expenses	**(82,241)**	**(11.6)**	(60,319)	(17.6)
Effect of non-deductible expenses and different tax rates for overseas subsidiaries	**815,555**	**115.5**	400,605	117.2
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**(3,295)**	**(0.5)**	(58,315)	(17.0)
Tax effect of tax losses and deductible temporary differences unrecognised	**93,641**	**13.3**	5,980	1.7
Utilisation of tax losses previously not recognised	**(26,417)**	**(3.7)**	–	–
Tax effect on translation adjustment (a)	**(7,080)**	**(1.0)**	79,210	23.1
Over provision in respect of prior years	**(4,782)**	**(0.7)**	(46,378)	(13.6)
Others	**20,577**	**2.9**	28,966	8.5
Total tax charge at the Group's effective tax rate	**617,657**	**87.4**	261,350	76.4

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

The share of tax attributable to joint ventures amounting to approximately RMB34,434,000 (2017: RMB24,375,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

9. DIVIDENDS

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Proposed final dividend – RMB0.07 per ordinary share (2017: RMB0.06 per ordinary share)	**334,011**	286,296

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2018, the dividend paid to the shareholders of the Company is RMB0.06 per ordinary share, in an aggregate amount of RMB286,296,000 (2017: RMB238,530,000).

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

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

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

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

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

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

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

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

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2018	2017
	RMB'000	*RMB'000*
		(Restated)
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**70,802**	42,771

	2018	2017
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,771,592,000

No diluted earnings per share is presented for the years ended 31 December 2018 and 2017 as the Group had no dilutive potential ordinary shares in issue during those years.

11. PROPERTY, PLANT AND EQUIPMENT

31 December 2018	**Tankers and vessels**	**Drilling rigs**	**Machinery and equipment**	**Motor vehicles**	**Buildings**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2017 and at 1 January 2018 (restated)							
Cost	15,566,508	59,321,937	16,700,403	115,595	961,187	4,822,990	97,488,620
Accumulated depreciation and impairment	(6,157,752)	(26,466,684)	(12,037,535)	(95,285)	(99,718)	–	(44,856,974)
Carrying amount	9,408,756	32,855,253	4,662,868	20,310	861,469	4,822,990	52,631,646
Carrying amount							
At 1 January 2018 (restated)	9,408,756	32,855,253	4,662,868	20,310	861,469	4,822,990	52,631,646
Additions	–	59,160	835,874	1,450	–	1,358,011	2,254,495
Depreciation provided during the year	(869,270)	(1,931,912)	(1,396,065)	(5,145)	(39,546)	–	(4,241,938)
Disposals/write-offs	(27,168)	(77,803)	(58,171)	(93)	(848)	–	(164,083)
Transfers from/(to) construction in progress	758,566	3,394,377	525,880	–	–	(4,678,823)	–
Impairment provided	–	(122,962)	–	–	–	–	(122,962)
Exchange realignment	15,274	1,078,753	46,191	–	15,091	20,661	1,175,970
At 31 December 2018	9,286,158	35,254,866	4,616,577	16,522	836,166	1,522,839	51,533,128
At 31 December 2018							
Cost	15,929,153	64,581,379	17,690,304	115,815	965,398	1,522,839	100,804,888
Accumulated depreciation and impairment	(6,642,995)	(29,326,513)	(13,073,727)	(99,293)	(129,232)	–	(49,271,760)
Carrying amount	9,286,158	35,254,866	4,616,577	16,522	836,166	1,522,839	51,533,128

31 December 2017 (restated)	Tankers and vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2016 and at 1 January 2017 (restated)							
Cost	15,347,674	61,391,744	15,966,847	118,529	981,510	5,733,983	99,540,287
Accumulated depreciation and impairment (restated)	(5,656,635)	(25,396,660)	(10,838,162)	(89,373)	(60,247)	–	(42,041,077)
Carrying amount (restated)	9,691,039	35,995,084	5,128,685	29,156	921,263	5,733,983	57,499,210
Carrying amount							
At 1 January 2017 (restated)	9,691,039	35,995,084	5,128,685	29,156	921,263	5,733,983	57,499,210
Additions (restated)	43,579	58,875	352,616	1,317	476	1,762,134	2,218,997
Depreciation provided during the year (restated)	(918,218)	(2,095,054)	(1,357,588)	(7,719)	(40,979)	–	(4,419,558)
Disposals/write-offs (restated)	(1,060,410)	(2,569)	(15,484)	(2,542)	–	–	(1,081,005)
Transfers from/(to) construction in progress	1,694,630	339,736	618,483	98	–	(2,652,947)	–
Impairment provided	(4,942)	–	–	–	–	–	(4,942)
Exchange realignment	(36,922)	(1,440,819)	(63,844)	–	(19,291)	(20,180)	(1,581,056)
At 31 December 2017 (restated)	9,408,756	32,855,253	4,662,868	20,310	861,469	4,822,990	52,631,646
At 31 December 2017 (restated)							
Cost	15,566,508	59,321,937	16,700,403	115,595	961,187	4,822,990	97,488,620
Accumulated depreciation and impairment	(6,157,752)	(26,466,684)	(12,037,535)	(95,285)	(99,718)	–	(44,856,974)
Carrying amount	9,408,756	32,855,253	4,662,868	20,310	861,469	4,822,990	52,631,646

Included in the current year's additions was an amount of approximately RMB2,721,000 (2017: RMB12,590,000) in respect of interest capitalised in property, plant and equipment, with a capitalisation rate of 4.64% (2017: 4.27%) per annum.

Impairment of property, plant and equipment

During the year ended 31 December 2018, due to slow recovery of oil price and global oilfield services market, both the services prices and utilisation rates of the Group's drilling rigs and vessels have contributed to thin profit margin. The Directors carried out the review of the recoverable amounts of certain property, plant and equipment as there were impairment indicators of these assets during the year. Those assets are used in the Group's drilling services segment, marine support services segment and geophysical acquisition and surveying services segment. The review led to the recognition of an impairment loss of RMB122,962,000 for drilling rigs in drilling services segment which has been recognised in profit or loss for the year ended 31 December 2018. The impairment losses have been classified under the drilling services segment.

During the year ended 31 December 2017, impairment loss of RMB4,942,000 was recognised which was classified under marine support services segment based on the review of recoverable amounts of the Group's plant and machinery.

The recoverable amount of the relevant asset, which was identified as CGU within the respective services segments, has been determined based on the higher of fair value less costs of disposal and value in use.

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 projections are in the range of 8.0%~8.9% (2017: 8.0%). 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 based on the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilisation rates, day rates, cost level and capital requirements.

12. GOODWILL

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

	2018
	RMB'000
COST	
At 1 January	**4,402,392**
Exchange realignment	**221,662**
At 31 December	**4,624,054**
IMPAIRMENT	
At 1 January	**4,402,392**
Exchange realignment	**221,662**
At 31 December	**4,624,054**
CARYING VALUE	
At 31 December	**–**

13. MULTICLIENT LIBRARY

	MultiClient Library *RMB'000*
Carrying amount at 31 December 2017	**22,821**
Development cost capitalised in the year	**112,163**
Amortisation provided during the year	**(719)**
Exchange realignment	**5,442**
At 31 December 2018	**139,707**
At 31 December 2018	
Cost	**140,426**
Accumulated amortisation	**(719)**
Carrying amount	**139,707**

During the year ended 31 December 2017, the Group entered into cooperation agreements with Spectrum Geo Inc to invest in certain multi-client data projects. These agreements are accounted for as joint operations where the parties have joint control over the projects and have rights to the assets and liabilities of the investment. Costs directly incurred in acquiring, processing and completing multi-client data projects are capitalized to the MultiClient library. As at 31 December 2018, certain part of multi-client data project has been completed.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Prepayments	**127,705**	58,705
Deposits	**41,490**	89,089
Other receivables	**233,523**	344,794
	402,718	492,588
Less: Provision for impairment of other receivables	**(12,612)**	(30,590)
	390,106	461,998

An analysis of other receivables is as follows:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Prepaid tax	**117,851**	144,578
Advance to suppliers	**24,920**	27,527
Dividend receivable	**29,500**	32,000
Interest receivable	**2,535**	18,141
Advance to employees	**12,252**	9,654
Other advance	**4,280**	13,044
Insurance claim receivables	**24,855**	47,174
Others	**17,330**	52,676
	233,523	344,794

15. ACCOUNTS RECEIVABLE

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Accounts receivable		
– goods and services	**10,579,283**	8,295,076
Less: Allowance for credit losses	**(2,563,970)**	(2,036,704)
	8,015,313	6,258,372

As at 31 December 2018 and 1 January 2018, accounts receivable from contracts with customers amounted to RMB8,015,313 and RMB6,252,705 respectively.

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Within six months	**7,793,152**	5,759,162
Six months to one year	**128,266**	185,095
One to two years	**91,835**	235,209
Over two years	**2,060**	78,906
	8,015,313	6,258,372

As at 31 December 2018, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB222,161,000 which are past due as at the reporting date. Out of the past due balances, RMB88,426,000 is not considered as in default based on past experience, the Directors are of the opinion that no further provision for impairment is necessary in respect of these balances which are considered fully recoverable after taking into consideration of the customer's credit quality, historical behavior of payments and prevailing market conditions. The Group does not hold any collateral or other credit enhancements over these past-due balances.

As at 31 December 2017, included in the Group's accounts receivable balance are debtors with a carrying amount of approximately RMB323,697,000 which are past due as at the reporting date for which the Group has not provided for impairment loss.

Aging of accounts receivable which are past due but no impaired:

	31 December 2017 *RMB'000*
Outstanding balances aged:	
Six months to one year	9,582
One to two years	235,209
Two to three years	78,906
	323,697

The Group has provided fully for all receivables aged over three years because historical experience shows that those receivables are generally not recoverable.

Movement in the allowance for doubtful debts:

	2017 *RMB'000*
At 1 January	2,079,877
Impairment losses recognised	234,285
Impairment losses reversed	(165,575)
Impairment losses written-off	(132)
Exchange realignment	(111,751)
At 31 December	2,036,704

16. NOTES RECEIVABLE

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Trade acceptances at amortised costs	**208,164**	82,986
Bank acceptances at FVTOCI	**24,740**	2,547
	232,904	85,533

As at 31 December 2018, the Group endorsed notes receivable with face value of RMB9,140,000 (31 December 2017: Nil) to suppliers which were still not expired. In the opinion of the Directors of the Company, the Group has transferred substantially all the risks and rewards of ownership relating to these notes receivable, and accordingly derecognised the full carrying amounts of the notes receivable.

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

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Cash and balances with banks	**1,724,911**	3,049,199
Deposits with CNOOC Finance Corporation Ltd.	**1,471,715**	1,497,422
Time deposits at banks	**143,242**	4,532,415
Cash and balances with banks and financial institutions	**3,339,868**	9,079,036
Less:		
Pledged deposits	**(27,657)**	(41,092)
Time deposits with maturity of over three months	**(143,242)**	(28,870)
Cash and cash equivalents	**3,168,969**	9,009,074

At the end of the reporting period, the cash and bank balances and time deposits at banks of the Group denominated in RMB amounted to approximately RMB1,734,637,000 (2017: RMB5,333,699,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates.

18. TRADE AND OTHER PAYABLES

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000* (Restated)
Outstanding balances aged:		
Within one year	**8,007,466**	6,617,294
One to two years	**125,212**	228,751
Two to three years	**61,491**	76,451
Over three years	**80,883**	82,469
	8,275,052	7,004,965

19. DEFERRED TAXATION

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

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Deferred tax assets	**65,869**	70,800
Deferred tax liabilities	**(286,560)**	(322,858)
	(220,691)	(252,058)

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

	Balance at 1 January 2017 *RMB'000*	Recognised in profit or loss *RMB'000*	Recognised in other comprehensive income *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2017 and 1 January 2018 *RMB'000*	**Recognised in profit or loss** ***RMB'000***	**Exchange realignment** ***RMB'000***	**Balance at 31 December 2018** ***RMB'000***
Deferred tax assets:								
Provision for staff bonus	90,034	(1,270)	–	(1)	88,763	**(5,300)**	**2**	**83,465**
Impairment of assets	76,473	(19,775)	–	–	56,698	**(2,078)**	**–**	**54,620**
Accrued liabilities	6,796	23,968	–	–	30,764	**(11,861)**	**–**	**18,903**
Provision for onerous contracts	53,409	(50,042)	–	–	3,367	**(3,367)**	**–**	**–**
Deductible tax loss	264,482	(193,128)	–	(3,817)	67,537	**(8,059)**	**3,101**	**62,579**
Others	10,118	(6,013)	–	(367)	3,738	**(219)**	**156**	**3,675**
	501,312	(246,260)	–	(4,185)	250,867	**(30,884)**	**3,259**	**223,242**
Deferred tax liabilities:								
Accelerated depreciation of property, plant and equipment	621,576	(136,593)	–	(4,093)	480,890	**(49,301)**	**2,885**	**434,474**
Fair value adjustment arising from acquisition of a subsidiary	29,004	(15,039)	–	(1,200)	12,765	**(12,341)**	**185**	**609**
Fair value change in available for sale investment	6,352	–	(6,352)	–	–	**–**	**–**	**–**
Others	10,322	(469)	–	(583)	9,270	**(854)**	**434**	**8,850**
	667,254	(152,101)	(6,352)	(5,876)	502,925	**(62,496)**	**3,504**	**443,933**
	165,942	94,159	(6,352)	(1,691)	252,058	**(31,612)**	**245**	**220,691**

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's joint ventures for which deferred tax liabilities have not been recognised was RMB954,121,000 (31 December 2017: RMB783,791,000). No liability has been recognised in respect of these differences as the investment company and those joint ventures are all located in the PRC and the applicable tax rate of those joint ventures was the same as or higher than the applicable tax rate of the investment company.

At 31 December 2018, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB220,410,000 (2017: RMB95,987,000). No liability have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2018, accumulated unrecognised tax losses arising in the Group of approximately RMB9,277,338,000 (2017: RMB8,550,219,000) were available for offsetting against future taxable profits of the companies in which the losses arose.

The unrecognised income tax losses which have fixed expiry date, will be expired in the following years:

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
31 December 2020	**–**	89,469
31 December 2021	**147,061**	150,712
31 December 2022	**3,601**	3,601
31 December 2023	**6,335**	–
31 December 2035	**–**	10,420
31 December 2036	**7,835**	10,422
31 December 2037	**9,568**	9,110
	174,400	273,734

At 31 December 2018, the Group had tax losses arising in Norway of RMB9,102,938,000 (2017: RMB8,276,485,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2018, the Group has deductible temporary differences of RMB1,701,008,000 (2017: RMB1,617,918,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

20. LOAN FROM A RELATED PARTY

	Contractual interest rate per annum *%*	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
Loan from a related party – unsecured	LIBOR+0.5%	**1,372,640**	2,286,970

As of 31 December 2017, the Group borrowed loans with carrying amount 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 year, the Group repaid loans with carrying amount of US$150,000,000 (equivalent to approximately RMB1,032,802,000) to the fellow subsidiary.

21. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%) per annum	Year of maturity	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
Export-Import Bank of China-unsecured (a)	LIBOR+1.70%	2020	**1,153,504**	1,644,695
CDB Development Fund (as defined below) -unsecured (b)	1.08%	2035	**230,208**	231,424
CDB Development Fund-unsecured (b)	1.08%	2033	**–**	96,436
			1,383,712	1,972,555
Less: Current portion of long term bank loans			**(596,081)**	(563,380)
			787,631	1,409,175

(a) The Group borrowed a US$800,000,000 loan for the purpose of funding the acquisition of a subsidiary. The repayment started on 2 September 2011 over 19 instalments amounting to US$42,100,000 bi-annually.

(b) The Group borrowed RMB320,000,000 and RMB130,000,000 loans from China Development Bank Development Fund Co., Ltd. ("CDB Development Fund"), a wholly owned subsidiary of China Development Bank, in December 2015 for the purpose of funding the acquisition of properties, plant and equipment. China Development Bank is a state-owned bank. The repayments start in December 2018 over 36 and 32 instalments bi-annually, respectively. These loans bear interest at 1.08% per annum which is below prevailing market interest rate. The fair value of the loans measured at prevailing market interest rate of 4.9% per annum at initial recognition was approximately RMB306,995,000. The difference of RMB143,005,000 between the proceeds of the loans received and the fair value of the loans is treated as government grant and recognised in deferred income (note 23). At the end of this year, the Group repaid RMB130,000,000 to CDB Development Fund ahead of the repayment schedule.

For all bank borrowings as stated above, the weighted average effective interest rate for the year ended 31 December 2018 was 3.63% per annum (2017: 2.58% per annum).

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Bank borrowings repayable:		
Within one year	**596,081**	563,380
In the second year	**578,285**	548,265
In the third to fifth year, inclusive	**33,750**	598,480
Beyond five years	**175,596**	262,430
	1,383,712	1,972,555

22. LONG TERM BONDS

	Year of maturity	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
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	**1,999,611**	1,998,678
(Type II of the First Tranche Issue as defined below) (b)	2026	**2,996,885**	2,996,465
(Type I of the Second Tranche Issue as defined below) (b)	2019	**2,099,213**	2,098,268
(Type II of the Second Tranche Issue as defined below) (b)	2021	**2,897,782**	2,896,998
Senior unsecured USD bonds (c)	2022	**6,839,001**	6,503,770
Guaranteed medium term notes			
First Drawdown Note (d)	2020	**3,424,140**	3,255,473
Second Drawdown Note (d)	2025	**3,412,084**	3,246,117
		25,168,716	24,495,769
Current		**4,098,824**	–
Non-current		**21,069,892**	24,495,769
		25,168,716	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 Group, 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 was 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 was 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.

23. DEFERRED INCOME

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

	Contract value	Mobilisation revenue	Government grant related to assets	Government grant related to income	Subsidies	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2017 (restated)	336,718	119,601	199,169	26,574	228,301	132,821	1,043,184
Additions	–	81,633	14,693	151,716	–	–	248,042
Credited to profit or loss	(80,845)	(127,526)	(23,386)	(71,972)	(54,532)	(10,682)	(368,943)
Exchange realignment	(16,863)	(5,548)	–	–	(11,499)	–	(33,910)
At 31 December 2017 (restated)	239,010	68,160	190,476	106,318	162,270	122,139	888,373
Adjustment (note)	–	(68,160)	–	–	(162,270)	–	(230,430)
At 1 January 2018 (restated)	**239,010**	**–**	**190,476**	**106,318**	**–**	**122,139**	**657,943**
Additions	**–**	**–**	**22,047**	**97,310**	**–**	**–**	**119,357**
Credited to profit or loss	**(80,680)**	**–**	**(18,137)**	**(123,235)**	**–**	**(41,448)**	**(263,500)**
Exchange realignment	**9,039**	**–**	**–**	**–**	**–**	**–**	**9,039**
At 31 December 2018	**167,369**	**–**	**194,386**	**80,393**	**–**	**80,691**	**522,839**

Note: Upon the application of HKFRS 15 effective from 1 January 2018, the balances of subsidies and the mobilisation revenue were reclassified to the contract liabilities in light of their nature.

24. ISSUED CAPITAL

	31 December 2018 *RMB'000*	31 December 2017 *RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

25. 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 whereby 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, a 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 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 year of 2017 and the financial position of the Group at 31 December 2017 and at 1 January 2017 are summarised below:

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
Goodwill	–	–	–
Other intangible assets	419,294	10,429	429,723
MultiClient library	22,821	–	22,821
Investments in joint ventures	582,702	–	582,702
Available-for-sale investment	–	–	–
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 of 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

	31 December 2017 *RMB'000* (Previously reported)	Business combination under common control *RMB'000*	31 December 2017 *RMB'000* (Restated)
NET CURRENT ASSETS	7,792,732	(32,673)	7,760,059
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

Consolidated statement of profit or loss and other comprehensive income for the year of 2017

	2017 *RMB'000* (Previously reported)	Business combination under common control *RMB'000*	2017 *RMB'000* (Restated)
REVENUE	17,436,414	79,874	17,516,288
Sales surtaxes	(56,981)	(753)	(57,734)
Revenue, net of sales surtaxes	17,379,433	79,121	17,458,554
Other income	323,054	1,002	324,056
Depreciation of property, plant and equipment and amortisation of intangible assets	(4,468,117)	(20,819)	(4,488,936)
Employee compensation costs	(4,001,622)	(30,351)	(4,031,973)
Repair and maintenance costs	(363,777)	(286)	(364,063)
Consumption of supplies, materials, fuel, services and others	(3,064,065)	(5,367)	(3,069,432)
Subcontracting expenses	(2,362,721)	(5,213)	(2,367,934)
Operating lease expenses	(594,245)	(490)	(594,735)
Other operating expenses	(1,301,767)	(7,271)	(1,309,038)
Impairment of property, plant and equipment	(4,942)	–	(4,942)
Impairment losses of accounts receivable and other receivable, net of reversal	(83,602)	–	(83,602)
Total operating expenses	(16,244,858)	(69,797)	(16,314,655)
PROFIT FROM OPERATIONS	1,457,629	10,326	1,467,955
Exchange (loss)/gain, net	(388,094)	2	(388,092)
Finance costs	(1,100,941)	–	(1,100,941)
Interest income	99,575	–	99,575
Investment income	187,545	–	187,545
Share of other comprehensive income of joint ventures, net of related income tax	106,867	–	106,867
Other gains and losses	(30,113)	(531)	(30,644)

	2017	Business combination under common control	2017
	RMB'000	*RMB'000*	*RMB'000*
	(Previously reported)		(Restated)
PROFIT BEFORE TAX	332,468	9,797	342,265
Income tax expense	(261,257)	(93)	(261,350)
PROFIT FOR THE YEAR	71,211	9,704	80,915
Attributable to:			
Owners of the Company	33,067	9,704	42,771
Non-controlling interests	38,144	–	38,144
	71,211	9,704	80,915
EARNINGS PER SHARE ATTRIBUTABLE TOOWNERS OF THE COMPANY			
Basic (RMB)	0.69 cent		0.90 cent
PROFIT FOR THE PERIOD	71,211	9,704	80,915
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that may not be reclassified subsequently to profit or loss:			
Remeasurement of defined benefit pension plan	(6,845)	–	(6,845)
Income tax relating to items that will not be reclassified subsequently to profit or loss	1,684	–	1,684
	(5,161)	–	(5,161)

	2017 *RMB'000* (Previously reported)	Business combination under common control *RMB'000*	2017 *RMB'000* (Restated)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations	(401,614)	–	(401,614)
Net fair value loss on available-for-sale investment	(42,246)	–	(42,246)
Share of exchange differences of joint ventures	(8,559)	–	(8,559)
Income tax relating to items that may be reclassified subsequently to profit or loss	6,352	–	6,352
	(446,067)	–	(446,067)
OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF INCOME TAX	(451,228)	–	(451,228)
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	(380,017)	9,704	(370,313)
Attributable to:			
Owners of the Company	(412,935)	9,704	(403,231)
Non-controlling interests	32,918	–	32,918
	(380,017)	9,704	(370,313)

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
Goodwill	–	–	–
Other intangible assets	427,027	20,977	448,004
Investments in joint ventures	600,364	–	600,364
Available-for-sale investment	–	–	–
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
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 year of 2017 is as follows:

	Impact on basic earnings per share RMB cents
Figures before adjustments	0.69
Effect arising from business combination under common control	0.21
Figures after adjustments	0.90

The effect of business combination of entities under common control described above on the Group's net profit for the year of 2017 is as follows:

	Net profit *RMB'000*
Reported figures before restatement	33,067
Restatement arising from business combination of entities under common control	9,704
Figures after adjustments	42,771

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2018

In 2018, the structure of world energy continued to optimized. As international oil prices picked up which drove revitalization of new energy development, the consumption growth of natural gas had the highest record in 5 years. Due to the demand and supply and geopolitical influence, international oil prices experienced a deep dive after soaring with volatilities. During January to October 2018, the price of Brent crude oil maintained an upward trend with fluctuation and exceeded US$80 per barrel from US$60 per barrel. The price of Brent crude oil started to fall sharply after October 2018, with the lowest record of about US$52 per barrel, and experienced a modest recovery afterwards.

The results of operation of large-scale international oil and gas companies rendered an obvious improvement. With continuous optimization of the business, the oil and gas production volume maintained a steady growth for five consecutive years. As the investment in upstream exploration and development around the world picked up, the technical service market recovered from its trough. The oilfield services industry continued to be on the rise, and the entire operating environment had improved steadily as compared with 2017. The oilfield services industry continued to adopt certain measures for reducing production, service and management costs. With active mergers and acquisitions as well as reorganization within the industry, new changes existed in competitiveness among the industry. As reflected from the research report of Spears & Associates, an institution for the industry information, in 2018, except for the decrease in a few professional lines of markets including the offshore drilling market, the market size of most of the professional lines showed a trend of increase. In 2018, the size of the global offshore drilling market dropped by 13% to US$23.9 billion as compared to 2017, and the size of the geophysical prospecting market increased by 3% to US$6.9 billion as compared to last year, while the size of the shipping market increased by 5% to US$4.4 billion as compared to last year. The size of the well services market (only including wireline logging, directional well, cementing, slurry, hydraulic fracturing, well completion instruments and well workover) increased by 20.03% to US$86.6 billion as compared to last year.

Drilling Services Segment

COSL is the major supplier of China offshore drilling services and an important participant in international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2018, the Group operated and managed a total of 48 drilling rigs (of which 36 are jackup drilling rigs, and 12 are semi-submersible drilling rigs), and 5 module rigs, etc.

In 2018, revenue from drilling services amounted to RMB7,749.9 million, representing an increase of 22.2% as compared with RMB6,340.9 million of 2017.

In 2018, the oilfield service market was generally improving, with fluctuations existed in the price of crude oil amid the unstable external environment. The competition within the industry remained fierce. The Group always adhered to the enhancement of cost management and investment in technologies, and continued to consolidate the relationship with its strategic customers. It brought its advantages into full play and aggressively explored and accelerated its pace in expanding international markets, and obtained various major service contracts over the world including Indonesia and New Zealand, which resulted in the increase in the utilization rate of equipment and operation volume. In the Middle East, 2 rigs obtained long-term drilling service contracts, which explored the high-end market. In Northern Europe and the Far East, the Group completed Norway new customer drilling service with high quality and locked up the operation contract for many times. The construction of semi-submersible drilling rig "HYSY982" was completed and delivered during the period and an overseas operation project was completed for the first time. The Group also added a semi-submersible rig in the sea of Norway to optimize its overseas strategic layout. In Asia-Pacific, the Group obtained drilling and completion service contracts and continued to consolidate the Indonesia market. In Africa, the Group achieved breakthroughs in the Cameroon market. In America, as affected by the recovery of oil prices, the rig in the Gulf of Mexico and modular drilling rigs started operation successively in accordance with the drilling and worker service contract, and the Group obtained letters of award for another two drilling rigs. In Oceania, the Group won the drilling service contracts and returned to the high-end markets of Australia and New Zealand.

At the end of 2018, we had 23 drilling rigs operating in the coastal area of China, 9 rigs operating overseas, 15 were on standby and 1 was under repair in the shipyard.

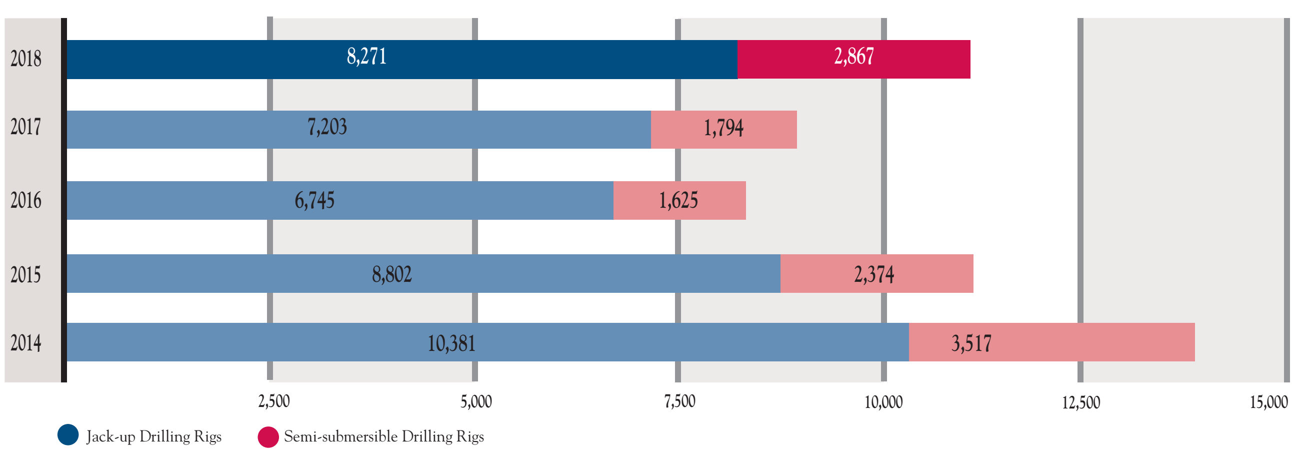
In 2018, our drilling rigs operated for 11,138 days, representing an increase of 2,141 days as compared with 2017, which is 23.8 percentage points up as compared to last year. Our jack-up drilling rigs operated for 8,271 days, representing an increase of 1,068 days as compared with 2017; our semi-submersible drilling rigs operated for 2,867 days, representing an increase of 1,073 days as compared with 2017. This was mainly due to the increase in operating demand as a result of the recovery of the market, leading to a decrease in standby days.

Operation details of jack-up and semi-submersible drilling rigs of the Group in 2018 are as follows:

	2018	2017	Change	Percentage change
Operating days (day)	11,138	8,997	2,141	23.8%
Jack-up drilling rigs	8,271	7,203	1,068	14.8%
Semi-submersible drilling rigs	2,867	1,794	1,073	59.8%
Available day utilization rate	72.5%	59.6%	Up 12.9 percentage points	
Jack-up drilling rigs	72.0%	62.9%	Up 9.1 percentage points	
Semi-submersible drilling rigs	73.9%	49.1%	Up 24.8 percentage points	
Calendar day utilization rate	66.8%	57.2%	Up 9.6 percentage points	
Jack-up drilling rigs	66.6%	61.4%	Up 5.2 percentage points	
Semi-submersible drilling rigs	67.5%	44.7%	Up 22.8 percentage points	

Five module rigs operated in the Gulf of Mexico for 874 days, representing an increase of 408 days over last year. Utilization rate of the calendar day was 47.9%, representing an increase of 22.4 percentage points over last year.

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS (DAY)



In 2018, the average day income of the drilling rigs of the Group slightly decreased as compared with 2017, details as follows:

Average day income (ten thousand US$/day)	2018	2017	Change	Percentage change
Jack-up drilling rigs	6.5	7.1	(0.6)	(8.5%)
Semi-submersible drilling rigs	17.3	20.4	(3.1)	(15.2%)
Drilling rigs average	9.3	9.8	(0.5)	(5.1%)

Note: (1) Average day income = Revenue/operating days
(2) USD/RMB exchange rate was 1:6.8632 on 28 December 2018 and 1:6.5342 on 29 December 2017, respectively.

Well Services Segment

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

In 2018, revenue from the well service segment increased by 40.0% from RMB6,995.6 million of 2017 to RMB9,792.6 million.

The Group continued to promote the systematic and industrialization development of its technical products, and its research and development capability and productivity kept strengthening. The Group's wireline logging business accounted for 95% of the technical ability among the top-ranking companies within the industry. ESCOOL high-temperature and high-speed logging system gained a leading position in the industry, and such system completed logging operation for a hot dry rock well with 190 degrees Celsius in Qinghai, which set a new record for operation in high temperature wells. The EFDT formation dynamic tester developed new functions including polar plate type extra-large probe and double-probe hanging, low-speed pump and hydro spectrum analysis of downhole, which satisfied the conditions of application in complex ground with viscous oil and low permeability. The large-diameter rotating borehole apparatus and the ultrasonic Lamb wave logging tool realized commercialization application in land and sea, and their functions reached the top level amongst the peers in the industry. Directional drilling and logging-while-drilling realized commercialization application in well holes with 8.5-

inch and 12.25-inch. The cementing technology formed high-temperature and ultra-high-temperature cement slurries at 120-260°C and built good reputation among international customers. The BIODRILL A drilling & completion fluids system and supporting technique achieved the recycling of water-based drilling and completion fluids and solved the technical problem of emission reduction of drilling and completion fluids. With their continuous increase in the application, new stimulation technique including high-efficient complex acid and non-acid chelation gained remarkable results. Well completion instruments and sieve tube products had rapidly established full-chain capacities which gradually reflected the advantages of self-development. In addition, the joint laboratory in North America had confirmed three cooperative projects for 475-type logging-while-drilling with neutron density, and signed technological development contracts of over tens of millions of U.S. dollars for fully initiating substantive cooperation.

With its high-quality level of service and outstanding capabilities of technological research and development and industrialization, the Group keeps gaining recognition from the global market. The self-developed and multi-functional ultrasonic imaging logging tool is sold to the world-class peer companies which created revenue of over 100 million yuan. In the Middle East, the Group successfully completed the operation in 2 horizontal wells with world-class level of difficulty, which substantially displayed the technical advantages of the Group. In the Southeast Asia, the Group obtained a wireline logging and perforating service contract for 55 development wells in the core oil region, expanded to drilling and completion fluids and cementing services through cooperation for the fourth time, and won a wireline logging service contract with a term of three years. Its contracts of workover, acidizing, perforating and logging services with Pertamina were successfully renewed.

Marine Support Services Segment

The Group owns and operates the largest offshore operation fleet with the most comprehensive functions in China offshore. It operates and manages over 130 vessels including AHTS vessels, platform supply vessels and oilfield standby vessels. The Group can provide comprehensive support and services, including anchor handling for different water level, towing of drilling rigs/engineering barges, offshore transportation, standby, firefighting, rescue, oil spill assisting, for offshore oil and gas exploration, development, construction and oil/gas field production, which can fulfill different needs of clients.

In 2018, the Group continued to improve its QHSE management for its shipping business and enhanced its equipment support ability, and the number of vessels under management and the operation volume recorded varying degrees of growth. By adjusting domestic layout planning, the Group achieved optimal allocation and cross-region sharing of resources for 9 vessels. The Group maintained close cooperation with overseas customers, successfully renewed the contracts for support barges and pontoons in Indonesia and newly obtained the support barges service contracts in the Mexican market. To promote the quality development of its shipping business, the Group exited the non-core oil tanker business and officially commenced the project for constructing 12 LNG dual fuel power vessels with clean energy as the driving force at the same time.

In 2018, revenue of marine support services business grew by 10.7% to RMB2,698.1 million from RMB2,437.8 million in 2017. The chartered vessels operated 9,894 days in total in 2018, increased by 22.2% compared to last year, generating revenue of RMB546.7 million, up by RMB73.4 million from the last year.

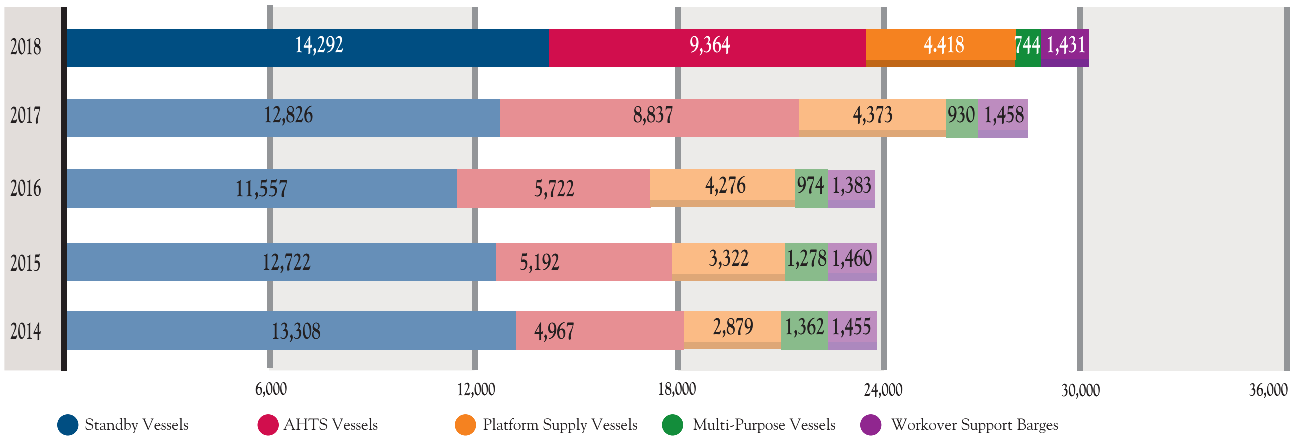
The calendar day utilization rate of self-owned utility vessels was 90.2% in 2018, representing an increase of 3.5 percentage points as compared with last year.

Self-owned utility vessels of the Group operated 30,249 days in 2018, representing an increase of 1,825 days as compared with last year. Details are as follows:

Operating days (day)	**2018**	**2017**	**Change**	**Percentage change**
Standby vessels	14,292	12,826	1,466	11.4%
AHTS vessels	9,364	8,837	527	6.0%
Platform supply vessels	4,418	4,373	45	1.0%
Multi-purpose vessels	744	930	(186)	(20.0%)
Workover support barges	1,431	1,458	(27)	(1.9%)
Total	30,249	28,424	1,825	6.4%

In 2018, the total transportation volume of oil tankers of the Group amounted to 1,330,000 tonnes, representing a decrease of 6.1% from 1,416,000 tonnes as compared with last year, which was mainly because the Group exited the tanker transportation business at the end of 2018 after considering its strategic development and business layout planning.

NUMBER OF OPERATINGS DAYS FOR SELF-OWNED UTILITY VESSELS IN RECENT YEARS (DAY)



Geophysical Acquisition and Surveying Services Segment

The Group is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical and surveying market. At the end of 2018, the Group owns 5 towing streamer seismic vessels, 1 professional source vessel, 2 ocean bottom cable teams, 5 integrated marine surveying vessels and 2 support vessels for operation in deep water. Services for clients include but not limited to providing integrated services of wide azimuth, broadband, high density and multi-component seismic acquisition services, and also integrated offshore surveying services.

In 2018, revenue of geophysical acquisition and surveying services segment decreased to RMB1,646.0 million, representing a decrease of 2.3% compared with RMB1,684.3 million of 2017, of which, the surveying services recorded revenue of RMB379.2 million, representing a decrease of 17.6% as compared with RMB460.1 million over 2017. With the increase in multi-client operations for the year, the revenue under such model would be recognized at the time of acquiring sales data.

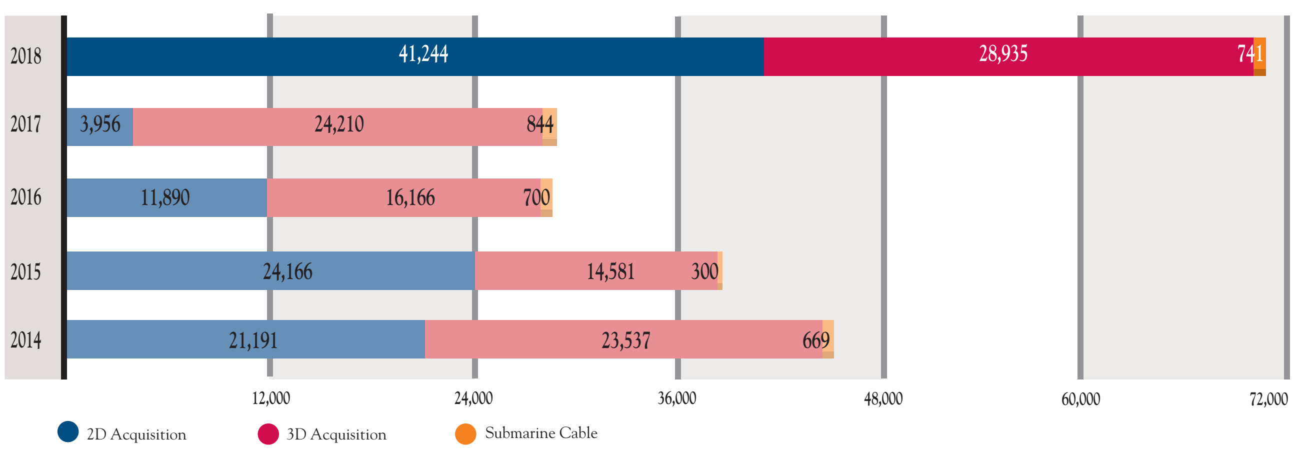
In 2018, the geophysical acquisition and surveying services business continued to followed the strategy of maintaining the Group's position in the domestic market and expanding to the overseas market, and maintained the sustained and steady growth of its domestic and overseas market shares. In particular, both the 2D and 3D acquisition and operation volume had a substantial growth. This year, the Group expanded to the marine geophysical and acquisition market of Argentina, Canada and Brazil for the first time and obtained 2 new multi-client projects. With its outstanding operation results, the service contracts in respect of the market of the Middle East were renewed for four consecutive years. For the market of Southeast Asia, the local operation was completed successfully. Meanwhile, the Group kept expanding to emerging markets including wind power segment, extended the scope of surveying service and successfully won 7 service projects for domestic wind power segment. In respect of the equipment research and development, the Group completed the construction of a production base and achieved the commercialization of its self-developed wireline and industrialised sales of its navigation system for the first time.

In 2018, as affected by the market demand, the Group intensively promoted multi-client acquisition and operation, and both the 2D and 3D acquisition and operation volume had a substantial growth.

The details of operation volume are as follows:

Businesses	2018	2017	Change	Percentage change
2D acquisition (km)	41,244	3,956	37,288	942.6%
of which: multi-client	16,091	–	16,091	100.0%
3D acquisition (km^2)	28,935	24,210	4,725	19.5%
of which: multi-client	5,593	–	5,593	100.0%
Submarine cable (km^2)	741	844	(103)	(12.2%)

THE OPERATING VOLUME OF GEOPHYSICAL SERVICE FLEET IN RECENT YEARS (KM/KM^2)



The above mentioned operating data related to 2017 has been restated.

Major Subsidiaries

COSL Chemicals (Tianjin), Ltd., COSL America, Inc. ("AME"), China Oilfield Services (BVI) Limited, COSL Norwegian AS ("CNA") and COSL Singapore Limited are major subsidiaries of the Group engaged in drilling and well services relevant operations.

As at 31 December 2018, the total assets of COSL Chemicals (Tianjin), Ltd. amounted to RMB549.9 million and equity was RMB315.2 million. COSL Chemicals (Tianjin), Ltd. realized revenue of RMB600.7 million in 2018, representing an increase of RMB221.3 million or 58.3% as compared with last year. Revenue from principal operations amounted to RMB600.7 million and operating profit amounted to RMB84.6 million. The net profit amounted to RMB71.7 million, representing an increase of RMB35.5 million as compared with last year.

As at 31 December 2018, the total assets of AME amounted to RMB1,035.7 million and equity was RMB-147.9 million. The Company had provided financial support for AME in order to make sure it will be able to continue as a going concern. AME realized revenue of RMB537.8 million in 2018, representing a decrease of RMB12.1 million or 2.2% as compared with last year. Revenue from principal operations amounted to RMB537.8 million and operating profit amounted to RMB-70.2 million. The net profit amounted to RMB-79.9 million, representing an increase in loss of RMB36.9 million as compared with last year.

As at 31 December 2018, the total assets of China Oilfield Services (BVI) Limited amounted to RMB2,832.0 million and equity was RMB273.7 million. China Oilfield Services (BVI) Limited realized revenue of RMB2,103.7 million in 2018, representing an increase of RMB968.2 million or 85.3% as compared with last year. Revenue from principal operations amounted to RMB2,094.5 million and operating profit amounted to RMB257.2 million. The net profit amounted to RMB128.4 million, representing an increase of RMB60.8 million or 89.9% as compared with last year.

As at 31 December 2018, the total assets of CNA amounted to RMB13,472.1 million and equity was RMB-579.5 million. CNA realized revenue of RMB1,928.0 million in 2018, representing an increase of RMB794.4 million or 70.1% as compared with last year. The major reason of revenue improvement was that operation volume increased. Revenue from principal operations amounted to RMB1,928.0 million and operating profit amounted to RMB-608.2 million. The net profit amounted to RMB-591.8 million, representing an increase in loss of RMB128.0 million as compared with last year. The reason of the increase in loss was that the operation volume and the investment in human resources and materials increased during the period.

As at 31 December 2018, the total assets of COSL Singapore Limited amounted to RMB27,241.3 million and equity was RMB1,191.6 million. COSL Singapore Limited realized revenue of RMB1,703.6 million in 2018, representing an increase of RMB26.1 million or 1.6% as compared with last year. Revenue from principal operations amounted to RMB1,598.6 million and operating profit amounted to RMB-2,306.7 million. The net profit amounted to RMB-2,379.4 million, representing an increase in loss of RMB1,027.8 million as compared with last year. Thereinto, COSL PROSPECTOR PTE.LTD., COSL DRILLING STRIKE PTE.LTD. are major subsidiaries of COSL Singapore Limited.

As at 31 December 2018, the total assets of COSL DRILLING STRIKE PTE.LTD. amounted to RMB4,664.8 million and equity was RMB-2,193.8 million. The Company had provided financial support for COSL DRILLING STRIKE PTE.LTD. in order to make sure it will be able to continue as a going concern. COSL DRILLING STRIKE PTE.LTD. realized revenue of RMB368.3 million in 2018, representing a decrease of RMB56.8 million or 13.4% as compared with last year. The net profit amounted to RMB-927.4 million, representing an increase in loss of RMB379.2 million as compared with last year. The total amount of the impairment loss of equipment and accounts receivable during the year is RMB458.2 million.

As at 31 December 2018, the total assets of COSL PROSPECTOR PTE.LTD. amounted to RMB9,512.9 million and equity was RMB-2,844.4 million. The Company had provided financial support for COSL PROSPECTOR PTE.LTD. in order to make sure it will be able to continue as a going concern. COSL PROSPECTOR PTE.LTD. realized revenue of RMB243.2 million in 2018, representing an increase of RMB107.0 million or 78.6% as compared with last year. The net profit amounted to RMB-1,304.7 million, representing an increase in loss of RMB438.3 million as compared with last year. The amount of the impairment loss of equipment during the year is RMB92.4 million.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2018, revenue of the Group amounted to RMB21,886.6 million, representing an increase of RMB4,428.1 million or 25.4% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segments	2018	2017 (Restated)	Change	Percentage change
Drilling services	**7,749.9**	6,340.9	1,409.0	22.2%
Well services	**9,792.6**	6,995.6	2,797.0	40.0%
Marine support services	**2,698.1**	2,437.8	260.3	10.7%
Geophysical acquisition and surveying services	**1,646.0**	1,684.3	(38.3)	(2.3%)
Total	**21,886.6**	17,458.6	4,428.0	25.4%

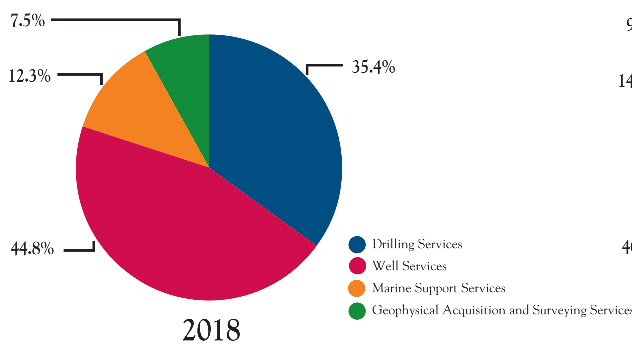
- Revenue generated from drilling services increased by 22.2% as compared with last year. The main reason was that both utilization rate and operation volume of drilling rigs increased.

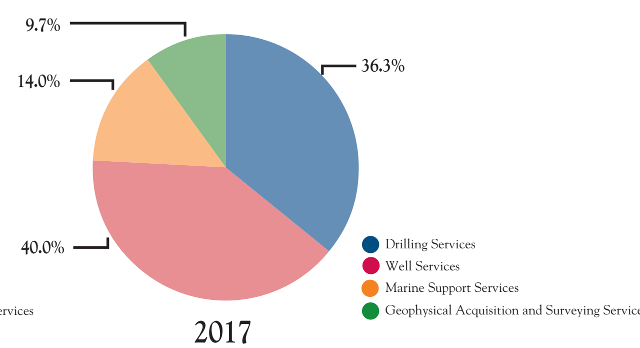
- Revenue of well services increased by 40.0% as compared with last year, which was mainly due to the increase in operation volume of technical services.

- Revenue from marine support services increased by 10.7% as compared with last year, which was mainly due to the fact that the operation days of self-owned vessels and chartered vessels increased by 3,625 days during the year.

- Revenue from geophysical acquisition and surveying services decreased by 2.3% as compared with last year, which was mainly due to the decrease of the revenue from the surveying services.

REVENUE ANALYSIS – BY BUSINESS





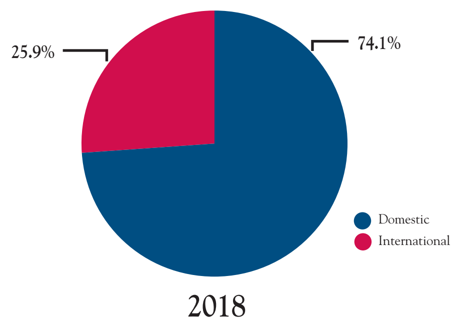
Analysis by operation area

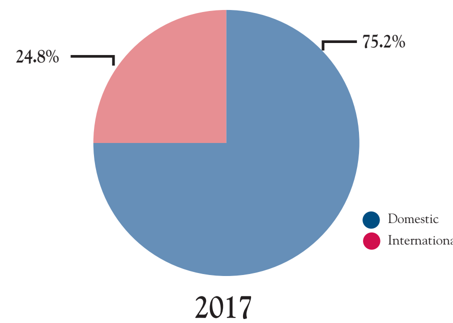
Unit: RMB million

Region	**2018**	2017 (Restated)	**Change**	**Percentage change**
Domestic	**16,225.5**	13,136.0	3,089.5	23.5%
International	**5,661.1**	4,322.6	1,338.5	31.0%
Total	**21,886.6**	17,458.6	4,428.0	25.4%

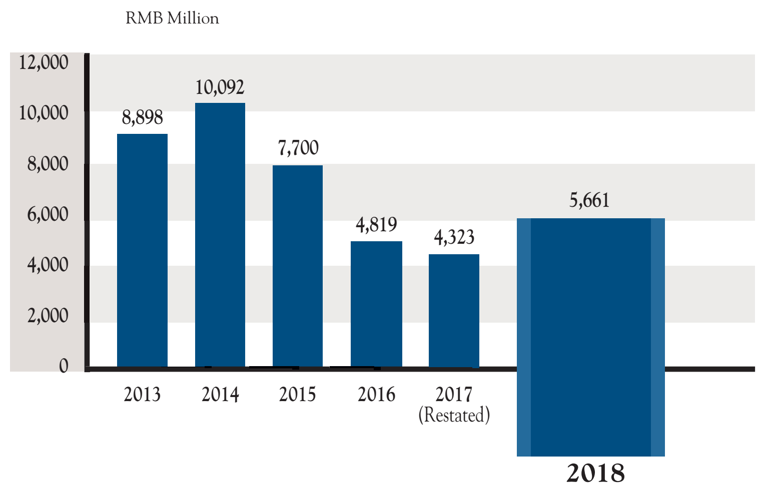
In terms of operation area, the Group's main source of revenue was from offshore China, accounting for 74.1% of the Group's total income. In 2018, the Group's international business recorded revenue of RMB5,661.1 million (compared with RMB4,322.6 million over last year), accounting for 25.9% of the Group's revenue for the year, representing an increase of 1.1 percentage point.

THE LATEST FIVE YEARS' REVENUE FROM INTERNATIONAL BUSINESS





International Revenue



1.2 Operating expenses

For the year 2018, operating expenses of the Group amounted to RMB21,527.2 million, representing an increase of RMB5,212.6 million or 32.0% as compared with RMB16,314.6 million of last year.

The table below shows the operating expenses of the Group in 2018 and 2017:

Unit: RMB million

	2018	2017 (Restated)	**Change**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets	**4,262.8**	4,488.9	(226.1)	(5.0%)
Employee compensation costs	**5,026.1**	4,032.0	994.1	24.7%
Repair and maintenance costs	**523.8**	364.1	159.7	43.9%
Consumption of supplies, materials, fuel, services and others	**4,954.2**	3,069.5	1,884.7	61.4%
Subcontracting expenses	**3,578.9**	2,367.9	1,211.0	51.1%
Operating lease expenses	**1,126.2**	594.7	531.5	89.4%
Other operating expenses	**1,516.8**	1,309.0	207.8	15.9%
Impairment of property, plant and equipment	**123.0**	4.9	118.1	2,410.2%
Impairment losses of accounts receivable and other receivables, net of reversal	**415.4**	83.6	331.8	396.9%
Total operating expenses	**21,527.2**	16,314.6	5,212.6	32.0%

Repair and maintenance costs amounted to RMB523.8 million during the year, representing a growth of 43.9% as compared with last year, which was mainly due to the increase of the maintenance days of drilling and shipping services during the year.

Consumption of supplies, materials, fuel, services and others amounted to RMB4,954.2 million during the year, representing a growth of 61.4% as compared with last year, which was mainly due to the fact that the operation volume increased as the market was in slow recovery, which resulted in the increase of consumption of supplies. Meanwhile, the price of raw materials increased.

Subcontracting expenses amounted to RMB3,578.9 million during the year, and operating lease expenses amounted to RMB1,126.2 million. Affected by the recovery of the market and the increase of the operation volume, subcontracting expenses increased by 51.1% as compared with last year and operating lease expenses increased by 89.4% as compared with last year.

Impairment of property, plant and equipment amounted to RMB123.0 million during the year, representing an increase of RMB118.1 million as compared with last year, which was mainly due to the fact that the utilization rate and service price of the large-scale equipment have not returned to normal levels as affected by downturn in global oilfield market, and the impairment recognised for the period was RMB123.0 million.

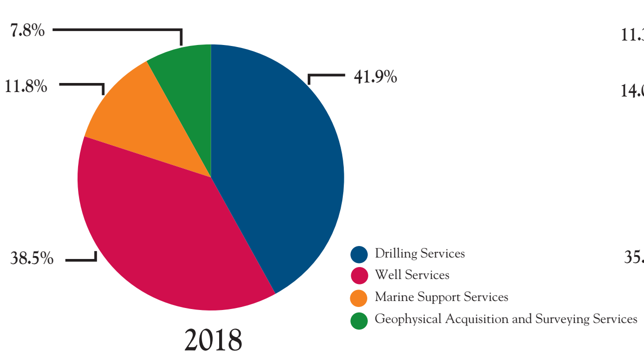
Impairment losses of accounts receivable and other receivables, net of reversal amounted to RMB415.4 million for the year, representing an increase of RMB331.8 million as compared with last year, which was mainly due to the recognition of impairment loss of accounts receivable.

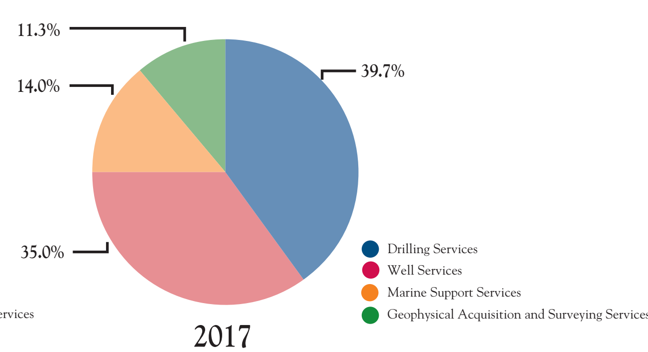
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2018**	2017 (Restated)	**Change**	**Percentage change**
Drilling services	**9,023.5**	6,468.2	2,555.3	39.5%
Well services	**8,283.7**	5,745.9	2,537.8	44.2%
Marine support services	**2,543.8**	2,256.0	287.8	12.8%
Geophysical acquisition and surveying services	**1,676.2**	1,844.5	(168.3)	(9.1%)
Total	**21,527.2**	16,314.6	5,212.6	32.0%

ANALYSIS OF OPERATING EXPENSES – BY BUSINESS





1.3 Profit from operations

For the year 2018, the Group's profit from operations amounted to RMB643.5 million, representing a decrease of RMB824.5 million or 56.2% as compared with RMB1,468.0 million of the same period of last year.

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

Unit: RMB million

Business segments	**2018**	2017 (Restated)	**Change**	**Percentage change**
Drilling services	**(1,255.4)**	(111.7)	(1,143.7)	1,023.9%
Well services	**1,635.9**	1,370.3	265.6	19.4%
Marine support services	**226.0**	313.8	(87.8)	(28.0%)
Geophysical acquisition and surveying services	**37.0**	(104.4)	141.4	(135.4%)
Total	**643.5**	1,468.0	(824.5)	(56.2%)

1.4 Financial expenses, net

Unit: RMB million

	2018	2017 (Restated)	**Change**	**Percentage change**
Exchange (gain)/loss, net	**(358.6)**	388.1	(746.7)	(192.4%)
Finance costs	**1,082.5**	1,100.9	(18.4)	(1.7%)
Interest income	**(107.6)**	(99.6)	(8.0)	8.0%
Financial expenses, net	**616.3**	1,389.4	(773.1)	(55.6%)

The exchange loss decreased by RMB746.7 million as affected by the change of exchange rates during the year.

1.5 Share of profits of joint ventures, net of tax

For the year 2018, the Group's share of profits of joint ventures amounted to RMB184.3 million, representing an increase of RMB77.4 million or 72.4% as compared with RMB106.9 million of last year. This was mainly attributable to the improvement of profitability of joint ventures.

1.6 Profit before tax

The profit before tax generated by the Group was RMB706.3 million in 2018, representing an increase of RMB364.0 million or 106.3% as compared with RMB342.3 million of last year.

1.7 Income tax expense

The income tax expense of the Group in 2018 was RMB617.7 million, representing an increase of RMB356.3 million as compared with RMB261.4 million of 2017, which was mainly due to the increase of the profits of the Company during the year.

1.8 Profit for the year

For the year 2018, profit of the Group was RMB88.7 million, representing an increase of RMB7.8 million or 9.6% as compared with RMB80.9 million of last year.

1.9 Basic earnings per share

For the year 2018, the Group's basic earnings per share were approximately RMB1.48 cents, representing an increase of approximately RMB0.58 cent as compared with approximately RMB0.90 cent of last year.

1.10 Dividend

For the year 2018, the Board of the Company proposed a final dividend of RMB0.07 per share (tax inclusive), totaling RMB334.0 million. If approved by the general meeting, the final dividends are expected to be paid on or before 30 June 2019.

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing final dividends to them. For H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). On the basis, enterprise income tax shall be withheld from dividends payable to such shareholder(s).

2. Analysis on Consolidated Statement of Financial Position

As at 31 December 2018, the total assets of the Group amounted to RMB74,687.0 million, representing an increase of RMB745.7 million or 1.0% as compared with RMB73,941.3 million as at the end of 2017. The total liabilities amounted to RMB40,009.6 million, representing an increase of RMB755.8 million or 1.9% as compared with RMB39,253.8 million as at the end of 2017. Total equity amounted to RMB34,677.4 million, representing a decrease of RMB10.1 million or 0.03% as compared with RMB34,687.5 million as at the end of 2017.

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

Unit: RMB million

Items	2018	2017 (Restated)	Change	Percentage change	Reasons
Assets					
1 Other intangible assets	**289.5**	429.7	(140.2)	(32.6%)	Mainly due to the transfer of land use rights during the period.
2 Multi-client library	**139.7**	22.8	116.9	512.7%	Mainly due to the increase of capitalised amount of multi-client library during the period.
3 Contract costs (non-current)	**172.9**	–	172.9	100.0%	Due to application of new standards, mobilisation cost for the amortisation period over one year under the contract cost was adjusted to this item.
4 Other non-current assets	**97.8**	326.8	(229.0)	(70.1%)	Mainly because mobilisation costs and agency fees of rigs were newly included in the contract cost during the period.
5 Notes receivable	**232.9**	85.5	147.4	172.4%	Mainly due to the increase of notes receivable as a result of the increase of operation revenue during the period.
6 Financial assets at fair value through profit or loss	**1,749.7**	–	1,749.7	100.0%	Due to application of new standards, the principal and gain on fair value changes of wealth management products with floating income and monetary funds were included in this item.
7 Contract costs (current)	**53.0**	–	53.0	100.0%	Due to application of new standards, mobilisation cost for the amortisation period within one year under the contract cost was adjusted to this item.
8 Other current assets	**6,601.2**	2,843.4	3,757.8	132.2%	Mainly due to the increase of investment in the return guaranteed wealth management products during the period.

Items	2018	2017 (Restated)	Change	Percentage change	Reasons
9 Pledged deposits	**27.7**	41.1	(13.4)	(32.6%)	Mainly due to the decrease of pledged deposits held by the Group at the end of 2018.
10 Time deposits with maturity of over three months	**143.2**	28.9	114.3	395.5%	Mainly because the time deposits with maturity of over three months held by the Group increased at the end of 2018.
11 Cash and cash equivalents	**3,169.0**	9,009.1	(5,840.1)	(64.8%)	Mainly due to the repayment of borrowings, payment of interests and distribution of dividends as well as the increase of investment in wealth management during the period.
Liabilities					
1 Notes payable	**50.3**	–	50.3	100.0%	Mainly due to the increase of bank acceptance bills issued by the Group at the end of the period.
2 Tax payable	**373.6**	121.6	252.0	207.2%	Mainly due to income tax payable increased during the period.
3 Loan from a related party	**1,372.6**	2,287.0	(914.4)	(40.0%)	Mainly due to no borrowings from a related party and the repayment of US$150 million during the period.
4 Long term bonds (current liabilities)	**4,098.8**	–	4,098.8	100.0%	The three-year corporate bonds issued in 2016 will be due within one year.
5 Contract liabilities (current liabilities)	**154.4**	–	154.4	100.0%	Due to application of new standards, advances received from equipment, advances received from operation and mobilisation revenue for the amortisation period within one year were adjusted to this item.
6 Interest-bearing bank borrowings	**787.6**	1,409.2	(621.6)	(44.1%)	Mainly due to no bank borrowings and the repayment of borrowings of approximately US$80 million and RMB130 million respectively during the period.
7 Contract liabilities (non-current liabilities)	**308.0**	–	308.0	100.0%	Due to application of new standards, mobilisation revenue and equipment compensation for amortisation period over one year were adjusted to this item.
8 Deferred income	**522.8**	888.4	(365.6)	(41.2%)	The equipment subsidies and mobilisation revenue under the deferred revenue were adjusted to contract liabilities during the period.

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, during 2018, the net cash inflows from operating activities amounted to RMB4,150.3 million; net cash outflows from investing activities amounted to RMB7,036.4 million; net cash outflows from financing activities amounted to RMB3,060.5 million and the impact of foreign exchange fluctuations resulted in an increase of cash of RMB106.5 million. As at 31 December 2018, the Group's cash and cash equivalents amounted to RMB3,169.0 million.

3.1 Cash flows from operating activities

As at 31 December 2018, net cash inflows from operating activities of the Group amounted to RMB4,150.3 million, representing a decrease of 24.2% as compared with last year. This was mainly attributed to an increase of accounts receivable and notes receivable during the year.

3.2 Cash flows from investing activities

As at 31 December 2018, net cash outflows generated from investing activities of the Group amounted to RMB7,036.4 million, representing an increase of RMB9,611.8 million as compared with last year, which was mainly attributed to the decrease of RMB672.1 million in the cash outflows of the acquisition of property, plant and equipment as compared with last year, the increase of RMB7,100.0 million in the cash outflows of the purchase of corporate wealth management products, monetary funds and treasury bond related repurchase as compared with last year, the decrease of RMB2,612.5 million in the cash inflows received from the disposal of matured corporate wealth management products and monetary fund related investments as compared with last year, the decrease of RMB643.0 million in the cash inflows received from the disposal of property, plant and equipment as compared with last year, and the total increase of cash inflows of RMB71.6 million in other investment activities.

3.3 Cash flows from financing activities

As at 31 December 2018, net cash outflows from financing activities of the Group amounted to RMB3,060.5 million, representing a decrease of outflows of RMB1,819.7 million as compared with last year. This was mainly attributable to no loans were received from related parties in 2018, which resulted in the decrease of RMB1,722.9 million in the cash inflows arising from financing activities as compared with last year, the increase of RMB1,032.8 million in the cash outflows as compared with last year due to the repayment of loans to related parties, the decrease of RMB4,581.6 million in the cash outflows as compared with last year due to the repayment of bank borrowings, and the total increase of cash outflows of RMB6.2 million in other financing activities.

3.4 The effect of foreign exchange fluctuations on cash during the year was an increase of cash of RMB106.5 million.

4. Capital expenditure

In 2018, the capital expenditure of the Group amounted to RMB2,397.9 million, representing a decrease of RMB99.5 million or 4.3% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	2018	2017 (Restated)	Change	Percentage change
Drilling services	**1,252.4**	1,074.6	177.8	16.5%
Well services	**642.1**	653.2	(11.1)	(1.7%)
Marine support services	**200.6**	466.2	(265.6)	(57.0%)
Geophysical acquisition and surveying services	**302.8**	105.7	197.1	186.5%
Total	**2,397.9**	2,299.7	98.2	4.3%

The capital expenditure of the drilling services segment was mainly used for the construction of drilling rigs. The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipment. The capital expenditure of the marine support services segment was mainly used for the construction of utility vessels. The capital expenditure of the geophysical acquisition and surveying services segment was mainly used for the establishment of a multi-client database.

BUSINESS PLAN

As the recent international oil prices fluctuated at a medium-to-high level, the investment of global oil and gas in development will continue to increase, and the workload of various sectors of the Company is expected to improve in varying degrees. However, affected by factors including global trade frictions, reverse globalization trend and geopolitical risks, the recovery progress of the oilfield services industry is still full of challenges. The Company will continue to spare no effort in expanding markets and promote the development of the well services segment and overseas business so as to enhance the profitability of the Company.

2019 BUSINESS OUTLOOK

According to the estimated data of IHS Markit, an institution for international information services, it is estimated that in 2019, the investment in upstream exploration and development around the world will increase by 15.63% from US$408.3 billion in 2018 to US$472.1 billion in 2019; while the investment in the offshore exploration and development in 2019 will increase by 15.69% from US$104.5 billion in 2018 to US$120.9 billion in 2019. In general, the oilfield services industry will continue to pick up in view of the gradual recovery trend of capital expenditure of global oil and gas in 2019, together with the growing activeness of the market, the overall operating environment will be further improved as compared with 2018. As oil companies will continue to focus on cost control and efficiency improvement, the services prices will be in slow recovery. Meanwhile, the competition in the market will remain fierce in view of the excessive resources of the services companies, and the overall profitability of the industry cannot be enhanced rapidly.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2018 of the Group were audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP. This results announcement is based on such financial statements which have been agreed by the Company and the auditor.

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the risk management, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2018 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2018, the Company has fully 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.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, during the 12 months ended 31 December 2018, strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Purchase, Disposal and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the year ended 31 December 2018.

OTHER MATTERS

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"). During the reporting period, 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).

On 6 March 2016 and 20 March 2016, the Company disclosed "Status of Two Drilling Contracts" and "Further Status of Two Drilling Contracts" respectively. 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 (Statoil Petroleum AS, hereinafter "Statoil") with Oslo District Court of Norway (the "Court") 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 a plaintiff filed a Statement of Claim (the "Claim") against Statoil with the Court through WIKBORG REIN ADVOKATFIRMA AS, an international law firm based in Norway, as litigation agent. COM is of the view that Statoil shall pay the Claim for cost reimbursement and rate reductions happened in the period of year 2016 in an amount up to the equivalence of US$15,238,596 incurred as a consequence of the drilling rig of COSLPromoter's compliance with requirements of Statoil. 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 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).

In November 2018, the Company entered into the sale and purchase agreement of tankers and related business with Shanghai Northsea Shipping Company Limited ("Northsea Shipping"). Pursuant to the sale and purchase agreement of tankers and related business, the Company agrees to transfer and Northsea Shipping agrees to receive the Tankers and Related Business for a consideration of RMB84,807,831.00 (3% value-added tax included). For details, please refer to relevant announcement 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).

DISCLOSURE OF INFORMATION ON THE HKEX'S WEBSITE

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

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

27 March 2019

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.