COSL

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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

1. Revenue was RMB31,075.8 million
2. Profit from operations was RMB3,895.2 million
3. Profit for the year was RMB2,528.0 million
4. Basic earnings per share were RMB52.44 cents
5. Total assets were RMB76,101.8 million
6. Total equity was RMB36,910.3 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2019

	Notes	**2019**	2018
		RMB'000	*RMB'000*
REVENUE	*4*	**31,135,150**	21,945,877
Sales surtaxes		**(59,312)**	(59,249)
Revenue, net of sales surtaxes		**31,075,838**	21,886,628
Other income	*5*	**352,136**	284,090
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library		**(4,372,838)**	(4,262,776)
Depreciation of right-of-use assets		**(589,264)**	–
Employee compensation costs	*6*	**(5,807,994)**	(5,026,085)
Repair and maintenance costs		**(691,334)**	(523,764)
Consumption of supplies, materials, fuel, services and others		**(6,933,202)**	(4,954,252)
Subcontracting expenses		**(5,943,860)**	(3,578,949)
Lease expenses	*6*	**(1,287,702)**	(1,126,191)
Other operating expenses		**(1,348,745)**	(1,516,863)
Impairment of property, plant and equipment	*10*	**(241,485)**	(122,962)
Impairment losses under expected credit loss model, net of reversal		**(316,324)**	(415,364)
Total operating expenses		**(27,532,748)**	(21,527,206)
PROFIT FROM OPERATIONS		**3,895,226**	643,512
Exchange gain, net		**111,871**	358,647
Finance costs		**(1,118,797)**	(1,082,501)
Interest income		**67,522**	107,552
Investment income	*6*	**218,214**	164,730
(Losses)/Gains arising from financial assets at fair value through profit or loss	*6*	**(38,829)**	49,441
Share of profits of joint ventures, net of tax		**320,452**	184,288
Other gains and losses	*6*	**16,515**	280,660
PROFIT BEFORE TAX	*6*	**3,472,174**	706,329
Income tax expense	*7*	**(944,159)**	(617,657)
PROFIT FOR THE YEAR		**2,528,015**	88,672
Attributable to:			
Owners of the Company		**2,502,238**	70,802
Non-controlling interests		**25,777**	17,870
		2,528,015	88,672
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*9*	**52.44 cents**	1.48 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	2019	2018
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,528,015**	88,672
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	**(1,768)**	(4,265)
Income tax relating to item that will not be reclassified subsequently to profit or loss	**389**	981
	(1,379)	(3,284)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**66,203**	185,846
Share of other comprehensive income of joint ventures, net of related income tax	**7,157**	4,564
Income tax (expense)/income relating to item that may be reclassified subsequently to profit or loss	**(27,402)**	11,296
	45,958	201,706
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	**44,579**	198,422
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,572,594**	287,094
Attributable to:		
Owners of the Company	**2,544,038**	262,492
Non-controlling interests	**28,556**	24,602
	2,572,594	287,094

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**50,218,143**	51,533,128
Right-of-use assets	*11*	**1,200,640**	–
Goodwill	*12*	**–**	–
Other intangible assets		**62,135**	289,502
MultiClient library	*13*	**279,726**	139,707
Investments in joint ventures		**880,583**	679,162
Financial assets at fair value through profit or loss		**–**	–
Contract costs		**91,500**	172,893
Other non-current assets		**246,988**	97,816
Deferred tax assets	*19*	**92,468**	65,869
Total non-current assets		**53,072,183**	52,978,077
CURRENT ASSETS			
Inventories		**1,424,674**	1,326,755
Prepayments, deposits and other receivables	*14*	**397,972**	387,571
Accounts receivable	*15*	**10,305,533**	8,015,313
Notes receivable	*16*	**44,245**	208,164
Receivables at fair value through other comprehensive income		**40,580**	24,740
Financial assets at fair value through profit or loss		**4,511,248**	1,749,723
Contract assets		**262,594**	–
Contract costs		**–**	53,023
Other current assets		**2,577,018**	6,601,235
Pledged deposits	*17*	**102,202**	27,657
Time deposits with maturity of over three months	*17*	**–**	145,136
Cash and cash equivalents	*17*	**3,363,589**	3,169,610
Total current assets		**23,029,655**	21,708,927
CURRENT LIABILITIES			
Trade and other payables	*18*	**10,284,224**	8,895,667
Notes payable		**3,467**	50,266
Salary and bonus payables		**979,229**	909,174
Tax payable		**612,784**	373,566
Loan from a related party	*20*	**2,443,946**	1,374,823
Interest-bearing bank borrowings	*21*	**608,906**	599,968
Long term bonds	*22*	**3,810,175**	4,469,521
Lease liabilities	*23*	**597,774**	–
Contract liabilities		**255,306**	154,410
Other current liabilities		**233,010**	183,648
Total current liabilities		**19,828,821**	17,011,043
NET CURRENT ASSETS		**3,200,834**	4,697,884
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,273,017**	57,675,961

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*19*	**62,655**	286,560
Interest-bearing bank borrowings	*21*	**201,049**	787,631
Long term bonds	*22*	**17,928,478**	21,069,892
Lease liabilities	*23*	**547,572**	–
Contract liabilities		**192,745**	308,000
Deferred income	*24*	**401,554**	522,839
Employee benefit liabilities		**28,687**	23,633
Total non-current liabilities		**19,362,740**	22,998,555
Net assets		**36,910,277**	34,677,406
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*25*	**4,771,592**	4,771,592
Reserves		**31,962,599**	29,758,284
		36,734,191	34,529,876
Non-controlling interests		**176,086**	147,530
Total equity		**36,910,277**	34,677,406

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 registration address of CNOOC is No.25 Chaoyangmenbei Dajie, Dongcheng District, Beijing.

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

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

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 ("HKICPA") for the first time in the current year:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle

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 positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 Leases ("HKAS 17"), and the related interpretations.

Definition of a lease

The Group has elected 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. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and measured right-of-use assets at the carrying amounts as if HKFRS 16 had been applied since commencement dates, but discounted using the incremental borrowing rates of the relevant group entities at the date of initial application by applying HKFRS 16.C8(b)(i) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;

v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 3.85% to 4.47%.

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	**2,048,554**
Less: Value-added tax	**(88,390)**
Operating lease commitments without value-added tax	**1,960,164**
Lease liabilities discounted at relevant incremental borrowing rates	**1,764,313**
Add: Extension options reasonably certain to be exercised	**47,321**
Less: Recognition exemption – short-term leases	**(5,546)**
Practical expedient – leases with lease term ending within 12 months from the date of initial application	**(5,085)**
Lease liabilities as at 1 January 2019	**1,801,003**
Analysed as	
Current	**712,208**
Non-current	**1,088,795**
	1,801,003

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Note	Right-of-use assets
		RMB'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		**1,480,885**
Reclassified from prepaid lease payments	*(a)*	**215,226**
		1,696,111
By class:		
Drilling rigs		**969,562**
Tankers and vessels		**320,779**
Buildings		**116,433**
Leasehold lands		**215,226**
Machinery and equipment		**73,943**
Motor vehicles		**168**
		1,696,111

(a) Upfront payments for leasehold lands in the PRC and Indonesia for own used properties were classified as prepaid lease payments under other intangible assets as at 31 December 2018. Upon application of HKFRS 16, prepaid lease payments amounting to RMB215,226,000 were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, except for sub-leases in which the Group acts as an intermediate lessor, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

(b) Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's consolidated statement of financial position at 1 January 2019. However, effective on 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

(c) Effective on 1 January 2019, the Group has applied HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in the contract to each lease and non-lease components.

Sales and leaseback transactions

(d) The Group acts as a seller-lessee

In accordance with the transition provisions of HKFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of HKFRS 16, the Group applies the requirements of HKFRS 15 to assess whether sales and leaseback transaction constitutes a sale. During the year, no sales and leaseback transactions occurred.

The following table summarises the impact of transition to HKFRS 16 on retained profits at 1 January 2019.

	Notes	**Impact of adopting HKFRS 16 at 1 January 2019** ***RMB'000***
Retained profits		
Recognition of right-of-use assets relating to operating leases		**1,480,885**
Recognition of lease liabilities relating to operating leases		**(1,801,003)**
The impact arising from prepayments for rental expense	*(e)*	**(8,540)**
The impact arising from accrued lease payments relating to operating leases	*(f)*	**325,075**
The impact arising from capitalised lease expenses	*(g)*	**(1,599)**
Impact before tax		**(5,182)**
Tax effects		**(530)**
Impact at 1 January 2019		**(5,712)**

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Notes	Carrying amounts previously reported at 31 December 2018 *RMB'000*	Adjustments *RMB'000*	**Carrying amounts under HKFRS 16 at 1 January 2019** ***RMB'000***
Non-current Assets				
Right-of-use assets		–	1,696,111	**1,696,111**
Other intangible assets	*(a)*	289,502	(215,226)	**74,276**
Deferred tax assets		65,869	48	**65,917**
Other non-current assets	*(h)*	97,816	50,000	**147,816**
Current Assets				
Prepayments, deposits and other receivables	*(e) (h)*	387,571	(58,540)	**329,031**
Contract cost	*(g)*	53,023	(1,599)	**51,424**
Current Liabilities				
Trade and other payables	*(f)*	8,895,667	(325,075)	**8,570,592**
Lease liabilities		–	712,208	**712,208**
Non-current liabilities				
Deferred tax liabilities		286,560	578	**287,138**
Lease liabilities		–	1,088,795	**1,088,795**
Equity				
Reserves		29,758,284	(5,712)	**29,752,572**

(e) Upon application of HKFRS 16, prepayments for rental expense under operating leases previously included in prepayments, deposits and other receivables of RMB8,540,000 were reversed at transition and the Group adjusted retained profits accordingly.

(f) The adjustment related to accrued lease payments of certain operating leases in which the rentals increase progressively as agreed in the contracts. The carrying amount of RMB325,075,000 included in accounts payable as at 1 January 2019 was reversed at transition and the Group adjusted retained profits accordingly.

(g) Upon application of HKFRS 16, the operating leases expenses capitalised to contract costs relating to existing leases contracts at 1 January 2019 were decreased with an amount of RMB1,599,000.

(h) Upon application of HKFRS 16, the prepaid lease payments of RMB50,000,000 relating to existing leases contract that entered into but not commenced at 1 January 2019 were reclassified to other non-current assets.

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

2.2 Impacts and changes in accounting policies of application of other new and amendments to HKFRSs

HK(IFRIC)-Int 23 Uncertainty over Income Tax Treatments

HK(IFRIC)-Int 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments. The interpretation requires the Group to determine whether uncertain tax positions are assessed separately or as a group and assess whether it is probable that a tax authority will accept an uncertain tax treatment used, or proposed to be used, by individual group entities in their respective income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

The Group applied this interpretation retrospectively with the cumulative effect of initially applying the interpretation recognised at the date of initial application, 1 January 2019, without restating comparatives. The interpretation have no material impact on the Group's consolidated financial statements.

2.3 New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

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

2 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.

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

4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, *the Amendments to References to the Conceptual Framework in HKFRS Standards*, will be effective for annual periods beginning on or after 1 January 2020.

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

Amendments to HKFRS 3 Definition of a Business

The amendments:

- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis;

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs; and

- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020, with early application permitted.

The optional concentration test and the amended definition of a business are not expected to have a significant impact to the Group.

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 judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

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. OPERATING SEGMENT INFORMATION

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

The 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/(losses) arising from financial assets at fair value through profit or loss ("FVTPL") are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the 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 2019	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	**10,824,856**	**15,030,027**	**3,052,876**	**2,168,079**	**31,075,838**
Sales surtaxes	**16,703**	**30,940**	**6,447**	**5,222**	**59,312**
Sales to external customers, before net of sales surtaxes	**10,841,559**	**15,060,967**	**3,059,323**	**2,173,301**	**31,135,150**
Intersegment sales	**136,450**	**87,749**	**202,043**	**148**	**426,390**
Segment revenue	**10,978,009**	**15,148,716**	**3,261,366**	**2,173,449**	**31,561,540**
Elimination	**(136,450)**	**(87,749)**	**(202,043)**	**(148)**	**(426,390)**
Group revenue	**10,841,559**	**15,060,967**	**3,059,323**	**2,173,301**	**31,135,150**
Segment results	**509,092**	**3,157,733**	**249,669**	**315,699**	**4,232,193**
Reconciliation:					
Exchange gain, net					**111,871**
Finance costs					**(1,118,797)**
Interest income					**67,522**
Investment income					**218,214**
Loss arising from financial assets at FVTPL					**(38,829)**
Profit before tax					**3,472,174**
Income tax expense					**(944,159)**
As at 31 December 2019					
Segment assets	**43,585,638**	**10,751,413**	**7,789,529**	**5,020,212**	**67,146,792**
Unallocated assets					**8,955,046**
Total assets					**76,101,838**
Segment liabilities	**4,829,815**	**6,431,956**	**1,217,310**	**1,044,487**	**13,523,568**
Unallocated liabilities					**25,667,993**
Total liabilities					**39,191,561**
Other segment information:					
Capital expenditure	**912,022**	**1,180,921**	**421,125**	**658,580**	**3,172,648**
Depreciation of property, plant and equipment and amortisation of intangible assets	**2,662,410**	**679,047**	**664,335**	**367,046**	**4,372,838**
Depreciation of right-of-use assets	**448,844**	**42,322**	**67,873**	**30,225**	**589,264**
Impairment/(reversal) of accounts receivable	**316,889**	**(2,050)**	**(71)**	**(172)**	**314,596**
Impairment of other receivables	**515**	**875**	**199**	**139**	**1,728**
Impairment of inventories	**2,143**	**2,978**	**605**	**430**	**6,156**
Impairment of property, plant and equipment	**241,485**	**–**	**–**	**–**	**241,485**
Share of (losses)/profits of joint ventures	**(2,445)**	**264,300**	**–**	**58,597**	**320,452**
Investments in joint ventures	**–**	**681,635**	**–**	**198,948**	**880,583**

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

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 2019 and 2018.

		International		
Year ended/as at 31 December 2019	**Domestic**	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**24,219,206**	**1,608,227**	**5,307,717**	**31,135,150**
Less: Sales surtaxes	**(59,312)**	**–**	**–**	**(59,312)**
Sales to external customers, net of sales surtaxes	**24,159,894**	**1,608,227**	**5,307,717**	**31,075,838**
Non-current assets:	**29,304,621**	**9,256,608**	**13,537,903**	**52,099,132**

		International		
Year ended/as at 31 December 2018	Domestic	North Sea	Others	Total
	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

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 78% (2018: 76%) of the total sales of the Group for the year ended 31 December 2019.

4. REVENUE

	2019	2018
	RMB'000	*RMB'000*
Revenue from contracts with customers	**31,003,307**	21,945,877
Revenue arising from operating leases	**131,843**	–
	31,135,150	21,945,877

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes

(a) For the year ended 31 December 2019

	For the year ended 31 December 2019				
	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	**6,693,191**	**12,703,323**	**2,886,711**	**1,917,341**	**24,200,566**
North Sea	**1,596,902**	**–**	**–**	**–**	**1,596,902**
Others	**2,419,623**	**2,357,644**	**172,612**	**255,960**	**5,205,839**
Total	**10,709,716**	**15,060,967**	**3,059,323**	**2,173,301**	**31,003,307**
Timing of revenue recognition					
At a point of time	**–**	**130,814**	**–**	**47,605**	**178,419**
Over time	**10,709,716**	**14,930,153**	**3,059,323**	**2,125,696**	**30,824,888**
Total	**10,709,716**	**15,060,967**	**3,059,323**	**2,173,301**	**31,003,307**
Type of customer					
CNOOC Limited Group	**6,297,501**	**13,652,619**	**2,743,376**	**1,657,321**	**24,350,817**
Others	**4,412,215**	**1,408,348**	**315,947**	**515,980**	**6,652,490**
Total	**10,709,716**	**15,060,967**	**3,059,323**	**2,173,301**	**31,003,307**

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 2019			
	Segment revenue *RMB'000*	**Less: Revenue arising from operating leases** *RMB'000*	**Eliminations** *RMB'000*	**Revenue from contracts with customers** *RMB'000*
Drilling Services	**10,978,009**	**(131,843)**	**(136,450)**	**10,709,716**
Well Services	**15,148,716**	**–**	**(87,749)**	**15,060,967**
Marine Support Services	**3,261,366**	**–**	**(202,043)**	**3,059,323**
Geophysical Acquisition and Surveying Services	**2,173,449**	**–**	**(148)**	**2,173,301**
Revenue from contracts with customers	**31,561,540**	**(131,843)**	**(426,390)**	**31,003,307**

(b) For the year ended 31 December 2018

	For the 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*
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 *RMB'000*	Eliminations *RMB'000*	Revenue from contracts with customers *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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 and 2018 and the expected timing of recognising revenue are as follows:

	As at 31 December 2019				
	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	357,218	707,788	–	93,840	1,158,846
In the second to fifth year, inclusive	478,495	1,322,805	–	2,892	1,804,192
After five years	351	–	–	–	351
Total	836,064	2,030,593	–	96,732	2,963,389

	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.

5. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Insurance claims received	**23,370**	22,081
Government grants (a)	**264,822**	191,009
Compensation income on breach of contracts	**53,423**	–
Compensation income on late delivery of assets	**–**	61,450
Others	**10,521**	9,550
Total	**352,136**	284,090

(a) Government grants include release of deferred income of RMB122,366,000 for the year. (2018: RMB141,372,000) (note 24).

6. PROFIT BEFORE TAX

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

	2019	2018
	RMB'000	*RMB'000*
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**4,419,411**	3,686,628
Social security costs	**941,794**	866,469
Retirement benefits and pensions	**446,789**	472,988
	5,807,994	5,026,085
Auditor's remuneration	**16,279**	14,266
Gains arising from lease modifications	**(74,011)**	–
Losses/(gains) on disposal of plant and equipment and other intangible assets, net	**57,496**	(280,660)
Lease expenses in respect of land and buildings, berths and equipment (a)	**1,287,702**	1,126,191
Provision of impairment of inventories	**6,156**	4,666
Income from investments in corporate wealth management products, liquidity funds and treasury bond related investments	**(218,214)**	(164,730)
Losses/(gains) arising from financial assets at FVTPL	**38,829**	(49,441)
Cost of inventories recognised as an expense	**4,316,869**	2,672,589
Research and development costs, included in:	**932,656**	742,103
Depreciation of property, plant and equipment	**97,234**	102,145
Employee compensation costs	**318,017**	263,562
Consumption of supplies, materials, fuel, services and others	**517,405**	376,396

(a) Lease expenses in 2019 represent short-term leases and variable lease payments not included in the measurement of lease liabilities.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the 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 December 2019, the CIT rate of COSL Deepwater Technology Co. Ltd is to be 15% for the period from 2019 to 2021.

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

Countries and regions	**2019**	2018
Indonesia	**25%**	25%
Mexico	**30%**	30%
Norway	**22%**	23%
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 of America	**21%**	21%
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 10% 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**	Withholding tax based on 2.5% of revenue generated in Myanmar
Brazil	**34%**	34%
Cameroon	**Withholding tax based on 15% of revenue generated in Cameroon**	Withholding tax based on 15% of revenue generated in Cameroon

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

	2019	2018
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**200,482**	198,700
Deferred	**65**	(13,951)
PRC corporate income taxes:		
Current	**925,675**	455,351
Deferred	**(251,134)**	(17,661)
Under/(over) provision in prior years	**69,071**	(4,782)
Total tax charge for the year	**944,159**	617,657

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:

	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**3,472,174**		706,329	
Tax at the statutory tax rate of 25% (2018: 25%)	**868,043**	**25.0**	176,582	25.0
Tax effect as an HNTE	**(634,071)**	**(18.3)**	(322,521)	(45.7)
Tax effect of income not subject to tax	**(3,108)**	**(0.1)**	(13,320)	(1.9)
Tax effect of share of profit of joint ventures	**(80,113)**	**(2.3)**	(46,072)	(6.5)
Tax effect of expense not deductible for tax	**64,103**	**1.8**	17,030	2.3
Tax benefit for qualifying research and development expenses	**(118,129)**	**(3.3)**	(82,241)	(11.6)
Effect of non-deductible expenses and different tax rates for overseas subsidiaries	**652,255**	**18.8**	815,555	115.5
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**–**	**–**	(3,295)	(0.5)
Tax effect of tax losses and deductible temporary differences unrecognised	**63,021**	**1.8**	93,641	13.3
Utilisation of tax losses previously not recognised	**(19,639)**	**(0.6)**	(26,417)	(3.7)
Tax effect on translation adjustment (a)	**17,574**	**0.5**	(7,080)	(1.0)
Under/(over) provision in respect of prior years	**69,071**	**2.0**	(4,782)	(0.7)
Others	**65,152**	**1.9**	20,577	2.9
Total tax charge at the Group's effective tax rate	**944,159**	**27.2**	617,657	87.4

(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 RMB70,775,000 (2018: RMB34,434,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

8. DIVIDENDS

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.16 per ordinary share (2018: RMB0.07 per ordinary share)	**763,455**	334,011

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 2019, the dividend proposed in 2018 and paid to the shareholders of the Company is RMB0.07 per ordinary share, in an aggregate amount of RMB334,011,000 (2018: RMB286,296,000).

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%.

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2019 *RMB'000*	2018 *RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**2,502,238**	70,802

Number of shares	**2019**	2018
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 2019 and 2018 as the Group had no dilutive potential ordinary shares in issue during those years.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2019	**Tankers and vessels** *RMB'000*	**Drilling rigs** *RMB'000*	**Machinery and equipment** *RMB'000*	**Motor vehicles** *RMB'000*	**Buildings** *RMB'000*	**Construction in progress** *RMB'000*	**Total** *RMB'000*
At 31 December 2018 and at 1 January 2019							
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
Carrying amount							
At 1 January 2019	9,286,158	35,254,866	4,616,577	16,522	836,166	1,522,839	51,533,128
Additions	–	58,813	1,420,895	115	–	1,523,753	3,003,576
Depreciation provided during the year	(851,210)	(1,958,035)	(1,527,503)	(3,380)	(43,199)	–	(4,383,327)
Disposals/write-offs	(6,420)	(5,183)	(69,465)	(1,724)	–	–	(82,792)
Transfers from/(to) construction in progress	17,593	469,965	658,661	4,566	(13,156)	(1,137,629)	–
Impairment provided	–	(241,075)	–	–	–	(410)	(241,485)
Exchange realignment	4,883	354,632	19,377	–	4,961	5,190	389,043
At 31 December 2019	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143
At 31 December 2019							
Cost	15,800,921	65,777,334	19,430,432	103,966	958,079	1,914,153	103,984,885
Accumulated depreciation and impairment	(7,349,917)	(31,843,351)	(14,311,890)	(87,867)	(173,307)	(410)	(53,766,742)
Carrying amount	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143

31 December 2018	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2017 and at 1 January 2018							
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	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

During the year ended 31 December 2019, no interest was capitalised in property, plant and equipment. Included in the year ended 31 December 2018, there was an amount of approximately RMB2,721,000 additions in respect of interest capitalised in property, plant and equipment with a capitalisation rate of 4.64% per annum.

Impairment of property, plant and equipment

During the year ended 31 December 2019, due to the slower 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 RMB241,485,000 (2018: RMB122,962,000) for certain drilling rigs in drilling services segment which has been recognised in profit or loss for the year ended 31 December 2019. The impairment losses have been classified under the drilling services segment.

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 7.5%~8.6% (2018: 8.0%~8.9%). 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.

11. RIGHT-OF-USE ASSETS

	Tankers and vessels *RMB'000*	Drilling rigs *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Leasehold lands *RMB'000*	Total *RMB'000*
As at 1 January 2019							
Cost	320,779	969,562	73,943	168	116,433	239,513	1,720,398
Accumulated depreciation and impairment	–	–	–	–	–	(24,287)	(24,287)
Carrying amount	320,779	969,562	73,943	168	116,433	215,226	1,696,111
Carrying amount							
At 1 January 2019	320,779	969,562	73,943	168	116,433	215,226	1,696,111
Additions	–	177,989	288,795	2,053	80,336	–	549,173
Depreciation charge	(67,521)	(404,096)	(71,713)	(691)	(42,187)	(3,056)	(589,264)
Lease modification	–	(459,639)	(137)	(128)	(900)	–	(460,804)
Exchange realignment	–	1,393	1,249	8	1,437	1,337	5,424
At 31 December 2019	253,258	285,209	292,137	1,410	155,119	213,507	1,200,640
As at 31 December 2019							
Cost	320,779	689,916	364,076	2,034	197,349	240,850	1,815,004
Accumulated depreciation and impairment	(67,521)	(404,707)	(71,939)	(624)	(42,230)	(27,343)	(614,364)
Carrying amount	253,258	285,209	292,137	1,410	155,119	213,507	1,200,640
Expense relating to short-term leases and other leases with lease terms end within 12 months of the date of initial application of HKFRS 16							726,689
Variable lease payments not included in the measurement of lease liabilities							561,013
Total cash outflow for leases							1,908,426

For both years, the Group leases various tankers and vessels, drilling rigs, machinery and equipment, buildings and motor vehicles for its operations. Lease contracts are entered into for fixed term of 1 to 30 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold lands for operating purpose and has obtained the land use right certifications. The upfront payments for such leasehold lands were classified as right-of-use assets upon application of HKFRS 16, which were classified as prepaid lease payments under other intangible assets as at 31 December 2018.

The Group regularly entered into short-term leases for tankers and vessels, drilling rigs, machinery and equipment, buildings and motor vehicles. As at 31 December 2019, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 6.

Variable lease payments

The Group entered into several lease contracts associated to certain drilling rigs, tankers and vessels with variable lease payments determined by utilisation days and day rates. The Group recognised these variable lease payments as expense during this current year when they were paid or payable.

Extension and termination options

The Group has extension and/or termination options to maximize operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2019, there is no such triggering event.

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.

	2019
	RMB'000
COST	
At 1 January	**4,624,054**
Exchange realignment	**76,134**
At 31 December	**4,700,188**
IMPAIRMENT	
At 1 January	**4,624,054**
Exchange realignment	**76,134**
At 31 December	**4,700,188**
CARRYING VALUE	
At 31 December	**–**

13. MULTICLIENT LIBRARY

	MultiClient Library
	RMB'000
Carrying amount at 31 December 2018	139,707
Development cost capitalised in the year	148,657
Amortisation provided during the year	(11,191)
Exchange realignment	2,553
At 31 December 2019	279,726
At 31 December 2019	
Cost	291,675
Accumulated amortisation	(11,949)
Carrying amount	279,726

The Group has entered into cooperation agreements with Spectrum Geo Inc ("Spectrum") 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 capitalised to the MultiClient library. During the year ended 31 December 2019, except for certain part of multi-client data projects which had been completed, the remaining part was still in progress.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Prepayments	**132,788**	127,705
Deposits	**49,790**	41,490
Other receivables	**229,734**	230,988
	412,312	400,183
Less: Provision for impairment of other receivables	**(14,340)**	(12,612)
	397,972	387,571

An analysis of other receivables is as follows:

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Prepaid tax	**120,555**	117,851
Compensation receivables	**33,562**	8,658
Insurance claim receivables	**19,313**	16,197
Payments on behalf of suppliers	**19,097**	24,920
Advance to employees	**7,318**	12,252
Dividend receivable	**–**	29,500
Other advance	**–**	4,280
Others	**29,889**	17,330
	229,734	230,988

Prepayments for rental expense and prepaid lease payments were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.1.

15. ACCOUNTS RECEIVABLE

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Accounts receivable		
– goods and services	**13,223,934**	10,579,283
Less: Allowance for credit losses	**(2,918,401)**	(2,563,970)
	10,305,533	8,015,313

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 2019 *RMB'000*	31 December 2018 *RMB'000*
Within six months	**9,981,405**	7,793,152
Six months to one year	**236,393**	128,266
One to two years	**87,646**	91,835
Over two years	**89**	2,060
	10,305,533	8,015,313

As at 31 December 2019, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB324,128,000 (31 December 2018: RMB222,161,000) which are past due as at the reporting date. Out of the past due balances, RMB210,344,000 (31 December 2018: 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.

16. NOTES RECEIVABLE

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Commercial notes receivable at amortised costs	**44,245**	208,164

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

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

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Cash and balances with banks	**1,967,074**	1,724,911
Deposits with CNOOC Finance Corporation Ltd.	**1,498,717**	1,472,356
Time deposits at banks	**–**	145,136
Cash and balances with banks and financial institutions	**3,465,791**	3,342,403
Less:		
Pledged deposits	**(102,202)**	(27,657)
Time deposits with maturity of over three months	**–**	(145,136)
Cash and cash equivalents	**3,363,589**	3,169,610

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 RMB2,043,017,000 (2018: RMB1,734,637,000). 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 2019 *RMB'000*	31 December 2018 *RMB'000*
Outstanding balances aged:		
Within one year	**9,462,482**	8,007,466
One to two years	**102,643**	125,212
Two to three years	**41,300**	61,491
Over three years	**83,728**	80,883
	9,690,153	8,275,052

Accrued lease payments were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in note 2.1.

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 2019 *RMB'000*	31 December 2018 *RMB'000*
Deferred tax assets	**92,468**	65,869
Deferred tax liabilities	**(62,655)**	(286,560)
	29,813	(220,691)

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

	Balance at 1 January 2018 *RMB'000*	Recognised in profit or loss *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2018 *RMB'000*	Adjustments upon application of HKFRS16 *RMB'000*	Balance at 1 January 2019 *RMB'000* (Restated)	**Recognised in profit or loss** ***RMB'000***	**Exchange realignment** ***RMB'000***	**Balance at 31 December 2019** ***RMB'000***
Deferred tax assets:									
Provision for staff bonus	88,763	(5,300)	2	83,465	–	83,465	**(28,136)**	**1**	**55,330**
Impairment of assets	56,698	(2,078)	–	54,620	–	54,620	**7,703**	**–**	**62,323**
Accelerated depreciation of property, plant and equipment	–	–	–	–	–	–	**8,563**	**96**	**8,659**
Accrued liabilities	30,764	(11,861)	–	18,903	–	18,903	**161,299**	**–**	**180,202**
Provision for onerous contracts	3,367	(3,367)	–	–	–	–	**–**	**–**	**–**
Deductible tax loss	67,537	(8,059)	3,101	62,579	–	62,579	**(8,269)**	**937**	**55,247**
Right-of use assets and lease liabilities	–	–	–	–	48	48	**45,896**	**(9)**	**45,935**
Others	3,738	(219)	156	3,675	–	3,675	**28,579**	**80**	**32,334**
	250,867	(30,884)	3,259	223,242	48	223,290	**215,635**	**1,105**	**440,030**
Deferred tax liabilities:									
Accelerated depreciation of property, plant and equipment	480,890	(49,301)	2,885	434,474	–	434,474	**(42,920)**	**923**	**392,477**
Fair value adjustment arising from acquisition of a subsidiary	12,765	(12,341)	185	609	–	609	**(612)**	**3**	**–**
The investment of corporate wealth management products	–	–	–	–	–	–	**2,627**	**–**	**2,627**
Right-of use assets and lease liabilities	–	–	–	–	578	578	**(579)**	**1**	**–**
Others	9,270	(854)	434	8,850	–	8,850	**6,050**	**213**	**15,113**
	502,925	(62,496)	3,504	443,933	578	444,511	**(35,434)**	**1,140**	**410,217**
	252,058	(31,612)	245	220,691	530	221,221	**(251,069)**	**35**	**(29,813)**

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 RMB1,224,680,000 (31 December 2018: RMB954,121,000). 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 2019, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB252,644,000 (2018: RMB220,410,000). 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 2019, accumulated unrecognised tax losses arising in the Group of approximately RMB9,611,096,000 (2018: RMB9,277,338,000) 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 2019 ***RMB'000***	31 December 2018 *RMB'000*
31 December 2021	**85,910**	147,061
31 December 2022	**236**	3,601
31 December 2023	**1,632**	6,335
31 December 2024	**737**	–
31 December 2027	**3,365**	–
31 December 2028	**4,703**	–
31 December 2029	**408**	–
31 December 2036	**–**	7,835
31 December 2037	**–**	9,568
	96,991	174,400

At 31 December 2019, the Group had tax losses arising in Norway of RMB9,514,105,000 (2018: RMB9,102,938,000) 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 2019, the Group has deductible temporary differences of RMB1,727,398,000 (2018: RMB1,701,008,000). 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 2019** ***RMB'000***	31 December 2018 *RMB'000*
Loan from a related party – unsecured	LIBOR+0.5%	**2,443,946**	1,374,823

During the year ended 31 December 2019, the Group obtained a new loan of US$150,000,000, equivalent to approximately RMB1,017,120,000, 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 finance CNA's daily operations.

21. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%) per annum	Year of maturity	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Export-Import Bank of China – unsecured (a)	LIBOR+1.70%	2020	**589,928**	1,157,288
China Development Bank (b)	1.08%	2035	**220,027**	230,311
			809,955	1,387,599
Less: Current portion of long term bank loans			**(608,906)**	(599,968)
			201,049	787,631

(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 loan from a wholly-owned subsidiary of China Development Bank in December 2015. The loan was initial recognised on fair value measured by discounting future cash flow at prevailing market interest. The repayments start from December 2018 over 36 instalments bi-annually.

For all bank borrowings as stated above, the weighted average effective interest rate for the year ended 31 December 2019 was 3.77% per annum (2018: 3.63% per annum).

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Bank borrowings repayable:		
Within one year	**608,906**	599,968
In the second year	**2,610**	578,285
In the third to fifth year, inclusive	**34,814**	33,750
Beyond five years	**163,625**	175,596
	809,955	1,387,599

22. LONG TERM BONDS

	Year of maturity	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
Corporate bonds (a)	2022	**1,542,000**	1,542,000
2016 Corporate Bonds			
(Type I of the First Tranche Issue as defined below) (b)	2019	**–**	2,037,117
(Type II of the First Tranche Issue as defined below) (b)	2026	**3,070,763**	3,070,343
(Type I of the Second Tranche Issue as defined below) (b)	2021	**102,493**	2,111,430
(Type II of the Second Tranche Issue as defined below) (b)	2021	**2,916,915**	2,916,132
Senior unsecured USD bonds (c)	2022	**7,032,189**	6,910,254
Guaranteed medium term notes			
First Drawdown Note (d)	2020	**3,537,073**	3,474,852
Second Drawdown Note (d)	2025	**3,537,220**	3,477,285
		21,738,653	25,539,413
Current		**3,810,175**	4,469,521
Non-current		**17,928,478**	21,069,892
		21,738,653	25,539,413

(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 (2018: 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. During the current year, the Group repaid Type I of the First Tranche Issue of RMB 2,000,000,000.

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 21 October 2021. The Group has the right to adjust or not to adjust the coupon rate for the fourth and fifth year at the end of the third year on 21 October 2019 by giving a notice to the bondholders. The bondholders have the right 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 whether the Group chose to adjust the coupon rate or not. 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. During the current year, RMB1,998,100,000 principal of Type I of the Second Tranche were redeemed as required by the bondholders. According to the current market environment, the Group chose not to adjust the coupon rate for the fourth and fifth year, that is, the coupon rate will remain at 3.08% in the next two interest-bearing years. The remaining Type I of the Second Tranche Issue of RMB101,900,000 will be held until the maturity date on 21 October 2021.

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. LEASE LIABILITIES

	31 December 2019 *RMB'000*
Lease liabilities payable:	
Within one year	**597,774**
One to two years	**209,520**
Two to five years	**234,850**
Over five years	**103,202**
	1,145,346
Less: Amount due for settlement with 12 months shown under current liabilities	**(597,774)**
Amount due for settlement after 12 months shown under non-current liabilities	**547,572**

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD *RMB'000*	**SGD** *RMB'000*	**Other** *RMB'000*
As at 31 December 2019	319,379	74,631	28,386

24. 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 received from government 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	**Government grant related to assets**	**Government grant related to income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	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
Additions	**–**	**2,748**	**87,033**	**–**	**89,781**
Credited to profit or loss	**(82,602)**	**(17,301)**	**(105,065)**	**(7,922)**	**(212,890)**
Exchange realignment	**1,824**	**–**	**–**	**–**	**1,824**
At 31 December 2019	**86,591**	**179,833**	**62,361**	**72,769**	**401,554**

25. ISSUED CAPITAL

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

26. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

In December 2016 and January 2017, COSL Offshore Management AS ("COM", a subsidiary of the Company) as a plaintiff filed two respective claims against Statoil Petroleum AS (hereinafter "Statoil") with Oslo District Court in Norway, claiming that Statoil's termination of drilling rig contracts for COSLInnovator and COSLPromoter was unlawful and the contracts 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 Energy AS (Statoil's new company name, hereinafter "Equinor") with an award of damages in COM's favor on the COSLInnovator related claim. On 14 June 2018, Equinor appealed and COM filed an independent appeal on the same day. There was no court proceeding over the appeals of COSLInnovator and COSLPromoter in 2019 since the last court award. Therefore, as of 31 December 2019, the Directors have not recognised receivable regarding the award of damages delivered by the court on 15 May 2018.

On 7 January 2020, COM and Equinor reached an out of court settlement after negotiations and signed a formal settlement agreement regarding the legal suit on the drilling rigs COSLInnovator and COSLPromoter. Equinor has paid a settlement sum of US$188 million to COM by the date of this report. The settlement sum is recognised in statement of profit or loss after the reporting period upon receipt. In the meanwhile, in view of the expected day rates and future operating cash flows after the said settlement, COSLInnovator is considered to have impairment indication. The Directors are carrying out impairment assessment for COSLInnovator based on projected future cash flows and discount rate.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2019

In 2019, the structure of world energy continued to optimized. The downward pressure on the world economy increased while global economic and trade frictions were intensifying, which led to the slowdown of global oil demand growth. International oil prices were affected by supply and demand as well as geopolitical influences. The crude oil market was turbulent throughout the year, forming a pattern of high price in the first half of the year with a steady rebound in the second half of the year. The average prices of Brent oil for the whole year were US$64.23 per barrel, representing a decrease of 11% as compared with 2018, but higher than the average price of US$54 per barrel in 2017. This symbolized the momentum of the recovery and growth of international oil prices for three consecutive years has ended, declining under pressure and oscillating around the new price center.

In 2019, the global upstream exploration and development investment continued to recover and the market size of oilfield services was basically the same as in 2018, and offshore oil and gas exploration and development became a hot spot. The oilfield service industry continued to adopt measures to reduce production and service costs as well as management cost, and a new competitive landscape for the oilfield services industry was in the process of forming. As reflected from the research report of Spears & Associates, an institution for the industry information, the major decline in professional lines such as hydraulic fracturing in 2019 was mainly due to the decline in the heat of the shale oil and gas market in North America. At the same time, the growth trend of geophysical services and Logging While Drilling maintained a good growth trend, with a growth rate of more than 10%. In 2019, the size of the global offshore drilling market increased by 1.00% to US$24.0 billion as compared to 2018, and the size of the geophysical prospecting market increased by 14% to US$8.7 billion as compared to last year, while the size of the shipping market increased by 5% to US$5.0 billion as compared to last year. The size of the well services market (only including wireline logging, directional well, cementing, slurry and well completion) increased by 4.26% to US$47.3 billion as compared to last year.

Drilling Services Segment

The Group is the largest offshore drilling contractor in China and one of the internationally well-known drilling contractors. It mainly provides relevant drilling and well completion services such as jack-up drilling rigs, semi-submersible drilling rigs, module rigs and land drilling rigs. At the end of 2019, the Group operated and managed a total of 54 drilling rigs (of which 40 are jack-up drilling rigs, and 14 are semi-submersible drilling rigs), and 5 module rigs, etc.

In 2019, revenue from drilling services amounted to RMB10,824.8 million, representing an increase of 39.7% as compared with RMB7,749.9 million of 2018.

In 2019, the international oil and gas price wandered at middle-low level, but the investment of global upstream exploration and development continued to recover. At the same time, in order to ensure energy security, China implemented "Seven-Year Action Plan" and the demands in market increased significantly as the increased promotion of reserve and production and investment in exploration and development. On the one hand, the Group insist on the oversea deployment is needed for international strategic development, on the other hand, actively respond to national policy calls for rational allocation of resources, surrounding the overall goal of high-quality development and the establishment of international first-class oilfield service provider with global competitiveness to improve the capabilities in equipment management and technical services, solid QHSE risk management, deepen the reformation of personal and asset institutions. The Group has obtained a decent performance by adhering to green and low-carbon development strategy and improving management operational capability.

During the period, the Group obtained various major drilling service contracts over the world, which resulted in the increase in the utilization rate of equipment and operation volume. In the Middle East, the service contracts with "Oriental Dragon" and "Oriental Phoenix" were officially signed, operations are expected to be commenced one by one by the end of 2020, and the first oil testing of "COSLGift" successfully ignited for release. The "COSLHunter" successfully started a new round of service. In Oceania, the "COSLBoss" began the first high-end drilling service project for jack-up drilling rigs. In Southeast Asia, "COSLPower" successfully awarded drilling service contract. The newly leased rigs "Asian Endeavour 1" also successfully obtained drilling service contract.

By the end of 2019, the Group had 29 drilling rigs operating in the China Sea, 10 rigs operating overseas, 12 were standby and 3 were being maintained in the shipyard.

In 2019, the Group's drilling rigs operated for 14,737 days, representing a year-on-year increase of 3,599 days which increased by 32.3%.

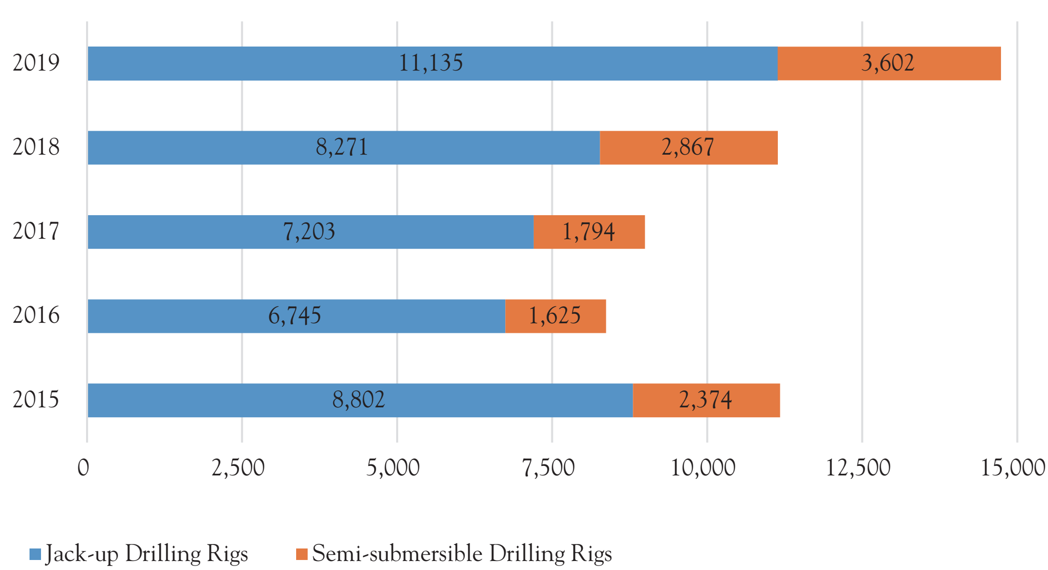
In which, the Group's jack-up drilling rigs operated for 11,135 days, representing a year-on-year increase of 2,864 days; semi-submersible drilling rigs operated for 3,602 days, representing a year-on-year increase of 735 days. It was mainly due to the operational management capability improved as the demand for work increases.

Operational details of jack-up and semi-submersible drilling rigs of the Group in 2019 are as follows:

	2019	2018	**Change**	**Percentage Change**
Operating days (day)	**14,737**	11,138	3,599	32.3%
Jack-up drilling rigs	**11,135**	8,271	2,864	34.6%
Semi-submersible drilling rigs	**3,602**	2,867	735	25.6%
Available day utilization rate	**81.4%**	72.5%	Up 8.9 percentage points	
Jack-up drilling rigs	**83.9%**	72.0%	Up 11.9 percentage points	
Semi-submersible drilling rigs	**74.6%**	73.9%	Up 0.7 percentage points	
Calendar day utilization rate	**78.5%**	66.8%	Up 11.7 percentage points	
Jack-up drilling rigs	**81.0%**	66.6%	Up 14.4 percentage points	
Semi-submersible drilling rigs	**71.4%**	67.5%	Up 3.9 percentage points	

Five module rigs operated in the Gulf of Mexico for 1,440 days, representing an increase of 566 days over the same period last year. The calendar day utilization rate increased by 31.0 percentage points to 78.9%.

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



In 2019, the average day income of the drilling rigs of the Group increased slightly compared with the same period of 2018, details as follows:

Average day income (ten thousand US$/day)	**2019**	2018	**Change**	**Percentage Change**
Jack-up drilling rigs	**6.9**	6.5	0.4	6.2%
Semi-submersible drilling rigs	**17.2**	17.3	(0.1)	(0.6%)
Drilling rigs average	**9.4**	9.3	0.1	1.1%

Note: (1) Average day income = Revenue/operating days.

(2) USD/RMB exchange rate was 1:6.9762 on 31 December 2019 and 1:6.8632 on 28 December 2018, 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 2019, revenue from the well service segment increased by 53.5% from RMB9,792.6 million in the same period in 2018 to RMB15,030.0 million.

In 2019, the Group vigorously promoted the reform of technical systems and mechanisms, continuously input more effort in technology research and development and technology innovations and promoted industrialization incentive fund projects in the technology series. Various reform measures have been implemented effectively and the technology development has achieved outcomes, which accelerated the process of industrialization and commercialization of the product series. As the competitive advantages has become significant and obtained high recognition from the market, the operation results have recorded a historical new record.

In terms of outcomes, the Group's self-developed well log analysis software obtained the DLIS document ID, making the Group the first enterprises in domestic counterparts to have done so. The Group was invited to participate in the 2019 ISO International Standards Writing Conference International Meeting and jointly prepared a new standard for ISO-Oilfield Salt Water Standards, which is recognized by the ISO Technical Committee. In the field of scientific research and application, a large batch of new technologies with owned intellectual property rights went into operation in four seas and constantly refreshed operation records, including high-end drilling fluids, deep-water high temperature and high pressure well cementing, pressure testing and sampling in modular system, 205℃ high temperature slam, Outline While Drilling and Pressure-measuring While Drilling. The operational performance indicators surpassed the advanced level of international counterparts, broke the foreign technology monopoly position, and continued to create value for customers. In the field of market expansion, the Group successfully received well cementing, work-over, drilling and completion fluid and wireline logging service contract in the Asia-Pacific region. The Group awarded land conventional well cementing and stimulation contract and renewed offshore well cementing contract. The wireline logging and perforating services project made the logging service return to the Myanmar market. In Americas, the Group obtained a cased hole service project in Canada and wireline logging service contract in Mexico, which achieved a breakthrough for wireline logging services in Americas onshore market.

Marine Support Services Segment

The Group operates and manages the largest offshore operation fleet with the most comprehensive functions in China offshore, with over 140 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 2019, the Group's marine support services segment adhered to grasp the foundation, focus on coordinating, and strengthen the building for production safety and management capability on equipment. The annual average equipment availability achieved 99.9% with continuing positive operational management growth. In China, as the demands on petroleum exploration and development increased significantly, the Group scientifically saved resources, reasonably North-South redeployment, optimized market deployment to make every effort to secure the production demands are satisfied. In overseas, HYSY614 awarded the first long-term project in Mexico market through independent operation. The Group also awarded with a four-year long-term contract in Indonesia with ten years of quality service. The Group shared social responsibility by actively participating in marine rescue while satisfying safety production. 12 environmentally-friendly LNG power guard supply vessels which invested and built in the implementation of the green development went into operation.

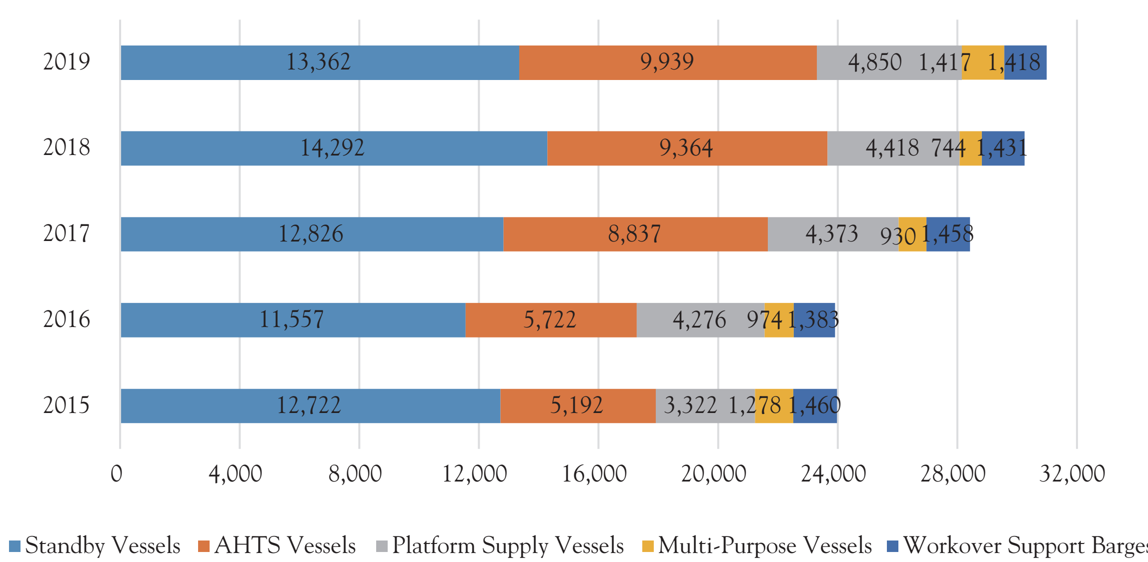
In 2019, revenue of marine support services business grew by 13.1% to RMB3,052.9 million from RMB2,698.1 million in 2018. The chartered vessels operated 15,266 days in total in 2019, increased by 54.3% compared to last year, generating revenue of RMB929.5 million, and increased 70.0% from RMB546.7 million in the same period in 2018.

The calendar day utilization rate of self-owned utility vessels was 94.3% in 2019, representing an increase of 4.1 percentage points as compared with last year.

Self-owned utility vessels of the Group operated 30,986 days in 2019, representing an increase of 737 days as compared with last year. Details are as follows:

Operating days (day)	**2019**	2018	**Change**	**Percentage Change**
Standby vessels	**13,362**	14,292	(930)	(6.5%)
AHTS vessels	**9,939**	9,364	575	6.1%
Platform supply vessels	**4,850**	4,418	432	9.8%
Multi-purpose vessels	**1,417**	744	673	90.5%
Workover support barges	**1,418**	1,431	(13)	(0.9%)
Total	**30,986**	30,249	737	2.4%

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. At the end of 2019, 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 seismic acquisition services, submarine cable and submarine node multi-component seismic acquisition services, also integrated offshore surveying services.

In 2019, revenue of geophysical acquisition and surveying services segment increased to RMB2,168.1 million, representing an increase of 31.7% compared with RMB1,646.0 million of 2018, of which, the surveying services recorded revenue of RMB386.3 million, representing an increase of 1.9% as compared with RMB379.2 million over 2018.

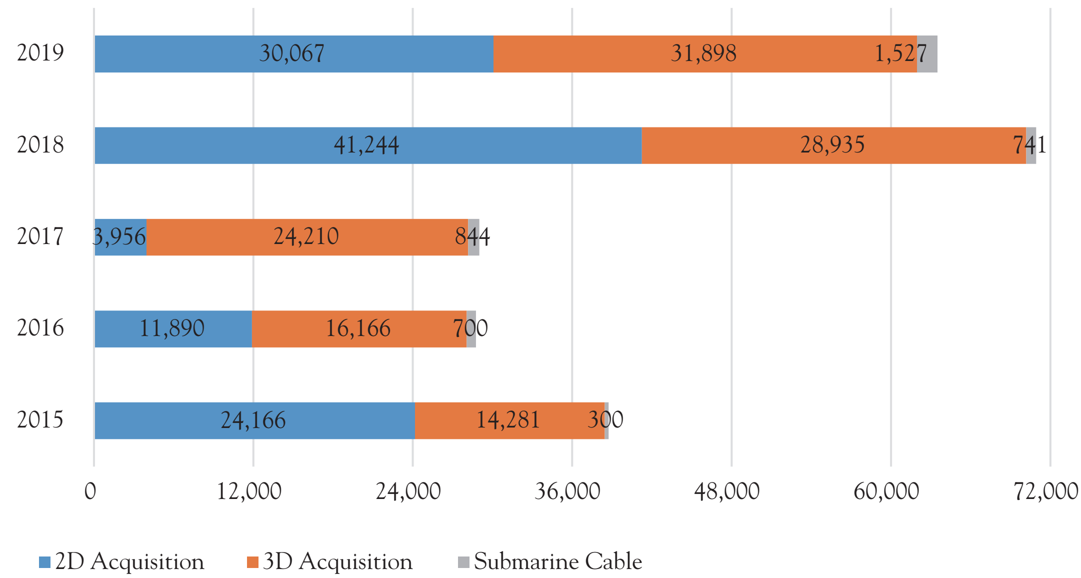
In 2019, the geophysical acquisition and surveying services business organized production carefully, adhered to safety management, paid close attention to quality construction and vigorously expand its market by obtaining several acquisition contracts in Canada and so on, which indicates the continuous significant effectiveness of the market expansion on offshore wind power surveying. The Group had technological innovation breakthroughs and actively participated in the domestic and international exchange of academic papers and achieved excellent results. By reasonably integrating external resources and expand production capacity, the Group had continuously refreshed domestic single-day production records and carried out the first domestic marine geophysical exploration on seismic acquisition using three vessels with random seismic source, broadband and wide-azimuth equipment. The Group secured the significant increase in the annual operation volume while achieved safety production and zero incident.

In 2019, as affected by the changes in market demand, the Group continued to promote multi-client acquisition and adjust operation types. 2D operation volume decreased while 3D and submarine cable had a substantial growth, which have more competitiveness.

The details of operation volume are as follows:

Businesses	**2019**	2018	**Change**	**Percentage Change**
2D acquisition (km)	**30,067**	41,244	(11,177)	(27.1%)
of which: multi-client	**1,350**	16,091	(14,741)	(91.6%)
3D acquisition (km^2)	**31,898**	28,935	2,963	10.2%
of which: multi-client	**6,485**	5,593	892	15.9%
Submarine cable (km^2)	**1,527**	741	786	106.1%

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



Major Subsidiaries

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 2019, the total assets of China Oilfield Services (BVI) Limited amounted to RMB3,325.6 million and equity was RMB526.6 million. China Oilfield Services (BVI) Limited realized revenue of RMB2,583.2 million in 2019, representing an increase of RMB479.5 million or 22.8% as compared with last year, mainly due to the slow recovery of the market and the increase in operation volume. The net profit amounted to RMB252.6 million, representing an increase of RMB124.2 million or 96.7% as compared with last year.

As at 31 December 2019, the total assets of CNA amounted to RMB11,903.5 million and equity was RMB-1,284.4 million. CNA realized revenue of RMB2,049.7 million in 2019, representing an increase of RMB121.7 million or 6.3% as compared with last year. The net profit amounted to RMB-686.1 million, representing an increase in loss of RMB94.3 million as compared with last year. Taking into account the utilization rate of large-scale equipment and the fact that the operating price has not yet recovered to a normal level as well as the risk of recovery of accounts receivable, the asset impairment loss for the year amounted to RMB210.0 million and credit impairment loss for the year amounted to RMB95.7 million.

As at 31 December 2019, the total assets of COSL Singapore Limited amounted to RMB27,481.5 million and equity was RMB-598.3 million. COSL Singapore Limited realized revenue of RMB2,248.9 million in 2019, representing an increase of RMB545.3 million or 32.0% as compared with last year. The net profit amounted to RMB-1,761.5 million, representing a decrease in loss of RMB617.9 million as compared with last year. Thereinto, COSL DRILLING STRIKE PTE.LTD., COSL PROSPECTOR PTE. LTD. are major platform subsidiaries of COSL Singapore Limited.

As at 31 December 2019, the total assets of COSL DRILLING STRIKE PTE.LTD. amounted to RMB4,330.1 million and equity was RMB-2,889.7 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 RMB156.0 million in 2019, representing a decrease of RMB212.3 million or 57.6% as compared with last year. The net profit amounted to RMB-654.0 million, representing a decrease in loss of RMB273.4 million as compared with last year.

As at 31 December 2019, the total assets of COSL PROSPECTOR PTE.LTD. amounted to RMB9,207.4 million and equity was RMB-4,010.3 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 RMB512.9 million in 2019, representing an increase of RMB269.7 million or 110.9% as compared with last year. The net profit amounted to RMB-1,102.3 million, representing a decrease in loss of RMB202.4 million as compared with last year.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2019, revenue of the Group amounted to RMB31,075.8 million, representing an increase of RMB9,189.2 million or 42.0% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segments	2019	2018	Change	Percentage change
Drilling services	**10,824.8**	7,749.9	3,074.9	39.7%
Well services	**15,030.0**	9,792.6	5,237.4	53.5%
Marine support services	**3,052.9**	2,698.1	354.8	13.1%
Geophysical acquisition and surveying services	**2,168.1**	1,646.0	522.1	31.7%
Total	**31,075.8**	21,886.6	9,189.2	42.0%

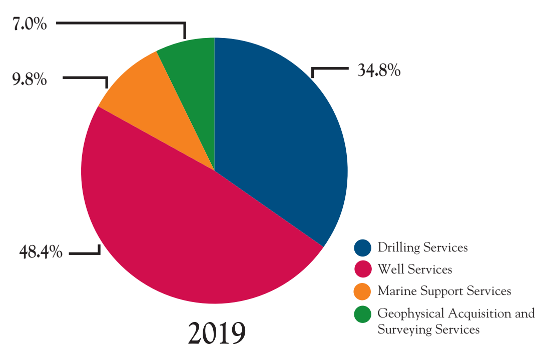
- Revenue generated from drilling services increased by 39.7% as compared with last year. The main reason was that the resources were rationally allocated, production capacity was improved, market development was strengthened and both utilization rate and operation volume of drilling rigs increased.

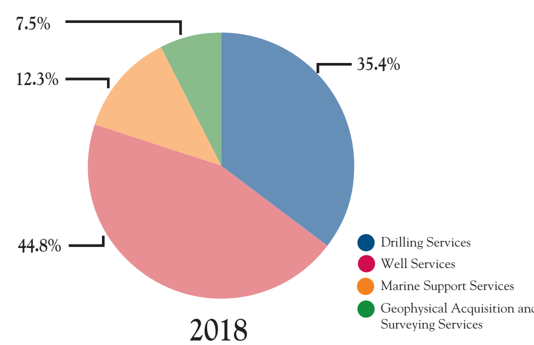
- Revenue of well services increased by 53.5% as compared with last year, which was mainly due to the market recognition received as a result of the Group's upgrade on the technical services capability and the increase in operation volume of technical services.

- Revenue from marine support services increased by 13.1% as compared with last year, which was mainly due to the increase in the operation volume of self-owned vessels and chartered vessels.

- Revenue from geophysical acquisition and surveying services increased by 31.7% as compared with last year, which was mainly due to the significant increase in submarine cable operations during the year.

REVENUE ANALYSIS – BY BUSINESS





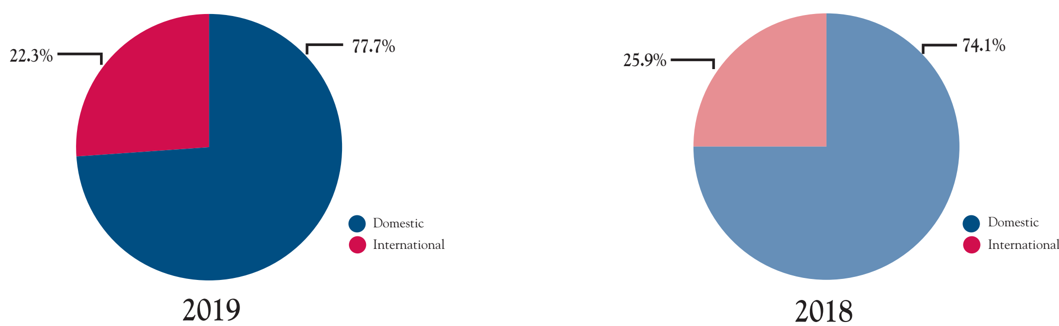
Analysis by operation area

Unit: RMB million

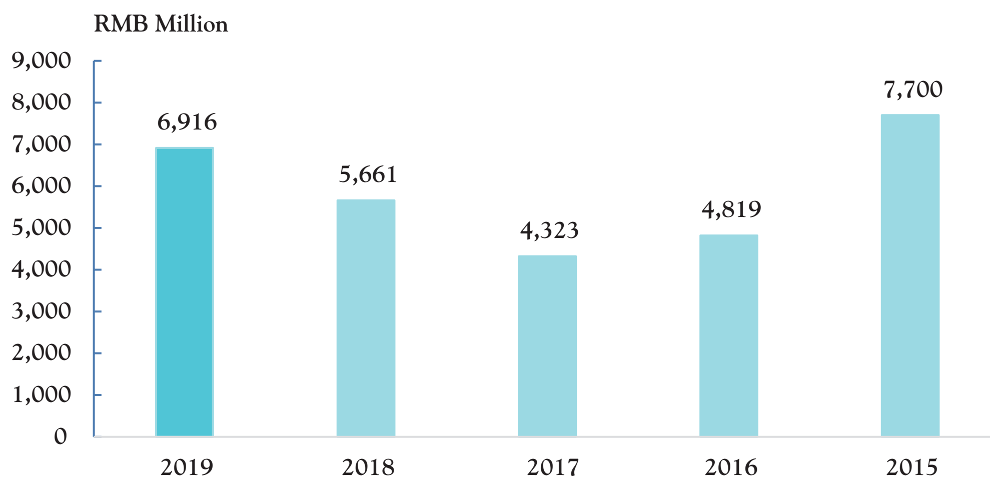
Region	2019	2018	Change	Percentage change
Domestic	**24,159.9**	16,225.5	7,934.4	48.9%
International	**6,915.9**	5,661.1	1,254.8	22.2%
Total	**31,075.8**	21,886.6	9,189.2	42.0%

In terms of operation area, the Group's main source of revenue was from offshore China, accounting for 77.7% of the Group's total revenue. In 2019, the Group's international business recorded revenue of RMB6,915.9 million (compared with RMB5,661.1 million over last year, representing an increase of 22.2% as compared with last year), accounting for 22.3% of the Group's revenue for the year.

REVENUE FROM INTERNATIONAL BUSINESS



The Latest Five Years' International Revenue



1.2 Operating expenses

For the year 2019, operating expenses of the Group amounted to RMB27,532.7 million, representing an increase of RMB6,005.5 million or 27.9% as compared with RMB21,527.2 million of last year.

The table below shows the operating expenses of the Group in 2019 and 2018:

Unit: RMB million

	2019	2018	**Change**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library	**4,372.8**	4,262.8	110.0	2.6%
Depreciation of right-of-use assets	**589.3**	–	589.3	100.0%
Employee compensation costs	**5,808.0**	5,026.1	781.9	15.6%
Repair and maintenance costs	**691.3**	523.8	167.5	32.0%
Consumption of supplies, materials, fuel, services and others	**6,933.2**	4,954.2	1,979.0	39.9%
Subcontracting expenses	**5,943.9**	3,578.9	2,365.0	66.1%
Lease expenses	**1,287.7**	1,126.2	161.5	14.3%
Other operating expenses	**1,348.7**	1,516.8	(168.1)	(11.1%)
Impairment loss of property, plant and equipment	**241.5**	123.0	118.5	96.3%
Impairment loss under expected credit loss model, net of reversals	**316.3**	415.4	(99.1)	(23.9%)
Total operating expenses	**27,532.7**	21,527.2	6,005.5	27.9%

Depreciation of property, plant and equipment and amortization of intangible assets and multiclient library increased by RMB110.0 million as compared with last year.

Due to the adoption of HKFRS 16, the depreciation of right-of-use asset for the year amounted to RMB589.3 million.

The global market was recovering slowly during the year. The Group persisted in market development and operation capacity improvement, while the volume of operations in major business lines increased. Repair and maintenance costs, consumption of supplies, materials, fuel, services and others as well as subcontracting expenses and operating lease expenses increased to varying degrees following the operation volume growth.

Repair and maintenance costs increased by RMB167.5 million as compared with last year, which was mainly due to the increase of the maintenance days.

Consumption of supplies, materials, fuel, services and others increased by RMB1,979.0 million as compared with last year, which was mainly due to the fact that the operation volume increased during the period, which resulted in the increase of consumption of supplies. Meanwhile, the price of raw materials increased.

Subcontracting expenses increased by RMB2,365.0 million, mainly due to market recovery and subcontracting expenses increased as a result of increased work demand.

Lease expenses for the year was RMB1,287.7 million, which was mainly due to increased operation demand, representing an increase of RMB161.5 million.

Impairment loss of property, plant and equipment amounted to RMB241.5 million during the year, representing an increase of RMB118.5 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 of the Group have not returned to normal levels, and the impairment recognised for the period was RMB241.5 million.

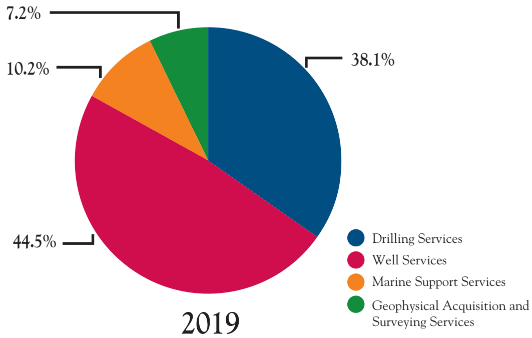
Credit impairment loss for the year was RMB316.3 million, which was mainly due to credit impairment loss recognised for the recoverable risk of receivables and other receivables, representing a decrease of RMB99.1 million.

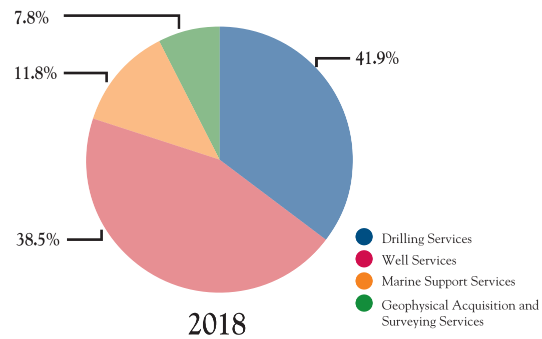
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2019**	2018	**Change**	**Percentage change**
Drilling services	**10,493.2**	9,023.5	1,469.7	16.3%
Well services	**12,247.3**	8,283.7	3,963.6	47.8%
Marine support services	**2,814.1**	2,543.8	270.3	10.6%
Geophysical acquisition and surveying services	**1,978.1**	1,676.2	301.9	18.0%
Total	**27,532.7**	21,527.2	6,005.5	27.9%

ANALYSIS OF OPERATING EXPENSES – BY BUSINESS





1.3 Profit from operations

For the year 2019, the Group's profit from operations amounted to RMB3,895.2 million, representing an increase of RMB3,251.7 million as compared with RMB643.5 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	2019	2018	Change	Percentage change
Drilling services	**442.8**	(1,255.4)	1,698.2	135.3%
Well services	**2,938.2**	1,635.9	1,302.3	79.6%
Marine support services	**256.2**	226.0	30.2	13.4%
Geophysical acquisition and surveying services	**258.0**	37.0	221.0	597.3%
Total	**3,895.2**	643.5	3,251.7	505.3%

1.4 Financial expenses, net

Unit: RMB million

	2019	2018	**Change**	**Percentage change**
Exchange gain, net	**(111.9)**	(358.6)	246.7	(68.8%)
Finance costs	**1,118.8**	1,082.5	36.3	3.4%
Interest income	**(67.5)**	(107.6)	40.1	(37.3%)
Financial expenses, net	**939.4**	616.3	323.1	52.4%

The exchange gain decreased by RMB246.7 million as affected by the change of exchange rates during the year. Due to changes in the deposit structure, interest income decreased by RMB40.1 million as compared with last year.

1.5 Investment income

For the year 2019, the Group's investment income amounted to RMB218.2 million, representing an increase of RMB53.5 million or 32.5% as compared with RMB164.7 million of last year, which was mainly attributable to the increase in investment income of fixed income wealth management products.

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

The gains arising from financial assets at fair value through profit or loss of the Group in 2019 amounted to RMB-38.8 million, representing a decrease of RMB88.2 million from RMB49.4 million of the same period last year. This was mainly due to the redemption of monetary fund and the expiration of floating income wealth management products in the year.

1.7 Share of profits of joint ventures, net of tax

For the year 2019, the Group's share of profits of joint ventures amounted to RMB320.5 million, representing an increase of RMB136.2 million as compared with RMB184.3 million of last year. This was mainly attributable to the significant improvement of profitability of joint ventures as compared with the same period of last year.

1.8 Other gains and losses

In 2019, the Group's other gains and losses amounted to RMB16.5 million, representing a decrease of RMB264.2 million or 94.1% from RMB280.7 million in the same period last year, mainly due to the net income from disposal of non-current assets of RMB315.9 million last year.

1.9 Profit before tax

The profit before tax generated by the Group was RMB3,472.2 million in 2019, representing an increase of RMB2,765.9 million as compared with RMB706.3 million of last year.

1.10 Income tax expense

The income tax expense of the Group in 2019 was RMB944.2 million, representing an increase of RMB326.5 million as compared with RMB617.7 million of 2018, which was mainly due to the increase of the profits of the Company during the year.

1.11 Profit for the year

For the year 2019, profit of the Group was RMB2,528.0 million, representing an increase of RMB2,439.3 million as compared with RMB88.7 million of last year.

1.12 Basic earnings per share

For the year 2019, the Group's basic earnings per share were approximately RMB52.44 cents, representing an increase of approximately RMB50.96 cents as compared with approximately RMB1.48 cent of last year.

1.13 Dividend

For the year 2019, the Board of the Company proposed a final dividend of RMB0.16 per share (tax inclusive), totaling about RMB763.5 million. If approved by the general meeting, the final dividends are expected to be paid on or before 30 June 2020.

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 2019, the total assets of the Group amounted to RMB76,101.8 million, representing an increase of RMB1,414.8 million or 1.9% as compared with RMB74,687.0 million as at the end of 2018. The total liabilities amounted to RMB39,191.5 million, representing a decrease of RMB818.1 million or 2.0% as compared with RMB40,009.6 million as at the end of 2018. Total equity amounted to RMB36,910.3 million, representing an increase of RMB2,232.9 million or 6.4% as compared with RMB34,677.4 million as at the end of 2018.

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		2019	2018	Change	Percentage change	Reasons
Assets						
1	Right-of-use assets	**1,200.6**	–	1,200.6	100.0%	During the year, the Group recognized the right-of-use assets due to the application of HKFRS 16.
2	Other intangible assets	**62.1**	289.5	(227.4)	(78.5%)	As a result of the application HKFRS 16, leasehold land originally recorded in other intangible assets were reclassified to right-of-use assets.
3	Multi-client library	**279.7**	139.7	140.0	100.2%	Increase in the expenses capitalised of multi-client library during the year.
4	Contract costs (non-current)	**91.5**	172.9	(81.4)	(47.1%)	Mobilization costs for the year decreased with amortization of operations.
5	Other non-current assets	**247.0**	97.8	149.2	152.6%	The deposit paid for the construct of property, plant and equipment increased this year.
6	Deferred tax assets	**92.5**	65.9	26.6	40.4%	Mainly due to the increase in deductible differences and the increase in deferred tax assets.
7	Notes receivable	**44.2**	208.2	(164.0)	(78.8%)	Mainly due to the cash was recovered as a result of the notes due.
8	Receivables at fair value through other comprehensive income	**40.6**	24.7	15.9	64.4%	The increase in bank acceptance bills at the end of the period.

Items		2019	2018	Change	Percentage change	Reasons
9	Financial assets at fair value through profit or loss	**4,511.2**	1,749.7	2,761.5	157.8%	The increase in floating wealth management products during the year.
10	Contract assets	**262.6**	–	262.6	100.0%	Due to the drilling services completed and not billed because the rights are conditioned on customers' acceptance of the work.
11	Contract costs (current)	**–**	53.0	(53.0)	(100.0%)	Amortization of short-term contract costs was completed during the year.
12	Other current assets	**2,577.0**	6,601.2	(4,024.2)	(61.0%)	Due of the fixed wealth management products.
13	Pledged deposits	**102.2**	27.7	74.5	269.0%	Mainly due to the increase in pledged deposits held at the end of the year.
14	Fixed deposits with maturity of over three months	**–**	145.1	(145.1)	(100.0%)	Withdrew fixed deposits with maturity of over three months in the year.
Liabilities						
1	Notes payable	**3.5**	50.3	(46.8)	(93.0%)	Mainly due to the payment of the notes payable.
2	Tax payable	**612.8**	373.6	239.2	64.0%	Due to increase in profit and income tax payable of the Group this year.
3	Loan from a related party	**2,443.9**	1,374.8	1,069.1	77.8%	Mainly due to new borrowings from a related party of US$150 million during the year.
4	Lease liabilities (current liabilities)	**597.8**	–	597.8	100.0%	During the year, the Group recognized the lease liabilities due to the application of HKFRS 16.
5	Contract liabilities (current liabilities)	**255.3**	154.4	100.9	65.3%	Mainly due to the increase of the advance payment for operation during the year.
6	Deferred tax liabilities	**62.7**	286.6	(223.9)	(78.1%)	Mainly due to the increase in deferred tax assets, resulting in the decrease of deferred income tax liabilities after offset.

Items		2019	2018	Change	Percentage change	Reasons
7	Interest-bearing bank borrowings (non-current liabilities)	**201.0**	787.6	(586.6)	(74.5%)	Mainly due to the interest-bearing bank borrowings due within one year reclassified to current liabilities.
8	Lease liabilities (non-current liabilities)	**547.6**	–	547.6	100.0%	During the year, the Group recognized the lease liabilities due to the application of HKFRS 16.
9	Contract liabilities (non-current liabilities)	**192.7**	308.0	(115.3)	(37.4%)	Mainly due to the amortisation of mobilization revenue for the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2019, the Group held cash and cash equivalents of RMB3,169.6 million. During 2019, the net cash inflows from operating activities amounted to RMB6,965.6 million; net cash outflows from investing activities amounted to RMB1,151.7 million; net cash outflows from financing activities amounted to RMB5,651.8 million and the impact of foreign exchange fluctuations resulted in an increase of cash of RMB31.9 million. As at 31 December 2019, the Group's cash and cash equivalents amounted to RMB3,363.6 million.

3.1 Cash flows from operating activities

As at 31 December 2019, net cash inflows from operating activities of the Group amounted to RMB6,965.6 million, representing an increase of 67.8% as compared with last year. This was mainly attributed to an increase in the cash received for services provided and products sold during the year.

3.2 Cash flows from investing activities

As at 31 December 2019, net cash outflows generated from investing activities of the Group amounted to RMB1,151.7 million, representing a decrease of RMB5,884.1 million as compared with last year, which was mainly attributed to the increase of RMB292.9 million in the cash outflows of the acquisition of property, plant and equipment and other intangible assets as compared with last year, the decrease of RMB3,500.0 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 increase of RMB3,240.9 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 RMB381.3 million in the cash inflows received from the disposal of property, plant and equipment as compared with last year, no fixed deposits for more than three months for the year which led to the decrease of RMB1,094.4 million in cash outflow as compared with the same period last year, cash inflows drawn from fixed deposits over three months decreased by RMB885.3 million as compared with last year, and the total decrease of cash inflows of RMB391.7 million in other investment activities.

3.3 Cash flows from financing activities

As at 31 December 2019, net cash outflows from financing activities of the Group amounted to RMB5,651.8 million, representing an increase of outflows of RMB2,591.3 million as compared with last year. This was mainly attributable to new borrowing from related parties in 2019, which resulted in the increase of RMB1,017.1 million in the cash inflows arising from financing activities as compared with last year, the decrease of RMB1,032.8 million in the cash outflows as compared with last year due to no repayment of loans to related parties, the increase of RMB3,998.1 million in the cash outflows as compared with last year due to the repayment of long-term bonds, the increase of RMB637.8 million in the cash outflows as compared with last year due to the repayment of lease liabilities, and the total increase of cash outflows of RMB5.3 million in other financing activities.

3.4 The effect of foreign exchange fluctuations on cash during the year was an increase of cash of RMB31.9 million.

3.5 The Group provides operation capital mainly through cash and interest bearing borrowings from operating activities, investment activities and financing activities. For details of the Group's borrowings for the year ended 31 December 2019, please refer to Note 21 to the consolidated financial statements of this announcement.

4. Capital expenditure

In 2019, the capital expenditure of the Group amounted to RMB3,172.6 million, representing an increase of RMB774.7 million or 32.3% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	**2019**	2018	**Change**	**Percentage change**
Drilling services	**912.0**	1,252.4	(340.4)	(27.2%)
Well services	**1,180.9**	642.1	538.8	83.9%
Marine support services	**421.1**	200.6	220.5	109.9%
Geophysical acquisition and surveying services	**658.6**	302.8	355.8	117.5%
Total	**3,172.6**	2,397.9	774.7	32.3%

The capital expenditure of the drilling services segment was mainly used for the renewal and construction of drilling rigs. The capital expenditure of the well services segment was mainly used for the construction and acquisition of technical service-related 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 update and transformation of equipment and the commencement of a multi-client database.

BUSINESS PLAN

In 2020, the overall competition in the oilfield services market is still fierce. The Company will focus on cost control, and strive to improve the Company's profitability through systematic cost reduction measures such as strengthening QHSE management, institutional reform, management process optimization, and boosting labor productivity. The cash flow of the Company is overall secure in 2020. The Company will continue to strictly follow the practices of prudent capital investment, speeding up the optimization and upgrade of its operation model with the support of capital expenditure, and adhere to the Company's development idea and transformation of business model to asset-light and technology-heavy. It is estimated that the capital expenditure of the Company in 2020 will be approximately RMB4.8 billion, which will be mainly used for construction of production bases, renovation of the facilities, machinery and equipment. As guided under the new development idea, the Company will speed up the research and development and innovation of green and environmental-friendly low-carbon technology; enhance its core competitiveness through technological and industry upgrade; allocate equipment resources flexibly in various ways such as self-owned assets, leases and management to timely respond to the change in the market; and pay attention to shareholders' return and actively safeguard the interests of investors.

2020 BUSINESS OUTLOOK

According to the estimated data of IHS Markit in December 2019, an institution for international information services, it is estimated that in 2020, the investment in upstream exploration and development around the world will increase by 0.54% from US$552.0 billion in 2019 to US$555.0 billion in 2020; while the investment in the offshore exploration and development in 2020 will increase by 15.00% from US$116.0 billion in 2019 to US$133.0 billion in 2020. 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. The oilfield service industry needs to rely more on its own innovation to cope with changes in the industry. The Company will pay attention to the trend of oil prices and the investment situation of upstream exploration and development, and make corresponding business adjustment. In 2020, the COVID-19 epidemic has had a certain negative impact on the global economy. The Company will formulate measures in a timely manner based on the new situation by continuously paying attention to the development of global economy, the trend of international oil prices and the investment of upstream exploration and development.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2019 of the Group were audited by Deloitte Touche Tohmatsu. 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 2019 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2019, 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 2019, 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 2019.

OTHER MATTERS

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 Energy 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 2020, COM and Equinor have signed a settlement agreement regarding the above matters. Equinor agreed to pay COM an amount of US$188 million. Furthermore, COM and Equinor have agreed, as a means of strengthening their cooperation, to enter into a master frame agreement. COM and Equinor had submitted a joint pleading to the Court to request the cases to be lifted with each party covering its own legal costs. 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). Equinor has paid a settlement sum of US$188 million to COM by the date of this announcement.

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
Wu Yanyan
Company Secretary

25 March 2020

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.