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COSL

中海油田服务股份有限公司

China Oilfield Services Limited

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

(Stock Code: 2883)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

FINANCIAL HIGHLIGHTS

1. Revenue was RMB14,496.7 million.

2. Profit from operations was RMB2,222.0 million.

3. Profit for the period was RMB1,722.6 million.

4. Basic earnings per share were RMB0.36.

The interim results of the Company for the six months ended 30 June 2020 accordance with Hong Kong Accounting Standard are unaudited.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**14,511,357**	13,562,799
Sales surtaxes		**(14,694)**	(10,687)
Revenue, net of sales surtaxes		**14,496,663**	13,552,112
Other income		**177,394**	30,860
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library		**(2,184,765)**	(2,167,184)
Depreciation of right-of-use assets		**(295,771)**	(314,671)
Employee compensation costs		**(2,486,712)**	(2,651,659)
Repair and maintenance costs		**(125,896)**	(171,158)
Consumption of supplies, materials, fuel, services and others		**(2,925,623)**	(2,986,885)
Subcontracting expenses		**(2,356,442)**	(2,643,858)
Lease expenses		**(651,477)**	(557,253)
Other operating expenses		**(582,429)**	(491,735)
Impairment of property, plant and equipment	*10*	**(843,830)**	–
Impairment losses under expected credit loss model, net of reversal		**889**	2,524
Total operating expenses		**(12,452,056)**	(11,981,879)
PROFIT FROM OPERATIONS		**2,222,001**	1,601,093

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Exchange gain, net		**60,502**	46,731
Finance costs		**(477,248)**	(590,217)
Interest income		**30,213**	21,190
Investment income		**77,507**	173,884
Gains/(losses) arising from financial assets at fair value through profit or loss		**25,486**	(49,441)
Share of profits of joint ventures, net of tax		**158,671**	119,908
Other gains and losses, net	*6*	**(6,444)**	58,974
PROFIT BEFORE TAX	*6*	**2,090,688**	1,382,122
Income tax expense	*7*	**(368,117)**	(395,767)
PROFIT FOR THE PERIOD		**1,722,571**	986,355
Attributable to:			
Owners of the Company		**1,714,199**	973,043
Non-controlling interests		**8,372**	13,312
		1,722,571	986,355
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*9*	**35.93 cents**	20.39 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**1,722,571**	986,355
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**54,417**	(48,154)
Share of other comprehensive income of joint ventures, net of related income tax	**1,885**	287
Income tax (expense)/income relating to items that may be reclassified subsequently to profit or loss	**(24,198)**	1,455
	32,104	(46,412)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE PERIOD, NET OF INCOME TAX	**32,104**	(46,412)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,754,675**	939,943
Attributable to:		
Owners of the Company	**1,743,639**	926,175
Non-controlling interests	**11,036**	13,768
	1,754,675	939,943

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**48,439,002**	50,218,143
Right-of-use assets	*11*	**1,047,220**	1,200,640
Goodwill	*12*	**–**	–
Other intangible assets		**59,957**	62,135
MultiClient library		**278,699**	279,726
Investments in joint ventures		**1,018,490**	880,583
Financial assets at fair value through profit or loss		**–**	–
Debt instrument at amortised cost	*14*	**1,000,000**	–
Contract costs		**68,445**	91,500
Other non-current assets	*15*	**285,196**	246,988
Deferred tax assets		**113,417**	92,468
Total non-current assets		**52,310,426**	53,072,183
CURRENT ASSETS			
Inventories		**2,141,958**	1,424,674
Prepayments, deposits and other receivables		**377,025**	397,972
Accounts receivable	*13*	**13,941,323**	10,305,533
Notes receivable		**34,082**	44,245
Receivables at fair value through other comprehensive income		**23,009**	40,580
Financial assets at fair value through profit or loss		**2,538,263**	4,511,248
Contract assets		**98,975**	262,594
Contract costs		**65,887**	–
Other current assets	*15*	**447,885**	2,577,018
Pledged deposits		**31,343**	102,202
Cash and cash equivalents		**9,417,126**	3,363,589
Total current assets		**29,116,876**	23,029,655

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	Notes	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and other payables	*16*	**9,059,868**	10,284,224
Notes payable		**3,327**	3,467
Salary and bonus payables		**1,247,139**	979,229
Tax payable		**205,018**	612,784
Loan from a related party	*17*	**2,478,494**	2,443,946
Interest-bearing bank borrowings	*18*	**318,987**	608,906
Long term bonds	*19*	**3,822,260**	3,810,175
Lease liabilities		**431,023**	597,774
Contract liabilities		**330,421**	255,306
Other current liabilities	*15*	**670,956**	233,010
Total current liabilities		**18,567,493**	19,828,821
NET CURRENT ASSETS		**10,549,383**	3,200,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,859,809**	56,273,017
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**57,597**	62,655
Interest-bearing bank borrowings	*18*	**196,225**	201,049
Long term bonds	*19*	**23,721,963**	17,928,478
Lease liabilities		**486,556**	547,572
Contract liabilities		**138,529**	192,745
Deferred income		**331,851**	401,554
Employee benefit liabilities		**25,591**	28,687
Total non-current liabilities		**24,958,312**	19,362,740
Net assets		**37,901,497**	36,910,277

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2020

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**4,771,592**	4,771,592
Reserves	**32,942,783**	31,962,599
	37,714,375	36,734,191
Non-controlling interests	**187,122**	176,086
Total equity	**37,901,497**	36,910,277

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

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

As at 30 June 2020, particulars of the principal subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2020	30 June 2019	Principal activities
COSL Chemicals (Tianjin), Ltd. (a)	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	100%	100%	Manufacture and marketing drilling fluids
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	100%	100%	Provision of oil & gas exploration services
COSL-HongKong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	100%	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	100%	100%	Provision of drilling services
COSL Drilling Strike Pte.Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	100%	100%	Provision of drilling services
COSL Prospector Pte.Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	100%	100%	Provision of drilling services
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	100%	100%	Provision of drilling services

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2020	30 June 2019	Principal activities
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	100%	100%	Provision of oil & gas exploration services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	Norwegian Krone ("NOK") 1,541,328,656	100%	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	100%	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	100%	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	100%	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS")(b)	Indonesia 27 July 2010	Indonesia	US$250,000	49%	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	100%	100%	Provision of oilfield services and related activities
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	100%	100%	Bond issuance
COSL Deepwater Technology Co. Ltd. (a)	Shenzhen, PRC 12 September 2013	PRC	RMB 470,000,000	100%	100%	Provision of geophysical and surveying services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	96%	96%	Provision of drilling services
COSL Hainan Ltd. (a)	Haikou, PRC 6 December 2019	PRC	RMB 200,000,000	100%	–	Provision of oil & gas exploration services

(a) COSL Chemicals (Tianjin), Ltd, COSL Deepwater Technology Co. Ltd and COSL Hainan Ltd. are established in the PRC as limited liability companies.

(b) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's condensed consolidated financial statements for the six months ended 30 June 2020 and 2019.

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

As at 30 June 2020, particulars of the joint ventures of the Group are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2020	Ownership interest 2019	Voting rights held 2020	Voting rights held 2019	Principal activities
China Offshore Fugro GeoSolutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50**	50	**50**	50	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd.	US$6,650,000	Tianjin, PRC 30 November 1983	**50**	50	**50**	50	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50**	50	**50**	50	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar")(a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60**	60	**50**	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.	US$2,000,000	Tianjin, PRC 14 April 1993	**50**	50	**50**	50	Provision of well completion services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50**	50	**50**	50	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD (''PBS-COSL'')(b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49**	49	**50**	50	Provision of drilling services
COSL (Malaysia) SDN.BHD. ("COSL Malaysia") (c) (d)	Ringgit Malaysia 350,000	Malaysia 31 July 2017	**49**	49	**50**	50	Provision of drilling services

(a) The Group has 60% of the equity interests in Magcobar, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of Magcobar, more than two-thirds of the voting rights in the board of directors are required for decisions on directing the relevant activities of this entity. The board of directors of Magcobar shall comprise five directors whereby the Company shall appoint three directors and the other sole investor shall appoint two directors. In the opinion of the Directors, the Group does not have control over Magcobar and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement.

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

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

(d) As at 30 June 2020, the Group has yet injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 30 June 2020 have been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2019.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	*Definition of Material*
Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*

In addition, the Group has early applied the Amendment to HKFRS 16 "*COVID-19-Related Rent Concessions*"

3.1 Impacts of application on amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statement taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Impacts and accounting policies on application of Amendments to HKFRS 3 "Definition of a Business"

3.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 Transition and summary of effects

The amendments had no impact on the condensed consolidated financial statements of the Group.

3.3 Impacts and accounting policies on early application of Amendments to HKFRS 16 "COVID-19-Related Rent Concessions"

3.3.1 Accounting policies

Leases

COVID-19-Related Rent Concessions

Rent concessions relating to lease contracts that occurred as a direct consequence of the COVID-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- and there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 "*Leases*" if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

3.3.2 Transition and summary of effects

The Group has early applied the amendment in the current interim period. The application has no impact to the opening retained profits at 1 January 2020. During the current interim period, there was no COVID-19-related rent concession occurred and had no impact on the disclosures or the amounts recognised in the interim condensed consolidated financial statements of the Group.

4. OPERATING SEGMENT INFORMATION

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

The Group has four reportable and operating segments as follows:

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

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

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

(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, net, 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 planning and finance department), pledged deposits, certain other receivables, certain other current assets, financial assets at FVTPL, debt instrument at amortised cost and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than loan from a related party, interest-bearing bank borrowings and long term bonds (funds managed by the corporate planning and finance department), tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

Six months ended 30 June 2020 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue:					
Sales to external customers, net of sale surtaxes	6,171,011	6,050,385	1,534,262	741,005	14,496,663
Sales surtaxes	2,932	9,495	1,667	600	14,694
Revenue, before net of sales surtaxes	6,173,943	6,059,880	1,535,929	741,605	14,511,357
Intersegment sales	25,820	29,729	57,630	90	113,269
Segment revenue	6,199,763	6,089,609	1,593,559	741,695	14,624,626
Elimination	(25,820)	(29,729)	(57,630)	(90)	(113,269)
Group revenue	6,173,943	6,059,880	1,535,929	741,605	14,511,357
Segment results	1,060,268	1,245,487	131,754	(63,281)	2,374,228

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Reconciliation:					
Exchange gain, net					**60,502**
Finance costs					**(477,248)**
Interest income					**30,213**
Investment income					**77,507**
Gain arising from financial assets at FVTPL					**25,486**
Profit before tax					**2,090,688**
Income tax expense					**368,117**
As at 30 June 2020 (Unaudited)					
Segment assets	**42,653,323**	**14,188,396**	**8,167,623**	**5,001,839**	**70,011,181**
Unallocated assets					**11,416,121**
Total assets					**81,427,302**
Segment liabilities	**4,421,992**	**6,034,814**	**1,347,319**	**921,136**	**12,725,261**
Unallocated liabilities					**30,800,544**
Total liabilities					**43,525,805**

Six months ended 30 June 2019 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue:					
Sales to external customers, net of sale surtaxes	4,489,247	6,624,182	1,440,229	998,454	13,552,112
Sales surtaxes	2,645	6,371	968	703	10,687
Revenue, before net of sales surtaxes	4,491,892	6,630,553	1,441,197	999,157	13,562,799
Intersegment sales	92,777	35,340	71,884	–	200,001
Segment revenue	4,584,669	6,665,893	1,513,081	999,157	13,762,800
Elimination	(92,777)	(35,340)	(71,884)	–	(200,001)
Group revenue	4,491,892	6,630,553	1,441,197	999,157	13,562,799
Segment results	324,220	1,279,934	134,376	41,445	1,779,975
Reconciliation:					
Exchange gain, net					46,731
Finance costs					(590,217)
Interest income					21,190
Investment income					173,884
Loss arising from financial assets at FVTPL					(49,441)
Profit before tax					1,382,122
Income tax expense					395,767
As at 30 June 2019 (Unaudited)					
Segment assets	45,354,643	11,377,887	8,380,943	4,869,411	69,982,884
Unallocated assets					5,440,174
Total assets					75,423,058
Segment liabilities	4,862,530	5,388,581	1,380,153	1,059,079	12,690,343
Unallocated liabilities					27,455,089
Total liabilities					40,145,432

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.

The following table presents revenue information for the Group's geographical areas for six months ended 30 June 2020 and 2019.

		International		
Six months ended 30 June 2020 (Unaudited)	**Domestic**	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**10,484,349**	**2,083,743**	**1,943,265**	**14,511,357**
Less: Sales surtaxes	**(14,694)**	**–**	**–**	**(14,694)**
Revenue, net of sales surtaxes	**10,469,655**	**2,083,743**	**1,943,265**	**14,496,663**

		International		
Six months ended 30 June 2019 (Unaudited)	Domestic	North Sea	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	10,539,580	669,837	2,353,382	13,562,799
Less: Sales surtaxes	(10,687)	–	–	(10,687)
Revenue, net of sales surtaxes	10,528,893	669,837	2,353,382	13,552,112

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 72% (six months ended 30 June 2019: 80%) of the total sales of the Group for six months ended 30 June 2020.

5. REVENUE

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers (a)	**14,389,925**	13,528,360
Revenue arising from operating leases	**121,432**	34,439
	14,511,357	13,562,799

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six month ended 30 June 2020

	For the six month ended 30 June 2020				
	Drilling services	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Timing of revenue recognition					
A point in time	**–**	**26,840**	**–**	**3,399**	**30,239**
Over time (a)	**6,052,511**	**6,033,040**	**1,535,929**	**738,206**	**14,359,686**
Total	**6,052,511**	**6,059,880**	**1,535,929**	**741,605**	**14,389,925**

(a) Included in revenue from drilling services was a settlement amount of the Group's right under a ceased contract, recognised by the Group upon receipt. During the current interim period, COSL Offshore Management AS ("COM", a subsidiary of the Company) and Equinor Energy AS ("Equinor") reached an out of court settlement and signed a formal settlement agreement regarding the legal suit on the drilling rigs COSLInnovator and COSLPromoter. Equinor paid US$188,000,000, equivalent to approximately RMB1,309,561,000 to COM as a full settlement of the Group's right to revenue under the ceased contract.

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.

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

	For the six month ended 30 June 2020			
	Segment revenue	**Less: Revenue arising from operating leases**	**Eliminations**	**Revenue from contracts with customers**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Drilling Services	**6,199,763**	**(121,432)**	**(25,820)**	**6,052,511**
Well Services	**6,089,609**	**–**	**(29,729)**	**6,059,880**
Marine Support Services	**1,593,559**	**–**	**(57,630)**	**1,535,929**
Geophysical Acquisition and Surveying Services	**741,695**	**–**	**(90)**	**741,605**
Revenue from contracts with customers	**14,624,626**	**(121,432)**	**(113,269)**	**14,389,925**

(B) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six month ended 30 June 2019

	For the six month ended 30 June 2019				
	Drilling services	Well services	Marine support services	Geophysical acquisition and surveying services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Timing of revenue recognition					
A point in time	–	26,359	–	2,166	28,525
Over time	4,457,453	6,604,194	1,441,197	996,991	13,499,835
Total	4,457,453	6,630,553	1,441,197	999,157	13,528,360

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

	For the six month ended 30 June 2019			
	Segment revenue	Less: Revenue arising from operating leases	Eliminations	Revenue from contracts with customers
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Drilling Services	4,584,669	(34,439)	(92,777)	4,457,453
Well Services	6,665,893	–	(35,340)	6,630,553
Marine Support Services	1,513,081	–	(71,884)	1,441,197
Geophysical Acquisition and Surveying Services	999,157	–	–	999,157
Revenue from contracts with customers	13,762,800	(34,439)	(200,001)	13,528,360

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Gains arising from lease modifications	**(44)**	(74,004)
Losses on disposal of plant and equipment and other intangible assets, net	**6,488**	15,030
Other gains and losses, net	**6,444**	(58,974)
Lease expenses in respect of land and buildings, berths and equipment (a)	**651,477**	557,253
Income from investments in floating and fix rate corporate wealth management products,liquidity funds and debt instrument	**(77,507)**	(173,884)
Cost of inventories recognised as an expense	**1,952,791**	1,955,456

(a) Lease expenses in the six month ended 30 June 2020 and 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 15% for the period from October 2017 to September 2020.

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 15% for the period from October 2017 to September 2020.

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 15% for the period from 2019 to 2021.

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

Countries and regions	Six months ended 30 June **2020**	2019
Indonesia	**22%**	25%
Mexico	**30%**	30%
Norway	**22%**	22%
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
New Zealand	**28%**	28%

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

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Overseas income taxes:		
Current	**65,746**	93,347
Deferred	**3,714**	(5,251)
PRC corporate income taxes:		
Current	**327,679**	422,674
Deferred	**(29,909)**	(183,970)
Under provision in prior year	**887**	68,967
Total tax charge for the period	**368,117**	395,767

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

	Six months ended 30 June			
	2020		2019	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)		(Unaudited)	
Profit before tax	**2,090,688**		1,382,122	
Tax at the statutory tax rate of 25% (six months ended 30 June 2019: 25%)	**522,672**	**25.0**	345,531	25.0
Tax effect as an HNTE	**(249,810)**	**(11.9)**	(221,075)	(16.0)
Tax effect of income not subject to tax	**(39,668)**	**(1.9)**	(33,085)	(2.4)
Tax effect of expense not deductible for tax	**86,254**	**4.1**	13,310	1.0
Tax benefit for qualifying research and development expenses	**(40,427)**	**(1.9)**	(34,853)	(2.5)
Effect of non-taxable profit and different tax rates for overseas subsidiaries	**183,514**	**8.8**	236,958	17.1
Tax effect of tax losses and deductible temporary differences unrecognised	**211,917**	**10.1**	85,721	6.2
Utilisation of tax losses previously not recognised	**(342,057)**	**(16.4)**	(6,181)	(0.4)
Under provision in respect of prior year	**887**	**–**	68,967	5.0
Recognised deductible temporary differences previously not recognised	**–**	**–**	(72,065)	(5.2)
Translation adjustment (a)	**(1,435)**	**(0.1)**	5,123	0.4
Others	**36,270**	**1.8**	7,416	0.4
Total tax charge at the Group's effective tax rate	**368,117**	**17.6**	395,767	28.6

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

8. DIVIDENDS PAID AND PROPOSED

During the current interim period, a final dividend of RMB0.16 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2019 (2019: RMB0.07 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2018) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB763,455,000 (2019: RMB334,011,000).

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

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:

	Six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to owners of the Company)	**1,714,199**	973,043

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,771,592,000

No diluted earnings per share is presented for the six-month periods ended 30 June 2020 and 2019 as the Group had no dilutive potential ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain machinery equipment, vessels and drilling rigs with an aggregate cost amounting to approximately RMB928,087,000 (six months ended 30 June 2019: RMB610,072,000), of which approximately RMB580,365,000 was transferred from construction in progress (six months ended 30 June 2019: RMB223,327,000). Additions of construction in progress amounting to approximately RMB567,669,000 were recognised during the current interim period (six months ended 30 June 2019: RMB526,674,000). Machinery and equipment with an aggregate net carrying amount of RMB10,115,000 (six months ended 30 June 2019: RMB15,059,000) were disposed during the current interim period, resulting in a loss on disposal of RMB6,488,000 (six months ended 30 June 2019: loss on disposal of RMB15,030,000).

Out of the total finance costs incurred, no finance costs (six months ended 30 June 2019: nil) was capitalised in property, plant and equipment in the current interim period.

During the current interim period, in view of the impairment indication arising from the expected day rates and future operating cash flows after the out of court settlement disclosed in note 5(a), the Directors carried out impairment assessment for COSLInnovator based on projected future cash flows and discount rate, and recognised an impairment loss of RMB843,830,000. The impairment losses have been classified under the drilling services segment.

There are no other impairment recognised in current interim period (six months ended 30 June 2019: nil) after the Group's due impairment assessment in the light of the current economic environment in certain markets in which the Group operates as well as slow recovery of oil price.

In the said impairment assessment, the recoverable amount of the relevant assets, each of which was identified as a cash-generating unit within the drilling services segment, 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 projection is 7.0%-8.6% (six months ended 30 June 2019: 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 regarding the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilization rates, day rates, cost level and capital requirements.

11. RIGHT-OF-USE ASSETS

During the current interim period, the Group entered into certain lease agreements and recognised right-of-use assets of RMB140,459,000 (six month ended 30 June 2019: RMB354,553,000) and lease liabilities of RMB82,937,000 (six month ended 30 June 2019: RMB354,553,000) on lease commencement.

12. GOODWILL

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

13. ACCOUNTS RECEIVABLE

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

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances aged:		
Within six months	**12,691,488**	9,981,405
Six months to one year	**1,175,260**	236,393
One to two years	**74,575**	87,646
Over two years	**–**	89
	13,941,323	10,305,533

14. DEBT INSTRUMENT AT AMORTISED COST

The balance represents a debt instrument invested by the Group during the current interim period, carrying annual interest of 3.8% and maturing on 27 December 2021. The Group is going to hold the instrument until maturity and therefore measures it at amortised cost.

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Investments in fixed rate corporate wealth management products	**–**	2,507,314
Value-added tax to be deducted and prepaid	**405,080**	24,617
Value-added tax recoverable	**42,805**	45,087
Other current assets	**447,885**	2,577,018
Output value-added tax to be recognised	**(670,956)**	(233,010)
Other current liabilities	**(670,956)**	(233,010)
Deposits paid for the acquisition of property, plant and equipment	**180,738**	128,358
Deposits paid for the addition of right-of-use assets	**–**	57,522
Value-added tax recoverable	**98,929**	58,205
Tax recoverable	**5,529**	2,903
Other non-current assets	**285,196**	246,988

16. TRADE AND OTHER PAYABLES

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

	30 June 2020	31 December 2019
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances aged:		
Within one year	**8,431,009**	9,462,482
One to two years	**74,997**	102,643
Two to three years	**48,134**	41,300
Over three years	**45,454**	83,728
	8,599,594	9,690,153

17. LOAN FROM A RELATED PARTY

During the current interim period, the Group did not obtain any new loans (six months ended 30 June 2019: US$150,000,000, equivalent to approximately RMB1,017,120,000 from a fellow subsidiary to finance CNA's daily operations, which is repayable on demand and carries effective interest rate of LIBOR+0.5% per annum).

18. INTEREST-BEARING BANK BORROWINGS

During the current interim period, the Group repaid bank borrowings of US$42,100,000, equivalent to approximately RMB298,283,000 (six months ended 30 June 2019: US$42,100,000, equivalent to approximately RMB281,540,000) and bank borrowings of RMB9,100,000 (six months ended 30 June 2019: RMB9,100,000).

No bank borrowings obtained during the six months ended 30 June 2020 and 2019, respectively.

The weighted average effective interest rate of bank borrowings for the six months ended 30 June 2020 was 2.93% per annum (six months ended 30 June 2019: 4.65% per annum) and the borrowings are repayable in instalments over a period of 1 to 16 years.

19. LONG TERM BONDS

	Year of maturity	**30 June 2020** *RMB'000* **(Unaudited)**	31 December 2019 *RMB'000* (Audited)
Corporate bonds (a)	2022	**1,508,400**	1,542,000
2016 Corporate Bonds			
(Type II of the First Tranche Issue as defined below) (b)	2026	**3,009,473**	3,070,763
(Type I of the Second Tranche Issue as defined below) (b)	2021	**104,062**	102,493
(Type II of the Second Tranche Issue as defined below) (b)	2021	**2,965,882**	2,916,915
Senior unsecured USD bonds (c)	2022	**7,140,564**	7,032,189
Guaranteed medium term notes			
First Drawdown Note (d)	2020	**3,592,060**	3,537,073
Second Drawdown Note (d)	2025	**3,591,006**	3,537,220
Guaranteed senior notes			
2025 Notes (e)	2025	**3,530,799**	–
2030 Notes (e)	2030	**2,101,977**	–
		27,544,223	21,738,653
Current		**3,822,260**	3,810,175
Non-current		**23,721,963**	17,928,478
		27,544,223	21,738,653

(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 (2019: 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 was repaid on 27 May 2019. The second type of bonds with a principal amount of RMB3,000,000,000 (the "Type II of the First Tranche Issue") carries effective interest rate of 4.12% per annum and the maturity date is 27 May 2026.

On 21 October 2016, the Group issued its second tranche (the "Second Tranche Issue") of 2016 Corporate Bonds with an aggregate amount of RMB5,000,000,000. The Second Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,100,000,000 (the "Type I of the Second Tranche Issue") and is repayable on 24 October 2021. The Group has the right to adjust or not to adjust the coupon rate for the fourth and fifth year at the end of the third year on 24 October 2019 by giving a notice to the bondholders. The bondholders 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 year of 2019, RMB1,998,100,000 principal of Type I of the Second Tranche were redeemed as required by the bondholders. According to the market environment, the Group chose not to adjust the coupon rate for the fourth and fifth year, that is, the coupon rate remains at 3.08% in the following interest-bearing years. The remaining Type I of the Second Tranche Issue of RMB101,900,000 will be held until the maturity date on 24 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 Company, issued 10-year senior unsecured bonds, with a US$1,000,000,000 principal amount. The redemption or maturity date is 6 September 2022. The effective interest rate of the senior unsecured bonds is 3.38% per annum.

(d) On 20 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, established the Euro medium term note programme (the “EMTN Programme”). Under the EMTN Programme, COSL Singapore Capital Ltd. may issue drawdown notes in tranches up to an aggregate principal amount of US$3,500,000,000.

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

(e) On 24 June 2020, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued two tranches of Guaranteed Senior Notes. The Company has unconditionally and irrevocably guaranteed the due and punctual payment of Guaranteed Senior Notes.

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

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

20. REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2020 have been reviewed with no disagreement by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

During the first half of 2020, the international crude oil market experienced a drastic decline and a volatile downward adjustment. Uncertain factors such as the COVID-19 pandemic (hereinafter "Pandemic") caused fluctuations in international crude oil prices at the bottom and the pessimistic market sentiment. At the beginning of the year, the Brent crude oil prices dropped from US$60 per barrel to around US$30 per barrel, and then the OPEC+ production reduction agreement supported the increase in oil prices to an extent, but after the unsuccessful supply reduction negotiations, the international oil prices fell repidly. In May , major oil-producing countries, put aside their differences, reached an historic supply reduction agreement after tough negotiation. International oil prices have bounced back from the ultra-low oil price range and returned to around US$40 per barrel. Compared with 2019, the global oil and gas companies' capital expenditure have dropped significantly, and the oilfield service industry was still in a downturn. The utilization rate of global large-scale equipment hovered at a low level, the basic state of oversupply has not been completely eliminated, and the prices for the oilfield services is still at a historically low level, resulting in greater challenges to the operation of the integrated oilfield service company. According to the information from the third party, due to China's energy security strategy, the domestic oil and gas exploration and development market is still growing.

BUSINESS REVIEW

In the first half of 2020, affected by the Pandemic global outbreak and the sharp fall in oil prices, the international oil service market entered into a new round of industry troughs, with declines in both service price and operation volume. In response to the "Six Stabilities" tasks for combating the Pandemic and recovering the economy, long-term planning within the national energy security strategy, and continued implementation of CNOOC's "Seven-Year Action Plan", domestic operation volume still saw an increase compared with the same period of last year, but the service price was under pressure. The Company recognised the severity of the situation, maintained its confidence, and quickly devised low oil price strategies in response, generating benefits in the areas of reform, management, market, innovation and safety. The Company made remarkable efforts to reduce costs, improve quality and enhance efficiency to confront the challenges brought by low oil prices. During the first half of the year, the operating volume and utilisation rate of the Company's jack-up drilling rigs and vessels, as well as the workload of the technical segment, continued to increase. The Company's revenue was RMB14,496.7 million, representing an increase of RMB944.6 million compared with the same period of last year. Net profit was RMB1,722.6 million, representing an increase of RMB736.2 million compared with the same period of last year.

Drilling Services Segment

Revenue for the drilling services segment in the first half of the year was RMB6,171.0 million, a 37.5% increase compared with RMB4,489.2 million for the same period of last year, and including the receipt of US$188 million settlement income from Equinor Energy AS (hereinafter "Equinor").

In the first half of 2020, due to the impact of Pandemic and low oil prices, the overall day rates of drilling rigs decreased. With the implementation of the "Seven-Year Action Plan" in the PRC, market demand has increased with the advancement of reserves and production. The Company insisted on implementing cost refinement management with a focus on production safety and demonstrating the overseas business' stable performance under low oil prices, achieving constant admirable results. During the first half of the year, the Company coped with the adversity created by the Pandemic, deployed their operators for operations of 4 drilling rigs in Asia. Among them, "China Merchants Hailong 6" launched a three-year drilling service project. "HYSY936" was awarded a 600-day operation contract in America. "COSLBoss" completed the Myanmar drilling project. "NH7" successfully completed sea trials of the PRC's first self-developed deep-water wellhead system, breaking the blockade of foreign technology in this field.

As of the end of June 2020, the Company operated and managed a total of 56 drilling rigs, including 42 jack-up drilling rigs and 14 semi-submersible drilling rigs. Of these, 30 were operating in coastal areas of China and 12 in international regions such as Norway, England, Mexico and Indonesia, while 12 were on standby and 2 were under repair in shipyards. During the first half of the year, operating days for the Company's drilling rigs amounted 7,662, representing an increase of 749 days or 10.8% compared with the same period of last year. The calendar day utilisation rate of drilling rigs was 76.2%, representing a decrease of 0.4 percentage point compared with the same period of last year, due to the decreased operation volume of semi-submersible drilling rigs.

Operation details for the Company's jack-up and semi-submersible drilling rigs during the first half of 2020:

Drilling Services	For the six months ended 30 June **2020**	2019	Change
Operating days (day)	**7,662**	6,913	10.8%
Jack-up drilling rigs	**5,985**	5,177	15.6%
Semi-submersible drilling rigs	**1,677**	1,736	(3.4%)
Available day utilisation rate	**80.7%**	80.0%	Up 0.7 percentage point
Jack-up drilling rigs	**83.3%**	81.8%	Up 1.5 percentage points
Semi-submersible drilling rigs	**72.6%**	74.9%	Down 2.3 percentage points
Calendar day utilisation rate	**76.2%**	76.6%	Down 0.4 percentage point
Jack-up drilling rigs	**79.8%**	78.9%	Up 0.9 percentage point
Semi-submersible drilling rigs	**65.8%**	70.4%	Down 4.6 percentage points

As of 30 June 2020, operating days for the Company's jack-up drilling rigs amounted to 5,985, representing an increase of 808 days compared with the same period of last year. Operating days for semi-submersible drilling rigs amounted to 1,677, representing a decrease of 59 days compared with the same period of last year.

During the first half of 2020, the average daily revenue for the Company's drilling rigs decreased in comparison with the same period of last year due to the impact of price reductions. Details are as follows:

Average daily revenue (US$10,000 per day)	For the six months ended 30 June **2020**	2019	Change	Percentage change
Jack-up drilling rigs	**6.3**	6.8	(0.5)	(7.4%)
Semi-submersible drilling rigs	**15.3**	15.1	0.2	1.3%
Subtotal of drilling rigs	**8.2**	8.7	(0.5)	(5.7%)

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

(2) US$/RMB exchange rate was 1:7.0795 on 30 June 2020 and 1:6.8747 on 28 June 2019.

Well Services Segment

The first half of the year saw an increase in the operation volume of main lines in the Company's well services segment. Its overall revenue was RMB6,050.4 million, representing a decrease of 8.7% compared with RMB6,624.2 million for the same period of last year due to the impact of price reductions.

During the first half of the year, the Company continued to accelerate technological development, focus on major technological needs, increase R&D investment, and strengthen the serialisation and industrialisation of its technological products. As a result, the Company's technical services continued to improve their profitability, acquired a number of scientific research project results, achieved breakthroughs in their application, and received wide customer recognition of its international market expansion. The comparative experiment verification of the quadrupole acoustic imaging logging tool while drilling was successful, and the practical drilling test of the high-speed mud pulse generator while drilling in Xinjiang also showed a remarkable performance. The new oxygen-activated FIT water flow meter, which features excellent data accuracy, was successfully applied in Bohai Sea. Successful experiments of high-temperature oil-based drilling fluid emulsifiers will realize the localization of all treatment agents for high-temperature oil-based drilling fluid systems in sight. The successful sea trials of self-developed underwater release rubber plug realized continuous breakthroughs in key technologies in this field. Temperature resistant sand control packers for wells completion achieved a temperature resistance of 350˚C and a pressure resistance of 3,000psi. With the quantitative production of deep-water cementing head with its own intellectual property rights, industrialization was realized. The Company was awarded a cementing service contract and a plugging agent project while also acquired logging and cementing service projects in Asian.

Marine Support Services Segment

Compared with the same period of last year, in the first half of 2020, revenue from the Company's marine support services business increased by 6.5% to RMB1,534.3 million, of which RMB541.3 million was revenue from chartered vessels.

In the first half of the year, the Company's marine support services segment performed refined management, explored cost potentials, strengthened safety capacity and equipment management capabilities, and made effective of resources to maintain market demands. The Company hired 2 oilfield support vessels to improve productivity. At the same time, the Company's 2 new 5,000 horsepower LNG power guard supply vessels officially went into operation after their release, which put forward the concept of green development.

As of 30 June 2020, operating days for self-owned vessels of the Company's marine support services business amounted to 15,541, representing an increase of 103 days compared with the same period of last year. The calendar day utilisation rate increased by 2.2 percentage points to 97.0% compared with the same period of last year, boosted by increases of the operation volume and utilisation rate of standby vessels, platform supply vessels, multipurpose vessels and workover support barges. Due to increased domestic market demand for the period, the number of chartered vessels and operation volume also increased, with totalled 9,221 days of operation, representing an increase of 35.5% compared with the same period of last year. Details are in the following table:

	For the six months ended 30 June		
Marine Support Services (self-owned vessels)	**2020**	2019	Percentage change
Operating days (day)	**15,541**	15,438	0.7%
Standby vessels	**6,770**	6,642	1.9%
AHTS vessels	**4,825**	4,994	(3.4%)
Platform supply vessels	**2,535**	2,432	4.2%
Multipurpose vessels	**712**	687	3.6%
Workover support barges	**699**	683	2.3%

Geophysical Acquisition and Surveying Services Segment

Revenue for the Company's geophysical acquisition and surveying services segment was RMB741.0 million for the first half of the year, representing a decrease of RMB257.5 million or 25.8% compared with the same period of last year. It was mainly due to decreases in revenue from data acquisition and submarine cable businesses during the period.

In the first half of 2020, affected by the Pandemic and low oil prices, the global geophysical industry has suffered substantial impact. The Company coordinated and promoted various tasks, and maintained a stable safety production under the severe situation of the continuous downturn in the industry. The safe, high-quality, efficient operations in Americas and other international service projects have earned frequent praise from customers.

In the first half of the year, the operation volume of domestic and overseas acquisition both decreased. The operation volume of the Company's 2D acquisition business was 9,077 km, a 41.1% decrease compared with the same period of last year. The 3D acquisition business's operation volume was 10,466 km^2, a 40.9% decrease compared with the same period of last year. The operation volume of the submarine cable business was 589 km^2, representing a decrease of 16.1% compared with the same period of last year. Details are as follows:

	For the six months ended 30 June		
Geophysical Acquisition and Surveying Services	**2020**	2019	Percentage change
2D			
Acquisition (km)	**9,077**	15,404	(41.1%)
of which: multi-client acquisition (km)	**–**	1,350	(100.0%)
3D			
Acquisition (km^2)	**10,466**	17,718	(40.9%)
of which: multi-client acquisition (km^2)	**2,918**	4,189	(30.3%)
submarine cable (km^2)	**589**	702	(16.1%)

FINANCIAL REVIEW

1. Analysis of condensed consolidated statement of profit or loss

1.1 Revenue

In the first half of 2020, the Company's revenue increased by RMB944.6 million or 7.0% compared with the same period of last year and domestic operation volume still increased. Details of analysis are as follows:

Revenue of each business segment for the first half of 2020:

Unit: RMB million	**For the six months ended 30 June**			
Business segment	**2020**	2019	Change	Percentage change
Drilling services	**6,171.0**	4,489.2	1,681.8	37.5%
Well services	**6,050.4**	6,624.2	(573.8)	(8.7%)
Marine support services	**1,534.3**	1,440.2	94.1	6.5%
Geophysical acquisition and surveying services	**741.0**	998.5	(257.5)	(25.8%)
Total	**14,496.7**	13,552.1	944.6	7.0%

- Revenue of drilling services business increased by 37.5% over the same period of last year, mainly due to the increased operation volume of drilling rigs and receipt of US$188 million settlement income from Equinor.

- Revenue of well services business decreased by 8.7% compared with the same period of last year, mainly due to the decreased price of each business line.

- Revenue of marine support services business increased by 6.5% over the same period of last year, mainly due to the increased operation volume of self-owned vessels and chartered vessels during the period.

- Revenue of geophysical acquisition and surveying services business decreased by 25.8% compared with the same period of last year, mainly due to decreased revenue from the data acquisition and submarine cable businesses during the period.

1.2 Operating expenses

In the first half of 2020, the Company's operating expenses amounted to RMB12,452.1 million, representing an increase of RMB470.2 million or 3.9% from RMB11,981.9 million for the same period of last year.

The table below breaks down the Company's operating expenses from the first half of 2020:

Unit: RMB million	**For the six months ended 30 June**			
	2020	2019	Change	Percentage change
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library	**2,184.9**	2,167.2	17.7	0.8%
Depreciation of the right-of-use assets	**295.8**	314.7	(18.9)	(6.0%)
Employee compensation costs	**2,486.7**	2,651.7	(165.0)	(6.2%)
Repair and maintenance costs	**125.9**	171.2	(45.3)	(26.5%)
Consumption of supplies, materials, fuel, services and others	**2,925.6**	2,986.9	(61.3)	(2.1%)
Subcontracting expenses	**2,356.4**	2,643.9	(287.5)	(10.9%)
Lease expenses	**651.5**	557.3	94.2	16.9%
Impairment of property, plant and equipment	**843.8**	–	843.8	100.0%
Impairment losses under expected credit loss model, net of reversal	**(0.9)**	(2.5)	1.6	(64.0%)
Other operating expenses	**582.4**	491.5	90.9	18.5%
Total operating expenses	**12,452.1**	11,981.9	470.2	3.9%

Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library for the period increased by RMB17.7 million compared with the same period of last year.

Depreciation of right-of-use assets for the period decreased by RMB18.9 million compared with the same period of last year.

Employee compensation costs decreased by RMB165.0 million compared with the same period of last year, mainly due to a phased exemption of corporate social insurance premium applicable in the PRC, in response to the Pandemic.

Repair and maintenance costs for the period decreased by RMB45.3 million compared with the same period of last year. This was a consequence of repair projects being delayed due to the Pandemic, and the Company's prompt efforts to reduce costs and improve quality and efficiency for a higher self-repair ratio and lower repair costs.

Consumption of supplies, materials, fuel, services and others for the period decreased by RMB61.3 million compared with the same period of last year.

Subcontracting expenses for the period decreased by RMB287.5 million compared with the same period of last year. This stemmed mainly from the Company's efforts in cost control, its timely response to low oil prices, prompt action to reduce costs, and quality and efficiency enhancements, which effectively reduced the subcontracting expenses.

Lease expenses for the period increased by RMB94.2 million compared with the same period of last year.

Impairment of property, plant and equipment for the period amounted to RMB843.8 million. Taking the settlement with Equinor into account, the Company recognised an impairment of asset in the first half of the year based on the expected day rates and future cash flow of relevant platforms.

Other operating expenses for the period amounted to RMB582.4 million, which mainly included more than 30 cost subjects including travel expenses, business trip expense, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. A year on year increase of RMB90.9 million was mainly due to an increase of RMB111.6 million in pandemic prevention expenses while other subjects increased or decreased. Of the total other operating expenses, travel expenses amounted to RMB143.4 million; pandemic prevention expenses amounted RMB112.0 million; health, safety and environmental protection expenses amounted to RMB90.6 million and business trip expenses amounted to RMB85.7 million. Transfer fees for other technology research, consulting fees and audit fees and so on, amounted to RMB150.7 million in total.

In 2019, other operating expenses amounted to RMB1,348.7 million, which mainly included more than 30 cost subjects including travel expenses, business trip expense, office expenses, expenses for library materials, health , safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on, of which travel expenses amounted to RMB405.5 million; health, safety and environmental protection expenses amounted to RMB269.4 million and business trip expenses amounted to RMB153.0 million. Transfer fees for other technology research, consulting fees, audit fees and so on, amounted to RMB520.8 million in total.

The table below shows operating expenses for business segment in the first half of 2020:

Unit: RMB million	**For the six months ended 30 June**			
Business segment	**2020**	2019	Change	Percentage change
Drilling services	**5,158.6**	4,256.5	902.1	21.2%
Well services	**5,034.3**	5,437.9	(403.6)	(7.4%)
Marine support services	**1,417.3**	1,301.9	115.4	8.9%
Geophysical acquisition and surveying services	**841.9**	985.6	(143.7)	(14.6%)
Total	**12,452.1**	11,981.9	470.2	3.9%

1.3 Profit/(loss) from operations

Profit from Company operations during the first half of 2020 amounted to RMB2,222.0 million, representing an increase of RMB620.9 million as compared to RMB1,601.1 million from the same period of last year.

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

Unit: RMB million	**For the six months ended 30 June**		
Business segment	**2020**	2019	Change
Drilling services	**1,061.1**	252.4	808.7
Well services	**1,125.5**	1,189.7	(64.2)
Marine support services	**131.8**	140.7	(8.9)
Geophysical acquisition and surveying services	**(96.4)**	18.3	(114.7)
Total	**2,222.0**	1,601.1	620.9

1.4 Financial expenses, net

During the first half of 2020, the Company's net financial expenses were RMB386.5 million, representing a decrease of RMB135.8 million or 26.0% compared with RMB522.3 million for the same period of last year. This was mainly due to finance costs decreasing by RMB113.0 million and increasing by RMB13.8 million in net exchange gain.

1.5 Investment income

In the first half of 2020, the Company's investment income amounted to RMB77.5 million, representing a decrease of RMB96.4 million from RMB173.9 million for the same period of last year, mainly due to decreased income from wealth management products.

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

In the first half of 2020, gains arising from financial assets at fair value were RMB25.5 million, representing an increase of RMB74.9 million from RMB-49.4 million for the same period of last year. This was mainly due to the redemption of liquidity funds and the maturity of wealth management products during last year's period.

1.7 Share of profits of joint ventures, net of tax

In the first half of 2020, the Company's share of profits of joint ventures amounted to RMB158.7 million, representing an increase of RMB38.8 million compared with RMB119.9 million for the same period of last year, mainly due to the increased profits of most joint ventures for this period.

1.8 Other gains and losses

In the first half of 2020, the other gains and losses was RMB6.4 million, representing a decrease of RMB52.6 million or 89.1% compared with RMB59.0 million for the same period of last year. This was mainly due to the income from lease modifications of RMB74.0 million for the same period of last year.

1.9 Income tax expense

In the first half of 2020, the Company's income tax expense was RMB368.1 million, representing a decrease of RMB27.7 million as compared with RMB395.8 million for the same period of last year, mainly due to the parent's decreased profits during the period.

1.10 Profit for the period

In the first half of 2020, the Company's profit was RMB1,722.6 million, as compared with RMB986.4 million for the same period of last year.

1.11 Basic earnings per share

In the first half of 2020, the Company's basic earnings per share amounted to RMB35.93 cents as compared with basic earnings per share of RMB20.39 cents for the same period of last year.

2. Analysis of condensed consolidated statement of financial position

As of 30 June 2020, total assets of the Company amounted to RMB81,427.3 million, representing an increase of RMB5,325.5 million or 7.0% as compared with RMB76,101.8 million at the end of 2019. Total liabilities were RMB43,525.8 million, representing an increase of RMB4,334.3 million or 11.1% as compared with RMB39,191.5 million at the end of 2019. Shareholders' equity was RMB37,901.5 million, representing an increase of RMB991.2 million or 2.7% as compared with RMB36,910.3 million at the end of 2019.

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

Unit: RMB million **Item**	**30 June 2020**	31 December 2019	Percentage change	**Reason**
Debt instrument at amortised cost	**1,000.0**	–	100.0%	Mainly due to the increase in large deposit certificates.
Inventories	**2,142.0**	1,424.7	50.3%	Mainly due to the increase in material reserve.
Accounts receivable	**13,941.3**	10,305.5	35.3%	Mainly due to the delay in payment by operators as affected by price negotiations.
Receivables at fair value through other comprehensive income	**23.0**	40.6	(43.3%)	Mainly due to the decrease in bank acceptances.
Financial assets at fair value through profit or loss	**2,538.3**	4,511.2	(43.7%)	Mainly due to the maturity of floating wealth management products.
Contract assets	**99.0**	262.6	(62.3%)	Mainly due to the decrease in contract assets as a result of confirmation of invoice by customers.
Contract costs (current assets)	**65.9**	–	100.0%	Mainly due to the increase in mobilisation costs.
Other current assets	**447.9**	2,577.0	(82.6%)	Mainly due to the recovery of fixed wealth management products at maturity.
Pledged deposits	**31.3**	102.2	(69.4%)	Mainly due to the decrease in pledged deposits at the end of the period.
Cash and cash equivalents	**9,417.1**	3,363.6	180.0%	Mainly due to the impact of bond issuance on 24 June.
Tax payable	**205.0**	612.8	(66.5%)	Mainly due to the decrease in corporate income tax payable and personal income tax payable during the period.

Unit: RMB million **Item**	**30 June 2020**	31 December 2019	Percentage change	**Reason**
Interest-bearing bank borrowings (current liabilities)	**319.0**	608.9	(47.6%)	Mainly due to the repayment of the bank loan of Export-Import Bank of China in the principal of US$42 million.
Other current liabilities	**671.0**	233.0	188.0%	The output value-added tax to be recognized increased during the period.
Long term bonds (non-current liabilities)	**23,722.0**	17,928.5	32.3%	Mainly due to the impact of bond issuance on 24 June.

3. Analysis of consolidated statement of cash flows

At the beginning of 2020, the Company held cash and cash equivalents of RMB3,363.6 million. Net cash outflows from operating activities for the period amounted to RMB310.4 million. Net cash inflows from investing activities were RMB2,569.8 million. Net cash inflows from financing activities were RMB3,736.4 million. The impact of foreign exchange fluctuations on cash was an increase of RMB57.7 million. As of 30 June 2020, the Company's cash and cash equivalents amounted to RMB9,417.1 million.

3.1 Cash flows from operating activities

As of 30 June 2020, the Company's net cash outflows from operating activities amounted to RMB310.4 million, as compared with the net cash outflows of RMB1,132.5 million for the same period of last year, mainly due to the receipt of US$188 million settlement income from Equinor.

3.2 Cash flows from investing activities

As of 30 June 2020, net cash inflows from the Company's investing activities amounted to RMB2,569.8 million, while net cash inflows from the Company's investing activities amounted to RMB3,988.1 million for the same period of last year. This was mainly due to the cash outflows paid for purchases of property, plant, equipment and other intangible assets decreasing by RMB572.5 million as compared with the same period of last year. Cash outflows paid for purchases of bank wealth management products and debt instrument increased by RMB1,200.0 million as compared with the same period of last year. Cash inflows received from the disposal of investments in bank wealth management products decreased by RMB785.3 million as compared with the same period of last year. Cash inflows from withdrawal of time deposits with maturity over three months decreased by RMB141.5 million as compared with the same period of last year. The total decrease of cash outflows from other investing activities was RMB136.0 million.

3.3 Net cash flows from financing activities

As of 30 June 2020, the Company's net cash inflows from financing activities amounted to RMB3,736.4 million, representing an increase of RMB6,300.3 million in cash inflows over the same period of last year. This was mainly due to cash inflows from loan from related parties for the period decreasing by RMB1,017.1 million as compared with the same period of last year; cash inflows from long-term bond issuance increasing by RMB5,613.7 million as compared with the same period of last year; cash outflows from the repayment of bank loans increasing by RMB16.7 million as compared with the same period of last year; cash outflows from the repayment of long-term bonds decreasing by RMB2,000.0 million as compared with the same period of last year; cash outflows from the repayment of lease liability decreasing by RMB36.8 million as compared with the same period of last year; and the increase in cash outflows of other financing activities was RMB316.4 million.

3.4 The impact of foreign exchange rate changes on cash during the period was an increase of RMB57.7 million.

4. Capital Expenditure

In the first half of 2020, the Company's capital expenditure was RMB941.6 million, representing a decrease of RMB62.0 million or 6.2% compared with RMB1,003.6 million for the same period of last year.

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

Unit: RMB million	**For the six months ended 30 June**			
Business segment	**2020**	2019	Change	Percentage change
Drilling services	**232.8**	352.5	(119.7)	(34.0%)
Well services	**492.1**	225.9	266.2	117.8%
Marine support services	**156.5**	245.2	(88.7)	(36.2%)
Geophysical acquisition and surveying services	**60.2**	180.0	(119.8)	(66.6%)
Total	**941.6**	1,003.6	(62.0)	(6.2%)

The drilling services segment's capital expenditure was used mainly for the transformation and renovation of drilling rig equipment. Capital expenditure for the well services segment was mainly used in the construction and purchase of well service equipment relating to the business segment. Capital expenditure for the marine support services segment was used mainly for the construction of oilfield working vessels and standby vessels. The geophysical acquisition and surveying services business's capital expenditure was mainly used in the development of the multi-client database.

5. Major Subsidiaries

China Oilfield Services (BVI) Limited, COSL Norwegian AS ("CNA") and COSL Singapore Limited are major subsidiaries of the Company engaged in drilling and well services and related business.

As of 30 June 2020, China Oilfield Services (BVI) Limited's total assets amounted to RMB3,884.3 million and equity was RMB523.4 million. China Oilfield Services (BVI) Limited realised revenue of RMB835.6 million in the first half of 2020, representing a decrease of RMB605.7 million compared with the same period of last year. The revenue decrease mainly resulted from delayed overseas operations due to the Pandemic and low oil prices. Net profit amounted to RMB-6.9 million, representing a decrease of RMB140.6 million compared with the same period of last year.

As of 30 June 2020, the total assets of CNA amounted to RMB11,123.4 million and equity was RMB-831.3 million. CNA realised operating revenue of RMB2,285.0 million in the first half of 2020, representing an increase of RMB1,251.4 million or 121.1% compared with the same period of last year. The major reason was the receipt of a settlement income of US$188 million from Equinor. Net profit amounted to RMB465.2 million, representing an increase of RMB689.8 million compared with the same period of last year. Taking into account the settlement with Equinor, CNA recognised an asset impairment loss of RMB843.8 million based on the expected day rates and future cash flow of COSLInnovator in the first half of 2020.

As of 30 June 2020, COSL Singapore Limited's total assets amounted to RMB33,508.8 million and equity was RMB-1,160.1 million. COSL Singapore Limited realised revenue of RMB878.6 million in the first half of 2020, representing an increase of RMB43.3 million or 5.2% compared with the same period of last year. Net profit amounted to RMB-540.9 million, representing a decrease in loss of RMB349.8 million compared with the same period of last year. COSL DRILLING STRIKE PTE. LTD. and COSL PROSPECTOR PTE. LTD. are major subsidiaries of COSL Singapore Limited.

As of 30 June 2020, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB4,302.7 million and equity was RMB-3,065.1 million. COSL DRILLING STRIKE PTE. LTD. realised revenue of RMB113.6 million in the first half of 2020, representing an increase of RMB54.2 million or 91.2% compared with the same period of last year. Net profit amounted to RMB-131.5 million, representing a decrease in loss of RMB119.7 million compared with the same period of last year.

As of 30 June 2020, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB9,324.2 million and equity was RMB-4,418.4 million. COSL PROSPECTOR PTE. LTD. realised revenue of RMB263.6 million in the first half of 2020, representing a decrease of RMB19.3 million compared with same period of last year. Net profit amounted to RMB-346.5 million, representing a decrease in loss of RMB274.9 million compared with same period of last year.

PROSPECTS

Looking forward to the second half of 2020, the Pandemic will restrict economic development and energy consumption demand in the short term and the industry will remain in a slow recovery stage for a period of time. As a result, the global economy may remain stagnant. The International Monetary Fund (IMF) estimated in the World Economic Outlook that the global economy will shrink by 4.9% this year, with relatively gloomy prospects for development. The International Energy Agency (IEA) predicts that the average oil price this year will be US$45 per barrel. Many institutions predict that there will still be a significant decline in oil demand compared with the same period of last year. As a result, the scale of the global oilfield service market will decrease. In response to the new "Four Revolutions and One Collaboration" energy security strategy, the major domestic oil companies have formulated the "Seven-Year Action Plan" to increase reserves and production in the PRC. With increasing workload in exploration and exploitation, the Company has been provided with good opportunities for its future development.

SUPPLEMENTARY INFORMATION

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company as well as the risk management, internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2020 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2020, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter "Listing Rules").

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

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors of the Company have confirmed that they have, for the six months ended 30 June 2020, complied with the Model Code for Securities Transactions by Directors of Listed Issuers ("the Model Code") as set out in Appendix 10 of the Listing Rules. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code.

PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2020.

PROGRESS OF BUSINESS PLAN

In the first half of 2020, the Company achieved a revenue of RMB14.50 billion and a net profit of RMB1.72 billion. The operating results realized an increase as compared with the same period in 2019. In consideration of the continuous implementation of the "Seven-Year Action Plan" in the PRC, the Company's workload in the third quarter is expected to remain stable. At the same time, due to the global Pandemic, the oil prices fluctuations, market changes, repair plans implemented in the second half of the year and the settlement stage of scientific research projects, the next-stage operating performance of the Company remains uncertain. Through continuous efforts in a number of initiatives such as cost reduction, quality improvement, efficiency enhancement, and cultivation of emerging industry to promote the upgrading of the Company's industrial structure, increase investment in technology research and development, accelerate digital transformation, and expand domestic and foreign markets, the Company will strive to achieve better operating results compared with its counterparts in the industry.

MISCELLANEOUS

Civil Action

In December 2016, COSL Offshore Management AS ("COM", a subsidiary of the Company) as a plaintiff filed a Statement of Claim (the "Claim") against Statoil Petroleum AS (hereinafter "Statoil") with Oslo District Court of Norway (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 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 (https://www. hkex.com.hk) and website of the Company (https://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 (https://www. hkex.com.hk) and website of the Company (https://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 (https://www.hkex.com.hk) and website of the Company (https://www.cosl.com.cn).

In the first quarter of 2020, Equinor has paid a settlement sum of US$188 million to COM. Strictly according to relevant rules of the accounting standards, the Company performed impairment testing on fixed asset and made provision for the asset impairment. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (https://www.hkex.com.hk) and website of the Company (https://www.cosl.com.cn).

Issue of the notes

On 24 June 2020, COSL Singapore Capital Ltd., a wholly-owned indirect subsidiary of the Company, respectively issued the US$500,000,000 1.875% guaranteed senior notes due 2025 (hereinafter "2025 Notes") and the US$300,000,000 2.500% guaranteed senior notes due 2030 (hereinafter "2030 Notes"). The two Notes have been approved for listing and trading on the Hong Kong Stock Exchange.

The 2025 Notes will bear interest on their outstanding principal amount from and including 24 June 2020 at the rate of 1.875% per annum, payable semi-annually in arrears on 24 June and 24 December of each year, beginning on 24 December 2020. The maturity date of the 2025 Notes is 24 June 2025. At any time and from time to time prior to the maturity date, the Company may at its option redeem the 2025 Notes, at a pre-determined redemption price.

The 2030 Notes will bear interest on their outstanding principal amount from and including 24 June 2020 at the rate of 2.500% per annum, payable semi-annually in arrears on 24 June and 24 December of each year, beginning on 24 December 2020. The maturity date of the 2030 Notes is 24 June 2030. At any time and from time to time prior to the maturity date, the Company may at its option redeem the 2030 Notes, at a pre-determined redemption price.

For details of the 2025 Notes and the 2030 Notes, please refer to the announcements of the Company dated 17 June 2020 and 19 June 2020, and the notice of listing dated 24 June 2020.

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2019, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix16 of the Listing Rules will be published on the HKSE's website (https://www.hkex.com.hk) and the Company's website (https://www.cosl.com.cn) in due course.

By Order of the Board
China Oilfield Services Limited
Wu Yanyan
Company Secretary

26 August 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. Fong Chung, Mark, Wong Kwai Huen, Albert and Lin Boqiang.