COSL

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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

1. Revenue was RMB28,925.3 million
2. Profit from operations was RMB4,141.9 million
3. Profit for the year was RMB2,718.3 million
4. Basic earnings per share were RMB56.65 cents
5. Total assets were RMB75,942.3 million
6. Total equity was RMB38,688.8 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	4	**28,959,199**	31,135,150
Sales surtaxes		**(33,884)**	(59,312)
Revenue, net of sales surtaxes		**28,925,315**	31,075,838
Other income	5	**438,024**	352,136
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library		**(4,335,730)**	(4,372,838)
Depreciation of right-of-use assets		**(480,380)**	(589,264)
Employee compensation costs	6	**(4,897,099)**	(5,807,994)
Repair and maintenance costs		**(435,878)**	(691,334)
Consumption of supplies, materials, fuel, services and others		**(6,290,190)**	(6,933,202)
Subcontracting expenses		**(4,768,526)**	(5,943,860)
Lease expenses	6	**(1,224,265)**	(1,287,702)
Other operating expenses		**(1,333,746)**	(1,348,745)
Impairment of property, plant and equipment	10	**(1,447,834)**	(241,485)
Impairment losses under expected credit loss model, net of reversal		**(7,778)**	(316,324)
Total operating expenses		**(25,221,426)**	(27,532,748)
PROFIT FROM OPERATIONS		**4,141,913**	3,895,226
Exchange (loss)/gain, net		**(403,839)**	111,871
Finance costs		**(924,485)**	(1,118,797)
Interest income		**69,644**	67,522
Investment income	6	**116,175**	218,214
Gains/(losses) arising from financial assets at fair value through profit or loss	6	**26,572**	(38,829)
Share of profits of an associate and joint ventures, net of tax		**364,917**	320,452
Other gains and losses	6	**(12,157)**	16,515
PROFIT BEFORE TAX	6	**3,378,740**	3,472,174
Income tax expense	7	**(660,424)**	(944,159)
PROFIT FOR THE YEAR		**2,718,316**	2,528,015
Attributable to:			
Owners of the Company		**2,703,187**	2,502,238
Non-controlling interests		**15,129**	25,777
		2,718,316	2,528,015
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	9	**56.65 cents**	52.44 cents

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020 *RMB'000*	2019 *RMB'000*
PROFIT FOR THE YEAR	**2,718,316**	2,528,015
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	**–**	(1,768)
Income tax relating to item that will not be reclassified to profit or loss	**–**	389
	–	(1,379)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(271,365)**	66,203
Share of other comprehensive (expense)/income of joint ventures due to translation differences, net of related income tax	**(12,112)**	7,157
Income tax income/(expense) relating to item that may be reclassified subsequently to profit or loss	**107,147**	(27,402)
	(176,330)	45,958
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE YEAR, NET OF INCOME TAX	**(176,330)**	44,579
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,541,986**	2,572,594
Attributable to:		
Owners of the Company	**2,539,194**	2,544,038
Non-controlling interests	**2,792**	28,556
	2,541,986	2,572,594

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	31 December 2020 RMB'000	31 December 2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**46,918,930**	50,218,143
Right-of-use assets		**767,186**	1,200,640
Goodwill	11	**–**	–
Other intangible assets		**75,509**	62,135
MultiClient library	12	**253,840**	279,726
Investments in associates and joint ventures		**1,102,008**	880,583
Financial assets at fair value through profit or loss		**–**	–
Contract costs		**184,545**	91,500
Other non-current assets		**158,760**	246,988
Deferred tax assets	18	**158,780**	92,468
Total non-current assets		**49,619,558**	53,072,183
CURRENT ASSETS			
Inventories		**2,246,758**	1,424,674
Prepayments, deposits and other receivables	13	**259,239**	397,972
Accounts receivable	14	**10,212,212**	10,305,533
Notes receivable	15	**10,050**	44,245
Receivables at fair value through other comprehensive income		**3,010**	40,580
Financial assets at fair value through profit or loss		**5,539,402**	4,511,248
Debt instrument at amortised cost		**1,000,416**	–
Contract assets		**320,397**	262,594
Contract costs		**18,514**	–
Other current assets		**125,351**	2,577,018
Pledged deposits	16	**3,659**	102,202
Cash and cash equivalents	16	**6,583,742**	3,363,589
Total current assets		**26,322,750**	23,029,655

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2020

	Notes	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
CURRENT LIABILITIES			
Trade and other payables	*17*	**9,393,051**	10,284,224
Notes payable		**–**	3,467
Salary and bonus payables		**820,138**	979,229
Tax payable		**168,111**	612,784
Loan from a related party	*19*	**2,284,336**	2,443,946
Interest-bearing bank borrowings	*20*	**18,291**	608,906
Long term bonds	*21*	**3,265,377**	3,810,175
Lease liabilities		**224,285**	597,774
Contract liabilities		**388,144**	255,306
Other current liabilities		**314,191**	233,010
Total current liabilities		**16,875,924**	19,828,821
NET CURRENT ASSETS		**9,446,826**	3,200,834
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,066,384**	56,273,017
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*18*	**24,906**	62,655
Interest-bearing bank borrowings	*20*	**191,146**	201,049
Long term bonds	*21*	**19,455,678**	17,928,478
Lease liabilities		**366,303**	547,572
Contract liabilities		**61,057**	192,745
Deferred income	*22*	**278,486**	401,554
Employee benefit liabilities		**–**	28,687
Total non-current liabilities		**20,377,576**	19,362,740
Net assets		**38,688,808**	36,910,277
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*23*	**4,771,592**	4,771,592
Reserves		**33,738,338**	31,962,599
		38,509,930	36,734,191
Non-controlling interests		**178,878**	176,086
Total equity		**38,688,808**	36,910,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

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

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

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

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in HKFRS Standards* and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("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 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*.

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

2.1 Impacts on application of Amendments to HKFRS 3 *Definition of a Business*

The Group has applied the amendments for the first time in the current year. The amendments clarify that while business usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2.2 Impacts on early application of Amendment to HKFRS 16 *Covid-19-Related Rent Concessions*

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-releted rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

- 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;
- 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* ("HKFRS 16") 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.

The application of the amendment had no impact to the consolidated financial statements for the current year and the opening retained profits at 1 January 2020.

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

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

HKFRS 17	*Insurance Contracts and the related Amendments*[1]
Amendments to HKFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16,	*Interest Rate Benchmark Reform – Phase 2*[4]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*[2]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Amendments to HKFRSs	*Annual Improvement to HKFRSs 2018-2020*[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting 2018* issued in June 2018 (the "Conceptual Framework") instead of *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting 2010* issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets or* HK(IFRIC)-Int 21 *Levies*, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 *Interest Rate Benchmark Reform – Phase 2* relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 *Financial Instruments: Disclosures* to accompany the amendments regarding modifications and hedge accounting.

- **Modification of financial assets, financial liabilities and lease liabilities.** A practical expedient is introduced for modification required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- **Disclosures.** The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

As at 31 December 2020, the Group has several London Interbank Offered Rate ("LIBOR") bank loans which may be subject to interest rate benchmark reform. The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- Specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produces while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 *Inventories*.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

Amendments to HKAS 37 Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that, when an entity assesses whether a contract is onerous in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, the unavoidable costs under the contract should reflect the least net cost of existing from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. Costs of fulfilling the contract include incremental costs and an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applicable to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

3. OPERATING SEGMENT INFORMATION

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

The four reportable and operating segments are set out as follows:

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

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

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

(d) the geophysical acquisition and surveying services segment is engaged in the provision of offshore seismic data collection and marine surveying.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains/(losses), investment income and gains/(losses) arising from financial assets at 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 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.

Year ended 31 December 2020	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	11,456,840	13,304,738	2,915,150	1,248,587	28,925,315
Sales surtaxes	8,687	18,995	3,955	2,247	33,884
Revenue, before net of sales surtaxes	11,465,527	13,323,733	2,919,105	1,250,834	28,959,199
Intersegment sales	57,615	293,371	197,888	27,371	576,245
Segment revenue	11,523,142	13,617,104	3,116,993	1,278,205	29,535,444
Elimination	(57,615)	(293,371)	(197,888)	(27,371)	(576,245)
Group revenue	11,465,527	13,323,733	2,919,105	1,250,834	28,959,199
Segment results	1,255,591	3,374,727	177,566	(313,211)	4,494,673
Reconciliation:					
Exchange loss, net					(403,839)
Finance costs					(924,485)
Interest income					69,644
Investment income					116,175
Gains arising from financial assets at FVTPL					26,572
Profit before tax					3,378,740
Income tax expense					(660,424)
As at 31 December 2020					
Segment assets	38,748,467	12,572,299	7,747,673	4,402,933	63,471,372
Unallocated assets					12,470,936
Total assets					75,942,308
Segment liabilities	3,912,895	5,801,358	1,363,215	768,187	11,845,655
Unallocated liabilities					25,407,845
Total liabilities					37,253,500
Other segment information:					
Capital expenditure	868,984	1,879,776	726,144	481,532	3,956,436
Depreciation of property, plant and equipment and amortisation of intangible assets	2,486,252	700,614	649,810	499,054	4,335,730
Depreciation of right-of-use assets	333,106	49,980	67,594	29,700	480,380
Impairment of accounts receivable	3,980	4,909	991	431	10,311
Reversal of other receivables impaired	(734)	(1,359)	(310)	(130)	(2,533)
Impairment of inventories	8,703	10,113	2,216	949	21,981
Impairment of property, plant and equipment	1,447,834	–	–	–	1,447,834
Share of profits of joint ventures	4,687	285,301	–	74,929	364,917
Investments in an associate and joint ventures	656	855,122	–	246,230	1,102,008

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

Geographical information

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

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

The following table presents revenue and non-current assets (excluding goodwill, investments in associates and joint ventures, financial instruments and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2020 and 2019.

		International		
Year ended/as at 31 December 2020	**Domestic**	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**21,547,359**	**2,675,522**	**4,736,318**	**28,959,199**
Less: Sales surtaxes	**(33,884)**	**–**	**–**	**(33,884)**
Revenue, net of sales surtaxes	**21,513,475**	**2,675,522**	**4,736,318**	**28,925,315**
Non-current assets:	**32,772,219**	**6,717,249**	**8,869,302**	**48,358,770**

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

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 73% (2019: 78%) of the total sales of the Group for the year ended 31 December 2020.

4. REVENUE

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers	**28,647,528**	31,003,307
Revenue arising from operating leases	**311,671**	131,843
	28,959,199	31,135,150

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

(a) For the year ended 31 December 2020

	For the year ended 31 December 2020				
	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Geographical markets					
Domestic	5,514,370	12,114,638	2,768,331	1,150,020	21,547,359
North Sea	2,638,986	–	–	–	2,638,986
Others	3,000,500	1,209,095	150,774	100,814	4,461,183
Total	11,153,856	13,323,733	2,919,105	1,250,834	28,647,528
Timing of revenue recognition					
At a point of time	–	63,931	–	7,064	70,995
Over time *(a)*	11,153,856	13,259,802	2,919,105	1,243,770	28,576,533
Total	11,153,856	13,323,733	2,919,105	1,250,834	28,647,528
Type of customer					
CNOOC Limited Group	5,465,135	11,858,621	2,705,232	1,058,340	21,087,328
Others	5,688,721	1,465,112	213,873	192,494	7,560,200
Total	11,153,856	13,323,733	2,919,105	1,250,834	28,647,528

(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 year ended 31 December 2020, 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.

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

	For the year ended 31 December 2020			
	Segment revenue *RMB'000*	**Less: Revenue arising from operating leases** *RMB'000*	**Eliminations** *RMB'000*	**Revenue from contracts with customers** *RMB'000*
Drilling Services	**11,523,142**	**(311,671)**	**(57,615)**	**11,153,856**
Well Services	**13,617,104**	**–**	**(293,371)**	**13,323,733**
Marine Support Services	**3,116,993**	**–**	**(197,888)**	**2,919,105**
Geophysical Acquisition and Surveying Services	**1,278,205**	**–**	**(27,371)**	**1,250,834**
Total	**29,535,444**	**(311,671)**	**(576,245)**	**28,647,528**

(b) ***For the year ended 31 December 2019***

	For the year ended 31 December 2019				
	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Geographical markets					
Domestic	6,693,191	12,703,323	2,886,711	1,917,341	24,200,566
North Sea	1,596,902	–	–	–	1,596,902
Others	2,419,623	2,357,644	172,612	255,960	5,205,839
Total	10,709,716	15,060,967	3,059,323	2,173,301	31,003,307
Timing of revenue recognition					
At a point of time	–	130,814	–	47,605	178,419
Over time	10,709,716	14,930,153	3,059,323	2,125,696	30,824,888
Total	10,709,716	15,060,967	3,059,323	2,173,301	31,003,307
Type of customer					
CNOOC Limited Group	6,297,501	13,652,619	2,743,376	1,657,321	24,350,817
Others	4,412,215	1,408,348	315,947	515,980	6,652,490
Total	10,709,716	15,060,967	3,059,323	2,173,301	31,003,307

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

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

(B) Performance obligations for contracts with customers

(i) Drilling Services

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

(ii) Well Services

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

(iii) Marine Support Services

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

(iv) Geophysical Acquisition and Surveying Services

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 and the expected timing of recognising revenue are as follows:

	As at 31 December 2020				
	Drilling services *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Total** *RMB'000*
Within one year	**426,844**	**811,456**	**–**	**126,230**	**1,364,530**
In the second to fifth year, inclusive	**251,879**	**871,314**	**–**	**–**	**1,123,193**
After five years	**138**	**–**	**–**	**–**	**138**
Total	**678,861**	**1,682,770**	**–**	**126,230**	**2,487,861**

	As at 31 December 2019				
	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Within one year	357,218	707,788	–	93,840	1,158,846
In the second to fifth year, inclusive	478,495	1,322,805	–	2,892	1,804,192
After five years	351	–	–	–	351
Total	836,064	2,030,593	–	96,732	2,963,389

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

5. OTHER INCOME

	2020 *RMB'000*	2019 *RMB'000*
Insurance claims received *(a)*	**194,472**	23,370
Government grants *(b)*	**211,525**	264,822
Compensation income on breach of contracts	**11,189**	53,423
Others	**20,838**	10,521
Total	**438,024**	352,136

(a) The amount includes insurance claims of RMB194,185,000 received in current year for certain assets damaged and insured.

(b) Government grants include release of deferred income of RMB109,134,000 for the year (2019: RMB122,366,000) (note 22).

6. PROFIT BEFORE TAX

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

	2020	2019
	RMB'000	*RMB'000*
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**3,663,398**	4,419,411
Social security costs	**994,682**	941,794
Retirement benefits and pensions	**239,019**	446,789
	4,897,099	5,807,994
Auditor's remuneration	**15,827**	16,279
Gains arising from lease modifications	**(3,226)**	(74,011)
Losses on disposal of plant and equipment and other intangible assets, net	**15,383**	57,496
Lease expenses in respect of land and buildings, berths and equipment *(a)*	**1,224,265**	1,287,702
Provision of impairment of inventories	**21,981**	6,156
Income from investments in corporate wealth management products, liquidity funds and debt instrument	**(116,175)**	(218,214)
(Gains)/losses arising from financial assets at FVTPL	**(26,572)**	38,829
Cost of inventories recognised as an expense	**3,810,024**	4,316,869
Research and development costs, included in:	**769,253**	932,656
Depreciation of property, plant and equipment	**96,577**	97,234
Employee compensation costs	**229,696**	318,017
Consumption of supplies, materials, fuel, services and others	**442,980**	517,405

(a) Lease expenses 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 HNTE certificate renewed by the Company in October 2020, the CIT rate of the Company is to be 15% for the period from 2020 to 2022.

According to the HNTE certificate renewed by the Group's subsidiary COSL Chemicals (Tianjin), Ltd in October 2020, the CIT rate of COSL Chemicals (Tianjin), Ltd is to be 15% for the period from 2020 to 2022.

According to the HNTE certificate renewed by the Group's subsidiary COSL Deepwater Technology Co. Ltd. in December 2019, the CIT rate of COSL Deepwater Technology Co. Ltd is to be 15% for the period from 2019 to 2021.

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

Countries and regions	**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 9% 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% ofrevenue generated in Myanmar**	Withholding tax based on 2.5% of revenue generated in Myanmar
Brazil	**34%**	34%
Cameroon	**Withholding tax based on 15% of revenue generated in Cameroon**	Withholding tax based on 15% of revenue generated in Cameroon

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

	2020	2019
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**190,589**	200,482
Deferred	**(8,336)**	65
PRC corporate income taxes:		
Current	**573,419**	925,675
Deferred	**(96,147)**	(251,134)
Under provision in prior years	**899**	69,071
Total tax charge for the year	**660,424**	944,159

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

	2020		2019	
	RMB'000	***%***	*RMB'000*	*%*
Profit before tax	**3,378,740**		3,472,174	
Tax at the statutory tax rate of 25% (2019: 25%)	**844,685**	**25.0**	868,043	25.0
Tax effect as an HNTE	**(309,435)**	**(9.2)**	(634,071)	(18.3)
Tax effect of income not subject to tax	**(51)**	**–**	(3,108)	(0.1)
Tax effect of share of profit of an associate and joint ventures	**(91,133)**	**(2.7)**	(80,113)	(2.3)
Tax effect of expense not deductible for tax	**44,887**	**1.3**	64,103	1.8
Tax benefit for qualifying research and development expenses	**(101,284)**	**(3.0)**	(118,129)	(3.3)
Effect of non-deductible expenses/non-taxable profit and different tax rates for overseas subsidiaries	**499,345**	**14.8**	652,255	18.8
Changes in opening deferred tax liability/asset resulting from a decrease in applicable tax rate	**(49,981)**	**(1.5)**	–	–
Tax effect of tax losses and deductible temporary differences unrecognised	**304,594**	**9.0**	63,021	1.8
Utilisation of tax losses previously not recognised	**(428,879)**	**(12.7)**	(19,639)	(0.6)
Tax effect on translation adjustment *(a)*	**3,912**	**0.1**	17,574	0.5
Under provision in respect of prior years	**899**	**–**	69,071	2.0
Others	**(57,135)**	**(1.6)**	65,152	1.9
Total tax charge at the Group's effective tax rate	**660,424**	**19.5**	944,159	27.2

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

The share of tax attributable to an associate and joint ventures amounting to approximately RMB56,472,000 (2019: RMB70,775,000) is included in "Share of profits of an associate and joint ventures" in the consolidated statement of profit or loss.

8. DIVIDENDS

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Proposed final dividend – RMB0.17 per ordinary share (2019: RMB0.16 per ordinary share)	**811,171**	763,455

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

During the year ended 31 December 2020, the dividend proposed in 2019 and paid to the shareholders of the Company is RMB0.16 per ordinary share, in an aggregate amount of RMB763,455,000 (2019: RMB334,011,000).

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

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

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

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

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

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

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**2,703,187**	2,502,238

	2020	2019
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,771,592,000

No diluted earnings per share is presented for the years ended 31 December 2020 and 2019 as the Group had no dilutive potential ordinary shares in issue during those years.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2020	Vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2019 and at 1 January 2020							
Cost	15,800,921	65,777,334	19,430,432	103,966	958,079	1,914,153	103,984,885
Accumulated depreciation and impairment	(7,349,917)	(31,843,351)	(14,311,890)	(87,867)	(173,307)	(410)	(53,766,742)
Carrying amount	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143
Carrying amount							
At 1 January 2020	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143
Additions	–	9,169	1,048,680	1,435	59,595	2,774,000	3,892,879
Depreciation provided during the year	(799,492)	(1,834,552)	(1,596,369)	(2,599)	(48,451)	–	(4,281,463)
Disposals/write-offs	(30)	(10,054)	(3,114)	(4,099)	–	–	(17,297)
Transfers from/(to) construction in progress	6,651	189,516	1,321,732	434	–	(1,518,333)	–
Impairment provided	–	(1,447,834)	–	–	–	–	(1,447,834)
Exchange realignment	2,060	(1,313,021)	(91,862)	–	(21,578)	(21,097)	(1,445,498)
At 31 December 2020	7,660,193	29,527,207	5,797,609	11,270	774,338	3,148,313	46,918,930
At 31 December 2020							
Cost	15,690,888	63,179,598	21,420,590	92,960	991,137	3,148,723	104,523,896
Accumulated depreciation and impairment	(8,030,695)	(33,652,391)	(15,622,981)	(81,690)	(216,799)	(410)	(57,604,966)
Carrying amount	7,660,193	29,527,207	5,797,609	11,270	774,338	3,148,313	46,918,930

31 December 2019	Vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2018 and at 1 January 2019							
Cost	15,929,153	64,581,379	17,690,304	115,815	965,398	1,522,839	100,804,888
Accumulated depreciation and impairment	(6,642,995)	(29,326,513)	(13,073,727)	(99,293)	(129,232)	–	(49,271,760)
Carrying amount	9,286,158	35,254,866	4,616,577	16,522	836,166	1,522,839	51,533,128
Carrying amount							
At 1 January 2019	9,286,158	35,254,866	4,616,577	16,522	836,166	1,522,839	51,533,128
Additions	–	58,813	1,420,895	115	–	1,523,753	3,003,576
Depreciation provided during the year	(851,210)	(1,958,035)	(1,527,503)	(3,380)	(43,199)	–	(4,383,327)
Disposals/write-offs	(6,420)	(5,183)	(69,465)	(1,724)	–	–	(82,792)
Transfers from/(to) construction in progress	17,593	469,965	658,661	4,566	(13,156)	(1,137,629)	–
Impairment provided	–	(241,075)	–	–	–	(410)	(241,485)
Exchange realignment	4,883	354,632	19,377	–	4,961	5,190	389,043
At 31 December 2019	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143
At 31 December 2019							
Cost	15,800,921	65,777,334	19,430,432	103,966	958,079	1,914,153	103,984,885
Accumulated depreciation and impairment	(7,349,917)	(31,843,351)	(14,311,890)	(87,867)	(173,307)	(410)	(53,766,742)
Carrying amount	8,451,004	33,933,983	5,118,542	16,099	784,772	1,913,743	50,218,143

During the year ended 31 December 2020, no interest was capitalised in property, plant and equipment (2019: Nil).

Impairment of property, plant and equipment

During the year ended 31 December 2020, due to the slower recovery of oil price and global oilfield services market, both the services prices and utilisation rates of the Group's drilling rigs and vessels have contributed to thin profit margin. The Group carried out the review of the recoverable amounts of certain property, plant and equipment as there were impairment indicators of these assets during the year. Those assets are used in the Group's drilling services segment, marine support services segment and geophysical acquisition and surveying services segment. Among others reviewed, given the lower expected day rates and future operating cash flows after the cessation of the relevant contract as disclosed in note 4, the recoverable amount of the relevant drilling rigs is considered to be lower than its carrying value. The review led to the recognition of an impairment loss of RMB1,447,834,000 (2019: RMB241,485,000) for certain drilling rigs in drilling services segment which has been recognised in profit or loss for the year ended 31 December 2020. The impairment losses have been classified under the drilling services segment.

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value. The cash flow projection was based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The discount rate applied to the cash flow projections are in the range of 7.00%~9.37% (2019: 7.5%~8.6%). The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the value in use calculations reflect management's judgments and expectation based on the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilisation rates, day rates, cost level and capital requirements.

11. GOODWILL

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

	2020
	RMB'000
COST	
At 1 January	**4,700,188**
Exchange realignment	**(304,062)**
At 31 December	**4,396,126**
IMPAIRMENT	
At 1 January	**4,700,188**
Exchange realignment	**(304,062)**
At 31 December	**4,396,126**
CARRYING VALUE	
At 31 December	**–**

12. MULTICLIENT LIBRARY

	MultiClient Library
	RMB'000
Carrying amount at 31 December 2019	279,726
Development cost capitalised in the year	21,921
Amortisation provided during the year	(35,513)
Exchange realignment	(12,294)
At 31 December 2020	253,840
At 31 December 2020	
Cost	299,179
Accumulated amortisation	(45,339)
Carrying amount	253,840

The Group has entered into cooperation agreements with Spectrum Geo Inc ("Spectrum") to invest in certain multi-client data projects. These agreements are accounted for as joint operations where the parties have joint control over the projects and have rights to the assets and liabilities of the investment. Costs directly incurred in acquiring, processing and completing multi-client data projects are capitalised to the MultiClient library. During the year ended 31 December 2020, except for certain part of multi-client data projects which had been completed, the remaining part was still in progress.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Prepayments	**105,258**	132,788
Deposits	**28,363**	49,790
Other receivables	**134,822**	229,734
	268,443	412,312
Less: Provision for impairment of other receivables	**(9,204)**	(14,340)
	259,239	397,972

An analysis of other receivables is as follows:

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Prepaid tax	**74,727**	120,555
Compensation receivables	**2,651**	33,562
Insurance claim receivables	**29,883**	19,313
Payments on behalf of suppliers	**7,708**	19,097
Advance to employees	**2,407**	7,318
Others	**17,446**	29,889
	134,822	229,734

14. ACCOUNTS RECEIVABLE

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Accounts receivable		
– goods and services	**12,956,377**	13,223,934
Less: Allowance for credit losses	**(2,744,165)**	(2,918,401)
	10,212,212	10,305,533

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

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Within six months	**9,543,578**	9,981,405
Six months to one year	**497,115**	236,393
One to two years	**125,692**	87,646
Over two years	**45,827**	89
	10,212,212	10,305,533

As at 31 December 2020, included in the Group's accounts receivable balance are debtors with aggregate carrying amount of RMB668,634,000 (31 December 2019: RMB324,128,000) which are past due as at the reporting date. Out of the past due balances, RMB456,952,000 (31 December 2019: RMB210,344,000) is not considered as in default based on past experience, the Directors are of the opinion that no further provision for impairment is necessary in respect of these balances which are considered fully recoverable after taking into consideration of the customer's credit quality, historical behavior of payments and prevailing market conditions. The Group does not hold any collateral or other credit enhancements over these past-due balances.

15. NOTES RECEIVABLE

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Commercial notes receivable at amortised costs	**10,050**	44,245

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

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
Cash and balances with banks	**5,389,440**	1,967,074
Deposits with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,197,961**	1,498,717
Cash and balances with banks and financial institutions	**6,587,401**	3,465,791
Less:		
Pledged deposits	**(3,659)**	(102,202)
Cash and cash equivalents	**6,583,742**	3,363,589

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB2,976,395,000 (2019: RMB2,043,017,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on daily bank deposit rates.

17. TRADE AND OTHER PAYABLES

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

	31 December 2020 RMB'000	31 December 2019 RMB'000
Outstanding balances aged:		
Within one year	**8,140,199**	9,462,482
One to two years	**626,382**	102,643
Two to three years	**34,840**	41,300
Over three years	**45,537**	83,728
	8,846,958	9,690,153

18. DEFERRED TAXATION

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

	31 December 2020 ***RMB'000***	31 December 2019 *RMB'000*
Deferred tax assets	**158,780**	92,468
Deferred tax liabilities	**(24,906)**	(62,655)
	133,874	29,813

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

	Balance at 1 January 2019	Recognised in profit or loss	Exchange realignment	Balance at 31 December 2019 and 1 January 2020	Recognised in profit or loss	Exchange realignment	Balance at 31 December 2020
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:							
Provision for staff bonus	83,465	(28,136)	1	55,330	(43,040)	(98)	12,192
Impairment of assets	54,620	7,703	–	62,323	1,876	–	64,199
Fair value adjustment arising from acquisition of a subsidiary	–	8,563	96	8,659	(7,552)	(154)	953
Accrued liabilities	18,903	161,299	–	180,202	34,033	–	214,235
Deductible tax loss	62,579	(8,269)	937	55,247	(23,174)	(2,325)	29,748
Right-of use assets and lease liabilities	48	45,896	(9)	45,935	(38,705)	21	7,251
Others	3,675	28,579	80	32,334	18,386	(97)	50,623
	223,290	215,635	1,105	440,030	(58,176)	(2,653)	379,201
Deferred tax liabilities:							
Accelerated depreciation of property, plant and equipment	434,474	(42,920)	923	392,477	(176,614)	(648)	215,215
Fair value adjustment arising from acquisition of a subsidiary	609	(612)	3	–	–	–	–
The investment of corporate wealth management products	–	2,627	–	2,627	2,920	–	5,547
Right-of use assets and lease liabilities	578	(579)	1	–	–	–	–
Others	8,850	6,050	213	15,113	11,035	(1,583)	24,565
	444,511	(35,434)	1,140	410,217	(162,659)	(2,231)	245,327
	221,221	(251,069)	35	(29,813)	(104,483)	422	(133,874)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's associate and joint ventures for which deferred tax liabilities have not been recognised was RMB1,244,951,000 (31 December 2019: RMB1,224,680,000). No liability has been recognised in respect of these differences as the investment company and those associate and joint ventures are all located in the PRC and the applicable tax rate of those associate and joint ventures was the same as or higher than the applicable tax rate of the investment company.

At 31 December 2020, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB414,556,000 (2019: RMB252,644,000). No liability have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2020, accumulated unrecognised tax losses arising in the Group of approximately RMB7,375,319,000 (2019: RMB9,611,096,000) were available for offsetting against future taxable profits of the companies in which the losses arose.

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

	31 December 2020 *RMB'000*	31 December 2019 *RMB'000*
31 December 2021	**–**	85,910
31 December 2022	**236**	236
31 December 2023	**1,632**	1,632
31 December 2024	**737**	737
31 December 2025	**701**	–
31 December 2027	**3,118**	3,365
31 December 2028	**4,703**	4,703
31 December 2029	**408**	408
	11,535	96,991

At 31 December 2020, the Group had tax losses arising in Norway of RMB7,363,784,000 (2019: RMB9,514,105,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2020, the Group has deductible temporary differences of RMB2,771,710,000 (2019: RMB1,727,398,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

19. LOAN FROM A RELATED PARTY

	Contractual interest rate per annum (%)	**31 December 2020** ***RMB'000***	31 December 2019 *RMB'000*
Loan from a related party – unsecured	LIBOR+0.5%	**2,284,336**	2,443,946

During the year ended 31 December 2020, the Group maintained a loan of US$350,000,000, equivalent to approximately RMB2,283,715,000, from a fellow subsidiary, which is repayable on demand and carries effective interest rate of LIBOR+0.5% per annum. The proceeds were used to finance CNA's daily operations.

20. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate (%) per annum	Year of maturity	**31 December 2020** *RMB'000*	31 December 2019 *RMB'000*
Export-Import Bank of China – unsecured *(a)*	LIBOR+1.70%	2020	**–**	589,928
China Development Bank *(b)*	1.08%	2035	**209,437**	220,027
			209,437	809,955
Less: Current portion of long term bank loans			**(18,291)**	(608,906)
			191,146	201,049

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

(b) The Group borrowed RMB320,000,000 loan from a wholly-owned subsidiary of China Development Bank in December 2015. The loan was initial recognised on fair value measured by discounting future cash flow at prevailing market interest. The repayments start from December 2018 over 36 instalments bi-annually.

For all bank borrowings as stated above, the weighted average effective interest rate for the year ended 31 December 2020 was 2.39% per annum (2019: 3.77% per annum).

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**18,291**	608,906
In the second year	**3,951**	2,610
In the third to fifth year, inclusive	**35,930**	34,814
Beyond five years	**151,265**	163,625
	209,437	809,955

21. LONG TERM BONDS

	Year of maturity	**31 December 2020**	31 December 2019
		RMB'000	*RMB'000*
Corporate bonds *(a)*	2022	**1,542,000**	1,542,000
2016 Corporate Bonds			
(Type II of the First Tranche Issue as defined below) *(b)*	2026	**3,071,183**	3,070,763
(Type I of the Second Tranche Issue as defined below) *(b)*	2021	**102,493**	102,493
(Type II of the Second Tranche Issue as defined below) *(b)*	2021	**2,917,698**	2,916,915
Senior unsecured USD bonds *(c)*	2022	**6,585,160**	7,032,189
Guaranteed medium term notes			
First Drawdown Note *(d)*	2020	**–**	3,537,073
Second Drawdown Note *(d)*	2025	**3,311,019**	3,537,220
Guaranteed senior notes			
2025 Notes *(e)*	2025	**3,253,958**	–
2030 Notes *(e)*	2030	**1,937,544**	–
		22,721,055	21,738,653
Current		**3,265,377**	3,810,175
Non-current		**19,455,678**	17,928,478
		22,721,055	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 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 current market environment, the Group chose not to adjust the coupon rate for the fourth and fifth year, that is, the coupon rate will remain at 3.08% in the next two interest-bearing years. The remaining Type I of the Second Tranche Issue of RMB101,900,000 will be held until the maturity date on 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 Group, issued 10-year senior unsecured bonds, with a US$1,000,000,000 principal amount. The maturity date is 6 September 2022. The effective interest rate of the senior unsecured bonds was 3.38% per annum.

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

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

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

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

22. DEFERRED INCOME

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

	Contract value	Government grant related to assets	Government grant related to income	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	167,369	194,386	80,393	80,691	522,839
Additions	–	2,748	87,033	–	89,781
Credited to profit or loss	(82,602)	(17,301)	(105,065)	(7,922)	(212,890)
Exchange realignment	1,824	–	–	–	1,824
At 31 December 2019	86,591	179,833	62,361	72,769	401,554
Additions	**–**	**6,327**	**64,475**	**–**	**70,802**
Credited to profit or loss	**(75,541)**	**(23,101)**	**(86,033)**	**(7,615)**	**(192,290)**
Exchange realignment	**(1,520)**	**–**	**(60)**	**–**	**(1,580)**
At 31 December 2020	**9,530**	**163,059**	**40,743**	**65,154**	**278,486**

23. ISSUED CAPITAL

	31 December 2020	31 December 2019
	RMB'000	*RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2020

In 2020, the COVID-19 pandemic (hereinafter "Pandemic") had a huge impact on global economy. According to the "World Economic Outlook Report" released by the International Monetary Fund, the global economy would shrink by 4.4% in 2020, with oil demand hit hard, leading to fluctuate international oil prices. According to statistics from major institutions such as the International Energy Agency (IEA) and OPEC, global oil demand would drop by more than 10% compared with last year in 2020.

In 2020, under the dual dilemma of the global Pandemic and low oil prices, the global oil and gas industry has been hit hard again. On the one hand, the world's leading oil companies have reduced their exploration investment in varying degrees, and global oil and gas exploration activities have become more cautious. Although OPEC+ has organized the largest production-cut alliance in history, it still presented a global "supply over demand" of oil and gas. According to a report issued by the consulting company IHS Markit, the capital expenditure for exploration and development of international oil companies in 2020 was US$302.0 billion, down 32% compared with 2019. The final investment decision for a large number of high-cost oil and gas development projects has been postponed. On the other hand, the business activities of world-class oilfield service companies have suffered huge economic losses due to Pandemic. According to a report released by the consulting company Spears & Associates, the global oilfield service and equipment market would be worth US$192.1 billion in 2020, down 29% compared with 2019. A large number of companies suffered huge losses and even went bankrupt.

Business Review

In 2020, the sudden outbreak of Pandemic had a severe impact on all countries and also brought severe damage to the global economy. Under the influence of the combined pressure of Pandemic and oil price fluctuations, the global oilfield service market has been severely impacted and challenged, and the Group's service prices and workload have both dropped. On the domestic, due to the promotion of "Six Guarantees" and "Six Stability" missions on economic recovery in response to Pandemic, the driving of national energy security strategy, as well as the continuous implementation of CNOOC's "Seven-Year Action Plan", the domestic workload was guaranteed to a certain extent, but the service prices were under certain pressure. The Group recognized the severe situation, organized the largest production and operation in a scientific, safe and efficient manner, solidly implemented a special rectification action plan for safe production, detailed implemented the implementation plan for reducing costs, improving quality as well as increasing efficiency, and assisting the development and transformation of key core technologies. By seeking benefit from enterprise reform and management innovation, improving quality from safe operation and professional services, the Company made every effort to cope with the severe challenges of instability in the world economy and fluctuations in oil prices. In 2020, the Group's operating revenue was RMB28,925.3 million, a decrease of 6.9% compared with last year. Net profit was RMB2,718.3 million, an increase of RMB190.3 million compared with last year. Basic earnings per share was RMB0.57, an increase of RMB0.05 compared with last year.

Drilling Services Segment

The Group is the largest offshore drilling contractor in China and one of the internationally well-known drilling contractors. It mainly provides relevant drilling and well completion services such as jack-up drilling rigs, semi-submersible drilling rigs, module rigs and land drilling rigs. At the end of 2020, the Group operated and managed a total of 57 drilling rigs (of which 43 are jack-up drilling rigs, and 14 are semi-submersible drilling rigs), and 5 module rigs, etc.

In 2020, revenue from drilling services amounted to RMB11,456.8 million, representing an increase of 5.8% as compared with RMB10,824.8 million of 2019, and including the receipt of US$188 million settlement income from Equinor.

During the period, the Group rationally allocated resources, improved equipment operation and maintenance & technical service capabilities, actively carried out safe operation around the world, resolutely supported the anti-epidemic policies of each country, and vigorously cooperated with national energy security policies while keeping the improvement of international competitiveness. "COSLHunter" completed the double-tubing production string run-in operation for the first time in the Americas, and exceeded the expected goal of well drilling and completion operations, which was highly recognized by customers; "HYSY936" completed the project survey efficiently and successfully located it in place, opening a new customer in the Americas for the first cooperation; "COSLConfidence" and "COSL3", high-quality service and safe & efficient operations have been awarded written praise from customers in the Americas; "COSLGift" successfully completed the 16" wellbore operation of a single operation well of a Middle East customer, breaking the 16" wellbore drilling record for the past 30 years of such operation site; a drilling rig that managed and operated by the Group winned the trust of overseas operators with high-quality performance; "NH7" successfully completed the exploration well operation, setting the record for the shortest drilling cycle for 4,001-4,500 meters of CNOOC; "HYSY982" completed the operation project efficiently, and once again refreshed the operating water depth record of the rig.

At the end of 2020, the Group had 28 drilling rigs operating in the China Sea, 11 drilling rigs operating overseas, 14 drilling rigs were standby and 4 were being maintained in the shipyard.

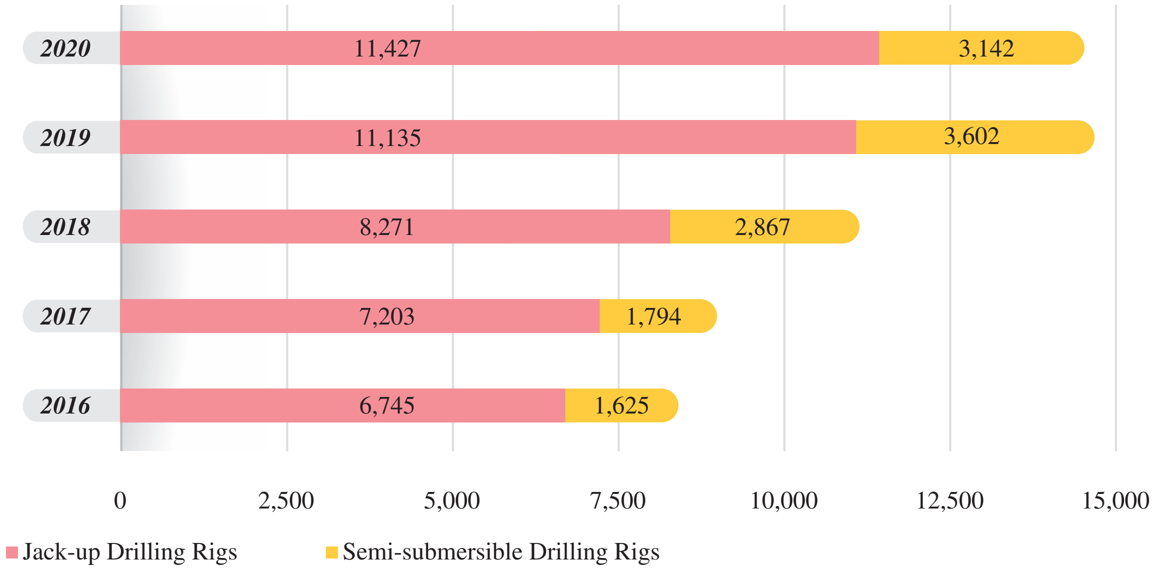
In 2020, the Group's drilling rigs operated for 14,569 days, representing a year-on-year decrease of 168 days which decreased by 1.1%. It was mainly due to the impact of Pandemic and oil price fluctuations, the global upstream exploration and development investment has fallen, the oil service market has been hit, and the overall drilling operation volume has declined.

In 2020, the Group's jack-up drilling rigs operated for 11,427 days, representing a year-on-year increase of 292 days; semi-submersible drilling rigs operated for 3,142 days, representing a year-on-year decrease of 460 days. Operational details are as follows:

	2020	2019	**Change**	**Percentage Change**
Operating days (day)	**14,569**	14,737	(168)	(1.1%)
Jack-up drilling rigs	**11,427**	11,135	292	2.6%
Semi-submersible drilling rigs	**3,142**	3,602	(460)	(12.8%)
Available day utilization rate	**75.0%**	81.4%	Down 6.4 percentage points	
Jack-up drilling rigs	**78.2%**	83.9%	Down 5.7 percentage points	
Semi-submersible drilling rigs	**65.3%**	74.6%	Down 9.3 percentage points	
Calendar day utilization rate	**71.6%**	78.5%	Down 6.9 percentage points	
Jack-up drilling rigs	**75.0%**	81.0%	Down 6.0 percentage points	
Semi-submersible drilling rigs	**61.3%**	71.4%	Down 10.1 percentage points	

Five module rigs operated in the Gulf of Mexico for 940 days, representing a decrease of 500 days over the same period last year. The calendar day utilization rate decreased by 27.5 percentage points to 51.4%.

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



In 2020, the average day income of the drilling rigs of the Group is as follows. Excluding the impact of exchange rates, it decreased compared with 2019:

Average day income (ten thousand US$/day)	**2020**	2019	**Change**	**Percentage Change**
Jack-up drilling rigs	**7.0**	6.9	0.1	1.4%
Semi-submersible drilling rigs	**18.6**	17.2	1.4	8.1%
Drilling rigs average	**9.5**	9.4	0.1	1.1%

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

(2) USD/RMB exchange rate was 1: 6.5249 on 31 December 2020 and 1:6.9762 on 31 December 2019, respectively.

Well Services Segment

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

In 2020, revenue from the well service decreased by 11.5% from RMB15,030.0 million in the same period of 2019 to RMB13,304.7 million. The Group fully implemented the action plan to reduce costs, improve quality and increase efficiency, promoted key core technology research projects at full speed, and continued to increase scientific research investment and technological innovation, thus achieving various technological development results. The industrialization trials of independent research and development technology products succeeded continuously, and the commercialization process continued to accelerate. Under the impact of Pandemic and the overall continued downturn in the market, the Group's technical service business has maintained a rapid development trend, and its operating profit margin has been improved compared with last year, showing its competitive advantage.

Through in-house research and development of technology and equipment, the Group has greatly improved its operational capabilities. The self-developed large-diameter rotary well lining instruments have been successfully operated in domestic waters, and have created new records for the deepest instrument downhole, the highest well temperature, and the largest number of single-well corings; self-owned technical equipment has completed surface injection drilling operations and achieved zero breakthrough in deep water injection; the Company has completed the development of the first set of deep-water cementing hydrate decomposition prediction and evaluation software in domestic, providing a strong guarantee for further improving the international competitiveness of cementing technology; the 7-inch directional perforating gun operation technology has applied in the horizontal well completion perforation circle operation filled the domestic technical gap; the self-developed 9-5/8" one-time multi-layer gravel pack completion tool has completed highly difficult operations in the Bohai Sea, boosting the operation efficiency; the self-developed "D+W" tool has completed the high angle building hole rate horizontal well operation for the first time, setting three records of operating well depth, well temperature and angle building hole rate; the self-developed high speed velocity pulser (HSVP) has completed offshore application for the first time, filling the gap in domestic technology application; self-developed deep-water cement header has passed the application, indicating that the Group has successfully realized the localized substitution of key deepwater equipment; the self-developed quadrupole acoustic imaging logging tool while drilling has completed its offshore application for the first time.

The Group's technical service capabilities have been widely recognized by international customers. The first batch of two wells of the shallow shoal project undertaken in Asia was completed successfully, marking the success of the first operation in the shoal mud service; the Group's technical service performance and capabilities have also won the recognition of many international customers at the operation site as well as the Letter of Award on cementing business from new customers; won the new round of wireline logging service contracts in the Asian site; won the bid for the Asian cementing, drilling and completion fluid integration service contract and the two-year cementing service contract.

Marine Support Services Segment

The Group operates and manages the largest offshore operation fleet with the most comprehensive functions in China, with over 140 vessels including AHTS vessels, platform supply vessels and oilfield standby vessels. The Group can provide comprehensive support and services, including anchor handling for different water level, towing of drilling rigs/engineering barges, offshore transportation, standby, firefighting, rescue, oil spill assisting, for offshore oil and gas exploration, development, construction and oil/gas field production, which can fulfill different needs of clients.

In 2020, the marine support services actively prevented and controlled Pandemic, achieved the safe production goal of "zero injury, zero pollution, and zero accident", and further improved equipment support capabilities through measures such as making up for shortcomings and strengthening the weaknesses. The team building has achieved remarkable results, the assets has been continuously expanded, the overall operation volume has increased, scientific and technological innovation has continued to help safe operation, and the operational capabilities and safety performance has been steadily improved, all which further consolidated the domestic competitive advantage and market position, and successfully explored overseas markets to win the integration bidding project in the Americas. During the year, two 5,000-horsepower LNG-powered guard supply ships were delivered, and two 4,000-horsepower LNG-powered guard supply ships were launched, which played an active role in promoting the use of LNG clean energy in ships.

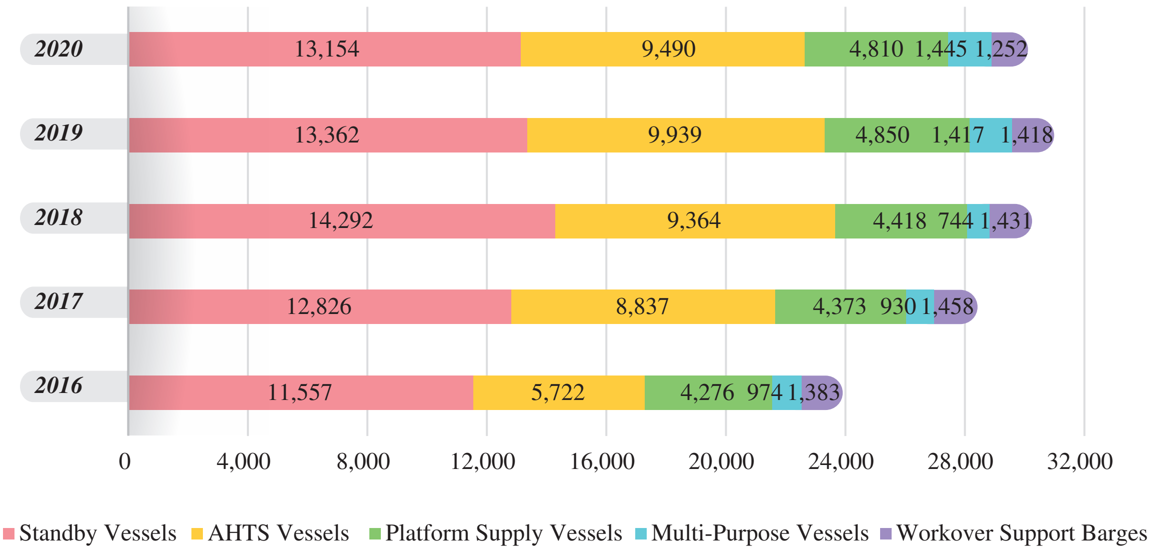
In 2020, revenue of marine support services decreased by 4.5% to RMB2,915.2 million from RMB3,052.9 million in 2019. The self-owned vessels operated 30,151 days, decreased by 2.7% as compared with last year. The chartered vessels operated 17,887 days in total, increased by 17.2% compared to last year, generating revenue of RMB996.9 million, and increased 7.3% from RMB929.5 million in the same period in 2019.

The calendar day utilization rate of self-owned utility vessels was 94.4% in 2020, representing an increase of 0.1 percentage point as compared with last year.

The operational details of self-owned utility vessels of the Group are as follows:

Operating days (day)	**2020**	2019	**Change**	**Percentage Change**
Standby vessels	**13,154**	13,362	(208)	(1.6%)
AHTS vessels	**9,490**	9,939	(449)	(4.5%)
Platform supply vessels	**4,810**	4,850	(40)	(0.8%)
Multi-purpose vessels	**1,445**	1,417	28	2.0%
Workover support barges	**1,252**	1,418	(166)	(11.7%)
Total	**30,151**	30,986	(835)	(2.7%)

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



Geophysical Acquisition and Surveying Services Segment

The Group is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical. At the end of 2020, the Group owns 5 towing streamer seismic vessels, 1 professional source vessel, 2 ocean bottom cable teams, 5 integrated marine surveying vessels and 2 support vessels for operation in deep water. Services for clients include but not limited to providing integrated services of wide azimuth, broadband, high density seismic acquisition services, submarine cable and submarine node multi-component seismic acquisition services, also integrated offshore surveying services.

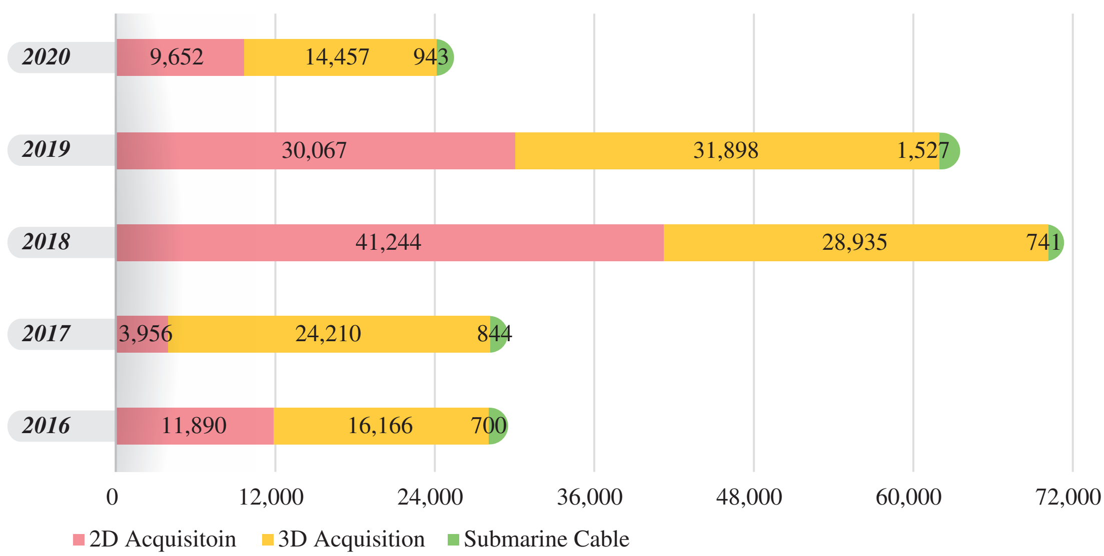
Affected by the general environment of Pandemic and low oil prices, international oil companies have drastically reduced their investment in exploration and development, the business of geophysical acquisition and surveying services has plummeted, the market has shrunk, and the prices of products and services have been pushed down. The Group got a clear understanding of the situation, closely focused on the domestic oil and gas reserves and production goals and tasks, solidly guaranteed geophysical acquisition resources, steadily promoted the optimization and reform of the organizational structure, and promoted the creation of technological value and the implementation of results. A self-developed small trace interval towing acquisition equipment was applied successfully with a high signal-to-noise ratio of the collected data and clear imaging, filling the domestic technical gap; the seismic vessel "HYSY 718" broke the record with the highest monthly output in the country in the 12 years since the start of operation; the efficient and quality operation performance in the Americas was praised by clients.

In 2020, revenue of geophysical acquisition and surveying services decreased to RMB1,248.6 million, representing a decrease of 42.4% compared with RMB2,168.1 million of 2019, of which, the surveying services recorded revenue of RMB370.5 million, representing a decrease of 4.1% as compared with RMB386.3 million over 2019.

The details of geophysical acquisition of the Group are as follows:

Businesses	**2020**	2019	**Change**	**Percentage Change**
2D acquisition (km)	**9,652**	30,067	(20,415)	(67.9%)
of which: multi-client	**0**	1,350	(1,350)	(100.0%)
3D acquisition (km^2)	**14,457**	31,898	(17,441)	(54.7%)
of which: multi-client	**2,918**	6,485	(3,567)	(55.0%)
Submarine cable (km^2)	**943**	1,527	(584)	(38.2%)

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



Major Subsidiaries

COSL Hong Kong International Limited, COSL Norwegian AS ("CNA"), COSL Singapore Limited are major subsidiaries of the Group engaged in drilling and well services relevant operations.

As at 31 December 2020, the total assets of COSL Hong Kong International Limited amounted to RMB6,950.2 million and equity was RMB6,950.2 million. COSL Hong Kong International Limited realized revenue of RMB34.1 thousand in 2020, which was zero in last year. The net profit amounted to RMB12.1 thousand, which was RMB-16.2 thousand in last year.

As at 31 December 2020, the total assets of CNA amounted to RMB9,276.4 million and equity was RMB-1,375.7 million. CNA realized revenue of RMB2,927.9 million in 2020, representing an increase of RMB878.2 million or 42.8% as compared with last year. The net profit amounted to RMB-144.6 million, representing a decrease in loss of RMB541.5 million as compared with last year. Taking into account the utilization rate and the operating price of large-scale equipment have not yet recovered to a normal level, the asset impairment loss for the year amounted to RMB1,447.8 million.

As at 31 December 2020, the total assets of COSL Singapore Limited amounted to RMB25,146.1 million and equity was RMB-1,424.0 million. COSL Singapore Limited realized revenue of RMB2,443.3 million in 2020, representing an increase of RMB194.4 million or 8.6% as compared with last year. The net profit amounted to RMB-896.7 million, representing a decrease in loss of RMB864.8 million as compared with last year. Thereinto, COSL DRILLING STRIKE PTE. LTD., COSL PROSPECTOR PTE. LTD. are major platform subsidiaries of COSL Singapore Limited.

As at 31 December 2020, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB3,924.9 million and equity was RMB-2,930.7 million. The Company has provided financial support for COSL DRILLING STRIKE PTE. LTD. in order to make sure it will be able to continue as a going concern. COSL DRILLING STRIKE PTE. LTD. realized revenue of RMB238.3 million in 2020, representing an increase of RMB82.3 million or 52.8% as compared with last year. The net profit amounted to RMB-241.7 million, representing a decrease in loss of RMB412.3 million as compared with last year.

As at 31 December 2020, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,306.3 million and equity was RMB-4,400.1 million. The Company has provided financial support for COSL PROSPECTOR PTE. LTD. in order to make sure it will be able to continue as a going concern. COSL PROSPECTOR PTE. LTD. realized revenue of RMB455.3 million in 2020, representing a decrease of RMB57.6 million or 11.2% as compared with last year. The net profit amounted to RMB-688.5 million, representing a decrease in loss of RMB413.8 million as compared with last year.

Financial Review

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2020, revenue of the Group amounted to RMB28,925.3 million, representing a decrease of RMB2,150.5 million or 6.9% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segments	**2020**	2019	**Change**	**Percentage change**
Drilling services	**11,456.8**	10,824.8	632.0	5.8%
Well services	**13,304.7**	15,030.0	(1,725.3)	(11.5%)
Marine support services	**2,915.2**	3,052.9	(137.7)	(4.5%)
Geophysical acquisition and surveying services	**1,248.6**	2,168.1	(919.5)	(42.4%)
Total	**28,925.3**	31,075.8	(2,150.5)	(6.9%)

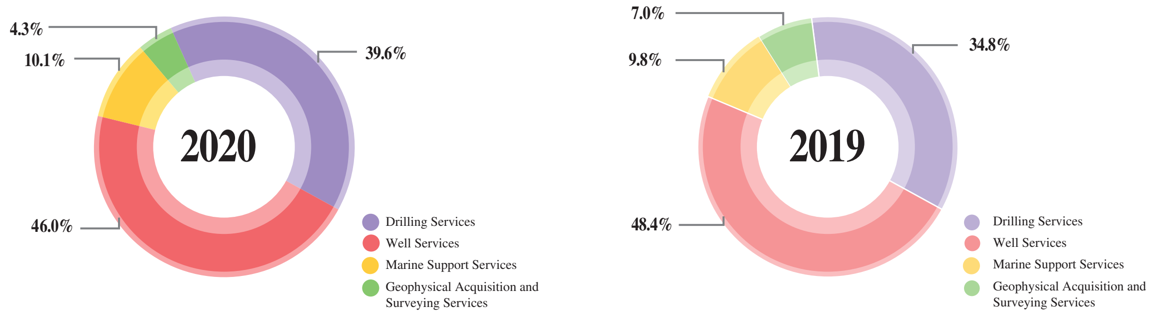
- Revenue generated from drilling services increased by 5.8% as compared with last year, which including the receipt of US$188 million settlement income from Equinor.

- Revenue of well services decreased by 11.5% as compared with last year, which was mainly due to the decline in prices of various business lines.

- Revenue from marine support services decreased by 4.5% as compared with last year, which was mainly due to the effect of the fall in operating prices this year.

- Revenue from geophysical acquisition and surveying services decreased by 42.4% as compared with last year, which was mainly due to the sharp drop in the workload this year.

Revenue analysis – by business



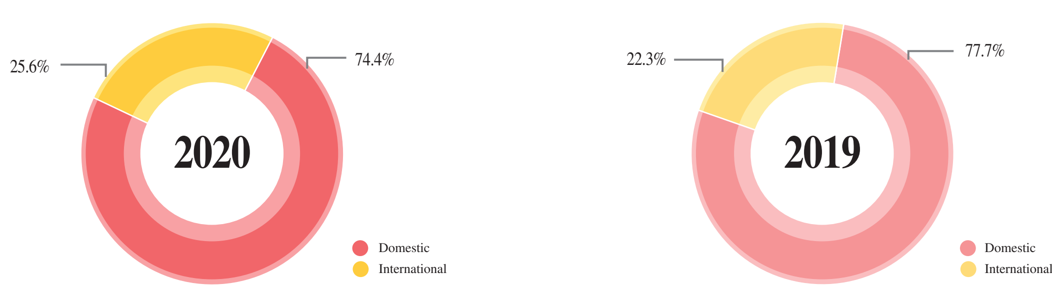
Analysis by operation area

Unit: RMB million

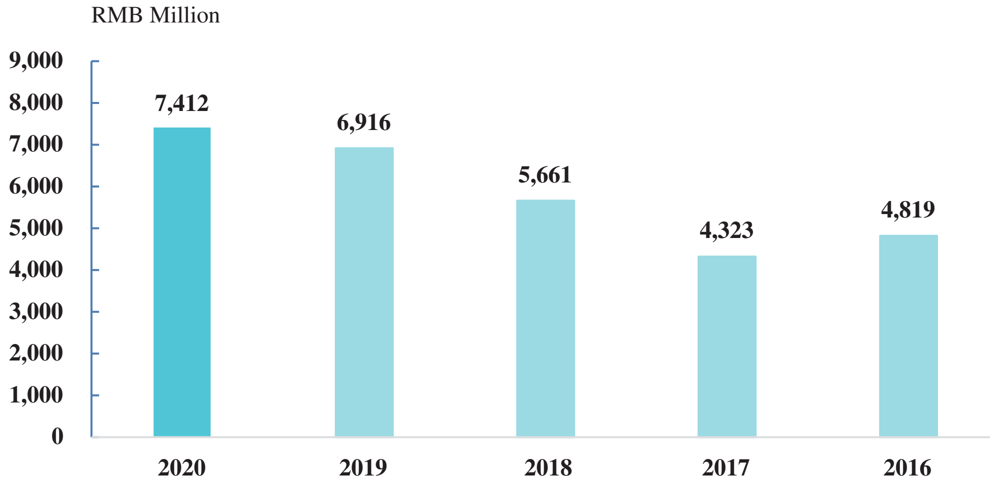
Region	**2020**	2019	**Change**	**Percentage change**
Domestic	**21,513.5**	24,159.9	(2,646.4)	(11.0%)
International	**7,411.8**	6,915.9	495.9	7.2%
Total	**28,925.3**	31,075.8	(2,150.5)	(6.9%)

In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 74.4% of the Group's total revenue. In 2020, the Group's international business recorded revenue of RMB7,411.8 million (compared with RMB6,915.9 million over last year, representing an increase of 7.2% as compared with last year), accounting for 25.6% of the Group's revenue for the year.

Revenue from international business



The Latest Five Years' International Revenue



1.2 Operating expenses

For the year 2020, operating expenses of the Group amounted to RMB25,221.4 million, representing a decrease of RMB2,311.3 million or 8.4% as compared with RMB27,532.7 million of last year.

The table below shows the operating expenses of the Group in 2020 and 2019:

Unit: RMB million

	2020	2019	**Change**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library	**4,335.7**	4,372.8	(37.1)	(0.8%)
Depreciation of right-of-use assets	**480.4**	589.3	(108.9)	(18.5%)
Employee compensation costs	**4,897.1**	5,808.0	(910.9)	(15.7%)
Repair and maintenance costs	**435.9**	691.3	(255.4)	(36.9%)
Consumption of supplies, materials, fuel, services and others	**6,290.2**	6,933.2	(643.0)	(9.3%)
Subcontracting expenses	**4,768.5**	5,943.9	(1,175.4)	(19.8%)
Lease expenses	**1,224.3**	1,287.7	(63.4)	(4.9%)
Other operating expenses	**1,333.7**	1,348.7	(15.0)	(1.1%)
Impairment loss of property, plant and equipment	**1,447.8**	241.5	1,206.3	499.5%
Impairment loss under expected credit losses model, net of reversal	**7.8**	316.3	(308.5)	(97.5%)
Total operating expenses	**25,221.4**	27,532.7	(2,311.3)	(8.4%)

Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library for the year decreased by RMB37.1 million compared with last year.

Depreciation of right-of-use assets for the year decreased by RMB108.9 million compared with last year.

Employee compensation costs for the year decreased by RMB910.9 million compared with last year, due to a phased exemption of corporate social insurance premium applicable in the PRC, in response to Pandemic.

Repair and maintenance costs for the year decreased by RMB255.4 million compared with last year. This was a consequence of repair projects being delayed due to 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 year decreased by RMB643.0 million compared with last year, which was mainly due to the decrease in operation volume and the strengthening of cost control, which resulted in the decrease in consumption of supplies, materials, fuel, etc.

Subcontracting expenses for the year decreased by RMB1,175.4 million compared with last year, which was mainly due to that the Group was committed to cost control and effective reduction of subcontracting expenses, and at the same time, the industrialization trials of independent research and development technology products succeeded, and the commercialization process continued to accelerate, thus reducing the subcontracting business effectively.

Lease expenses for the year was RMB1,224.3 million, representing a decrease of RMB63.4 million compared with last year.

Impairment loss of property, plant and equipment for the year amounted to RMB1,447.8 million, representing an increase of RMB1,206.3 million compared with last year, which was mainly due to the fact that the utilization rate and service price of the large-scale equipment of the Group have not returned to normal levels, thus recognizing the impairment loss of fixed assets. For details of the provision for asset impairment, please refer to the Company's announcement dated 29 April 2020 and 24 March 2021.

Credit impairment loss for the year was RMB7.8 million, representing a decrease of RMB308.5 million compared with last year.

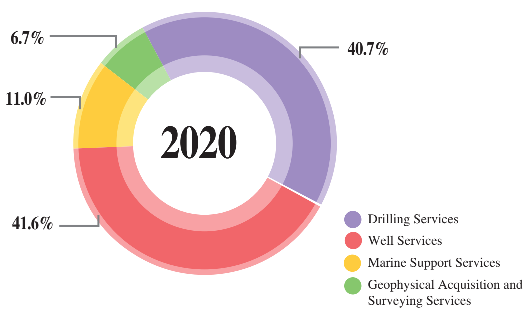
Other operating expenses for the year amounted to RMB1,333.7 million, which mainly included more than 30 cost subjects including travel expenses, business trip expense, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on, representing a decrease of RMB15.0 million. Of the total other operating expenses, travel expenses amounted to RMB320.2 million, accounting for 24.0%; pandemic prevention expenses amounted RMB159.9 million, accounting for 12.0%; health, safety and environmental protection expenses amounted to RMB251.7 million, accounting for 18.9%; business trip expenses amounted to RMB165.9 million, accounting for 12.4%; transfer fees for other technology research, consulting fees and audit fees and so on, amounted to RMB436.0 million in total. In 2019, other operating expenses amounted to RMB1,348.7 million, of which travel expenses amounted to RMB405.5 million, accounting for 30.1%; health, safety and environmental protection expenses amounted to RMB269.4 million, accounting for 20.0%; business trip expenses amounted to RMB153.0 million, accounting for 11.3%; transfer fees for other technology research, consulting fees, audit fees and so on, amounted to RMB520.8 million in total.

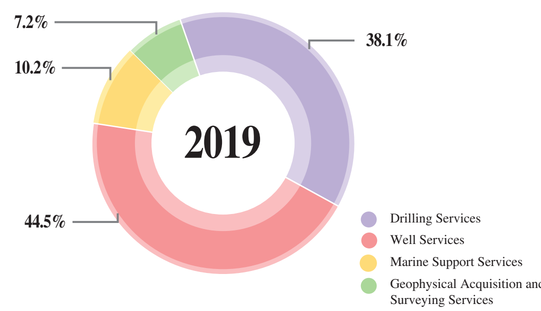
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2020**	2019	**Change**	**Percentage change**
Drilling services	**10,264.5**	10,493.2	(228.7)	(2.2%)
Well services	**10,508.4**	12,247.3	(1,738.9)	(14.2%)
Marine support services	**2,765.6**	2,814.1	(48.5)	(1.7%)
Geophysical acquisition and surveying services	**1,682.9**	1,978.1	(295.2)	(14.9%)
Total	**25,221.4**	27,532.7	(2,311.3)	(8.4%)

Analysis of operating expenses – by business





1.3 Profit from operations

For the year 2020, the Group's profit from operations amounted to RMB4,141.9 million, representing an increase of RMB246.7 million as compared with RMB3,895.2 million of last year.

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

Unit: RMB million

Business segments	**2020**	2019	**Change**	**Percentage change**
Drilling services	**1,256.8**	442.8	814.0	183.8%
Well services	**3,057.1**	2,938.2	118.9	4.0%
Marine support services	**173.7**	256.2	(82.5)	(32.2%)
Geophysical acquisition and surveying services	**(345.7)**	258.0	(603.7)	(234.0%)
Total	**4,141.9**	3,895.2	246.7	6.3%

1.4 Financial expenses, net

Unit: RMB million

	2020	2019	**Change**	**Percentage change**
Exchange loss/(gain), net	**403.8**	(111.9)	515.7	(460.9%)
Finance costs	**924.5**	1,118.8	(194.3)	(17.4%)
Interest income	**(69.6)**	(67.5)	(2.1)	3.1%
Financial expenses, net	**1,258.7**	939.4	319.3	34.0%

The exchange loss increased by RMB515.7 million as affected by the change of exchange rates during the year.

1.5 Investment income

For the year 2020, the Group's investment income amounted to RMB116.2 million, representing a decrease of RMB102.0 million or 46.7% as compared with RMB218.2 million of last year, which was mainly attributable to the decrease in investment income of fixed income wealth management products.

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

The gains arising from financial assets at fair value through profit or loss of the Group in 2020 amounted to RMB26.6 million, representing an increase of RMB65.4 million from RMB-38.8 million of last year. This was mainly due to the redemption of monetary fund and the expiration of floating income wealth management products in last year.

1.7 Other gains and losses

In 2020, the Group's other gains and losses amounted to RMB-12.2 million, representing a decrease of RMB28.7 million from RMB16.5 million of last year.

1.8 Profit before tax

The profit before tax generated by the Group was RMB3,378.7 million in 2020, representing a decrease of RMB93.5 million as compared with RMB3,472.2 million of last year.

1.9 Income tax expense

The income tax expense of the Group in 2020 was RMB660.4 million, representing a decrease of RMB283.8 million as compared with RMB944.2 million of 2019, which was mainly due to the decrease of the profits of the Company during the year.

1.10 Profit for the year

For the year 2020, profit of the Group was RMB2,718.3 million, representing an increase of RMB190.3 million as compared with RMB2,528.0 million of last year.

1.11 Basic earnings per share

For the year 2020, the Group's basic earnings per share were approximately RMB56.65 cents, representing an increase of approximately RMB4.21 cents as compared with approximately RMB52.44 cents of last year.

1.12 Dividend

For the year 2020, the Board of the Company proposed a final dividend of RMB0.17 per share (tax inclusive), totaling about RMB811.2 million. If approved by the general meeting, the final dividends are expected to be paid on or before 30 June 2021.

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

2. Analysis on Consolidated Statement of Financial Position

As at 31 December 2020, the total assets of the Group amounted to RMB75,942.3 million, representing a decrease of RMB159.5 million or 0.2% as compared with RMB76,101.8 million as at the end of 2019. The total liabilities amounted to RMB37,253.5 million, representing a decrease of RMB1,938.0 million or 4.9% as compared with RMB39,191.5 million as at the end of 2019. Total equity amounted to RMB38,688.8 million, representing an increase of RMB1,778.5 million or 4.8% as compared with RMB36,910.3 million as at the end of 2019.

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

Unit: RMB million

Items		2020	2019	Change	Percentage change	Reasons
Assets						
1	Right-of-use assets	**767.2**	1,200.6	(433.4)	(36.1%)	Long-term lease contracts gradually expire.
2	Contract costs (non-current)	**184.5**	91.5	93.0	101.6%	Increase in contract performance costs this year.
3	Other non-current assets	**158.8**	247.0	(88.2)	(35.7%)	The deposit paid for purchasing property, plant and equipment decreased this year.
4	Deferred tax assets	**158.8**	92.5	66.3	71.7%	Mainly due to the increase in deductible temporary differences and the increase in deferred tax assets.
5	Inventories	**2,246.8**	1,424.7	822.1	57.7%	Increase in operation reserves this year.
6	Prepayments, deposits and other receivables	**259.2**	398.0	(138.8)	(34.9%)	Mainly due to the decrease in balance of tax prepayments this year.
7	Notes receivable	**10.1**	44.2	(34.1)	(77.1%)	Mainly due to the cash was recovered as a result of the notes due.
8	Receivables at fair value through other comprehensive income	**3.0**	40.6	(37.6)	(92.6%)	The decrease in bank acceptance bills at the end of the period.
9	Other current assets	**125.4**	2,577.0	(2,451.6)	(95.1%)	Fixed-income wealth management products expire.
10	Pledged deposits	**3.7**	102.2	(98.5)	(96.4%)	Mainly due to the decrease in pledged deposits held at the end of the year.
11	Cash and cash equivalents	**6,583.7**	3,363.6	3,220.1	95.7%	Mainly due to the issuance of long-term bonds this year.

Items		2020	2019	Change	Percentage change	Reasons
Liabilities						
1	Notes payable	**0.0**	3.5	(3.5)	(100.0%)	Mainly due to the payment of commercial acceptance bills due.
2	Tax payable	**168.1**	612.8	(444.7)	(72.6%)	The Group's corporate income tax payable this year decreased.
3	Interest-bearing bank borrowings (current liabilities)	**18.3**	608.9	(590.6)	(97.0%)	The borrowing USD84 million from the Export-Import Bank of China was due and paid at the end of the year.
4	Lease liabilities (current liabilities)	**224.3**	597.8	(373.5)	(62.5%)	Mainly due to pay rent.
5	Contract liabilities (current liabilities)	**388.1**	255.3	132.8	52.0%	Mainly due to the increase of the advance payment for operation during the year.
6	Deferred tax liabilities	**24.9**	62.7	(37.8)	(60.3%)	Mainly due to the increase in deductible temporary differences, resulting in the decrease of deferred income tax liabilities after offset.
7	Lease liabilities (non-current liabilities)	**366.3**	547.6	(181.3)	(33.1%)	Mainly due to pay rent.
8	Contract liabilities (non-current liabilities)	**61.1**	192.7	(131.6)	(68.3%)	Mainly due to the amortisation of mobilization revenue for the year.
9	Deferred income	**278.5**	401.6	(123.1)	(30.7%)	Mainly due to the amortization of the contract value during the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2020, the Group held cash and cash equivalents of RMB3,363.6 million. During 2020, the net cash inflows from operating activities amounted to RMB7,538.9 million; net cash outflows from investing activities amounted to RMB3,337.2 million; net cash outflows from financing activities amounted to RMB727.1 million and the impact of foreign exchange fluctuations resulted in a decrease of cash of RMB254.5 million. As at 31 December 2020, the Group's cash and cash equivalents amounted to RMB6,583.7 million.

3.1 Cash flows from operating activities

As at 31 December 2020, net cash inflows from operating activities of the Group amounted to RMB7,538.9 million, representing an increase of 8.2% as compared with last year. This was mainly attributed to an increase in the cash received for services provided and products sold during the year.

3.2 Cash flows from investing activities

As at 31 December 2020, net cash outflows generated from investing activities of the Group amounted to RMB3,337.2 million, representing an increase of RMB2,185.5 million as compared with last year, which was mainly attributed to the increase of RMB1,446.5 million in the cash outflows of the purchase of property, plant and equipment and other intangible assets as compared with last year, the decrease of RMB1,800.0 million in the cash outflows of the purchase of corporate wealth management products, monetary funds and debt instrument as compared with last year, the decrease of RMB2,628.8 million in the cash inflows received from the disposal of matured corporate wealth management products and monetary fund related investments as compared with last year, no fixed deposits for more than three months for the year which led to the decrease of RMB141.5 million in cash inflows as compared with the same period last year, and the total increase of cash inflows of RMB231.3 million in other investment activities.

3.3 Cash flows from financing activities

As at 31 December 2020, net cash outflows from financing activities of the Group amounted to RMB727.1 million, representing a decrease of outflows of RMB4,924.7 million as compared with last year. There wasn't borrowing from related parties in 2020, which resulted in the decrease of RMB1,017.1 million in the cash inflows arising from financing activities as compared with last year, the increase of RMB5,613.7 million in the cash inflows as compared with last year due to proceeds from the issue of new long-term bonds, the decrease of RMB495.2 million in the cash outflows as compared with last year due to the repayment of long-term bonds, the increase of RMB429.4 million in the cash outflows as compared with last year due to the payment of dividends, and the total increase of cash inflows of RMB262.3 million in other financing activities.

3.4 The effect of foreign exchange fluctuations on cash during the year was a decrease of cash of RMB254.5 million.

3.5 The Group provides operation capital mainly through cash and interest bearing borrowings from operating activities, investment activities and financing activities. In 2020, the overall cash flow was safe and stable. For details of the Group's borrowings for the year ended 31 December 2020, please refer to Note 20 to the consolidated financial statements of this announcement.

4. Capital expenditure

In 2020, the capital expenditure of the Group amounted to RMB3,956.4 million, representing an increase of RMB783.8 million or 24.7% as compared with last year. The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	**2020**	2019	**Change**	**Percentage change**
Drilling services	**869.0**	912.0	(43.0)	(4.7%)
Well services	**1,879.8**	1,180.9	698.9	59.2%
Marine support services	**726.1**	421.1	305.0	72.4%
Geophysical acquisition and surveying services	**481.5**	658.6	(177.1)	(26.9%)
Total	**3,956.4**	3,172.6	783.8	24.7%

The capital expenditure of the drilling services segment was mainly used for the renewal and construction of drilling rigs. The capital expenditure of the oilfield services segment was mainly used for the construction of technical service-related equipment. The capital expenditure of the marine support services segment was mainly used for the construction of utility vessels. The capital expenditure of the geophysical acquisition and surveying services segment was mainly used for the purchase of operation equipment.

Business Plan

In 2021, the latest "World Economic Outlook Report" released by the International Monetary Fund shows that the global economy is expected to grow by 5.5% and Chinese economy by 8.1%. IHS and other agencies predict that the average Brent crude oil price will exceed USD50/barrel, while global upstream investment remains cautious, and competition in the oilfield service market will be fierce. Since the beginning of 2021, the Company has started a new round of actions on cost reduction, quality improvement and efficiency improvement, in-depth explored the cost space of each business line, and from increasing revenue, reducing costs, tapping potential, innovation and optimization, tried to all-round and systematically improve quality and efficiency, so as to further improve cost, expense and profit margin. In 2021, the Company will maintain a prudent attitude in capital investment, adhere to the Company's strategy and direction of "technical and international development", and continue to optimize the Company's industrial structure and business model. It is estimated that the Company's capital expenditure will be approximately RMB4.3 billion, mainly used for the construction of production bases, renovation of the facilities, machinery and equipment, and its overall cash flow is safe and stable.

Guided by the new development concept, the Company will adhere to the five aspects of innovation-driven, green and low-carbon, overseas development, market leadership, and talent-based enterprise development, and forge the seven capabilities respected by the industry and customers, operational performance, best technological innovation and equipment management capabilities, operation management and operation team satisfying global deployment, the most competitive operating cost advantage, skilled business operation ability, high-quality oilfield service corporate brand, and world-class management and safety culture, and focus on the Company's high-quality development, actively maintain the interests of investors, so as to ensure the stable dividend return of shareholders.

2021 Business Outlook

In 2021, the latest "World Economic Outlook Report" released by the International Monetary Fund shows that the global economy is expected to grow by 5.5% and Chinese economy by 8.1%. The global economic growth will improve the growth of oil demand. The International Energy Agency (IEA) stated that it is expected that the growth of world oil demand will resume in 2021. According to the forecast data of the international information service agency IHS Markit in January 2021, the global upstream exploration and development investment in 2021 will be USD320.5 billion, an increase of 6.11% compared to 2020. In 2021, the global oilfield service market environment will slowly recover, the surplus of large-scale equipment will gradually improve, and market competition will remain fierce. Oilfield service companies need more self-reform, self-innovation, and continuous improvement of core competitiveness in order to better grasp development opportunities. In 2021, the Company will focus on major scientific and technological fields such as deep sea, heavy oil thermal recovery, low-permeability fracturing, and high temperature and high pressure, continue to improve the technical system, move forward to accelerate the industrialization and serialization of technical products, and further promote cost reduction, quality and efficiency improvement. Also, the Company will increase domestic exploration and development efforts to ensure national energy supply security, continue to explore overseas markets, take multiple measures to achieve high-quality sustainable development, actively embrace digital technology, and promote transformation and upgrading of traditional oilfields service industry. The Company will continue to focus on the development of the global economy, the trend of international oil prices and the investment in upstream exploration and development, and will formulate action plans in a timely manner in accordance with the new trends of the industry.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2020 of the Group were audited by Deloitte Touche Tohmatsu. This results announcement is based on such financial statements which have been agreed by the Company and the auditor.

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the risk management, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2020 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 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, and also has explained the implementation of section A.2.1 of the Corporate Governance Code.

The Chairman and the Chief Executive Officer of the Company are currently held by Mr. Qi Meisheng alone. This is different from the Code provision A.2.1, which states that the roles of chairman and chief executive officer should be different and should not be performed by the same person at the same time. However, the Board believes that, the roles of chairman and chief executive officer being assumed by the same person helps to meet the Company's overall production and operation needs in current phase, and can effectively promote the Company's strategy. At the same time, all major decisions of the Company are discussed by the Board, the Board committees and the senior managements. The Board believes that the current structure does not reduce the balances of power and authorization, and allows the Company to make timely and effective decisions and implementations.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, during the 12 months ended 31 December 2020, strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Purchase, Disposal and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the year ended 31 December 2020.

OTHER MATTERS

1. Civil Action

In December 2016, COM as a plaintiff filed a Statement of Claim (the "Claim") against Statoil (Statoil Petroleum AS, hereinafter "Statoil") with Oslo District Court of Norway (the "Court") through WIKBORG, REIN & CO. ADVOKATFIRMA DA, an international law firm based in Norway, as litigation agent. COM has claimed that Statoil's termination of the contract in respect of the drilling rig of COSLInnovator was unlawful and has claimed the contract to be maintained. If the contract cannot be maintained, COM has claimed that Statoil is obliged to cover COM's loss resulting from the unlawful termination, and the exact amount of damages will be subject to subsequent proceedings. Oslo City Court entered into a judgement on 15 May 2018. The judgement may be appealed by either party within one month following the date of legal notice of the judgement was served. Statoil has recently changed its corporate name to Equinor. 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.hkexnews.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.hkexnews.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.hkexnews.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.hkexnews.com.hk) and website of the Company (https://www.cosl.com.cn).

2. 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.

DISCLOSURE OF INFORMATION ON THE HKEX'S WEBSITE

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

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

24 March 2021

As at the date of this announcement, the executive directors of the Company are Messrs. Qi Meisheng (Chairman) and Zhao Shunqiang; the non-executive directors of the Company are Messrs. Xu Yugao and Zhao Baoshun; and the independent non-executive directors of the Company are Messrs. Fong Chung, Mark, Wong Kwai Huen, Albert and Lin Boqiang.