COSL

中海油田服务股份有限公司

China Oilfield Services Limited

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

(Stock Code: 2883)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS

1. Revenue was RMB29,168.5 million
2. Profit from operations was RMB1,541.3 million
3. Profit for the year was RMB322.1 million
4. Basic earnings per share were RMB6.56 cents
5. Total assets were RMB73,311.7 million
6. Total equity was RMB38,216.3 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	4	**29,203,002**	28,959,199
Sales surtaxes		**(34,523)**	(33,884)
Revenue, net of sales surtaxes		**29,168,479**	28,925,315
Other income	5	**557,411**	438,024
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library		**(4,503,772)**	(4,335,730)
Depreciation of right-of-use assets		**(363,007)**	(480,380)
Employee compensation costs	6	**(6,030,276)**	(4,897,099)
Repair and maintenance costs		**(479,014)**	(435,878)
Consumption of supplies, materials, fuel, services and others		**(6,572,746)**	(6,290,190)
Subcontracting expenses		**(5,643,164)**	(4,768,526)
Lease expenses	6	**(1,318,482)**	(1,224,265)
Other operating expenses		**(1,246,982)**	(1,333,746)
Impairment of property, plant and equipment	10	**(2,011,343)**	(1,447,834)
Impairment losses under expected credit loss model, net of reversal		**(15,758)**	(7,778)
Total operating expenses		**(28,184,544)**	(25,221,426)
PROFIT FROM OPERATIONS		**1,541,346**	4,141,913
Exchange losses, net		**(165,389)**	(403,839)
Finance costs		**(831,257)**	(924,485)
Interest income		**123,932**	69,644
Investment income	6	**44,550**	116,175
Gains arising from financial assets at fair value through profit or loss	6	**62,740**	26,572
Share of profits of an associate and joint ventures, net of tax		**372,996**	364,917
Other gains and losses, net	6	**(59,368)**	(12,157)
PROFIT BEFORE TAX	6	**1,089,550**	3,378,740
Income tax expense	7	**(767,500)**	(660,424)
PROFIT FOR THE YEAR		**322,050**	2,718,316
Attributable to:			
Owners of the Company		**313,176**	2,703,187
Non-controlling interests		**8,874**	15,129
		322,050	2,718,316
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB)	9	**6.56 cents**	56.65 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021	2020
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**322,050**	2,718,316
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of foreign operations	**(17,836)**	(271,365)
Share of other comprehensive income of joint ventures due to translation differences, net of related income tax	**2,893**	(12,112)
Income tax effect relating to items that may be reclassified subsequently to profit or loss	**31,586**	107,147
	16,643	(176,330)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**16,643**	(176,330)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**338,693**	2,541,986
Attributable to:		
Owners of the Company	**334,072**	2,539,194
Non-controlling interests	**4,621**	2,792
	338,693	2,541,986

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	10	**43,256,158**	46,918,930
Right-of-use assets		**972,897**	767,186
Goodwill	11	**–**	–
Other intangible assets		**86,129**	75,509
MultiClient library	12	**287,706**	253,840
Investments in an associate and joint ventures		**1,247,283**	1,102,008
Contract costs		**204,038**	184,545
Financial assets at fair value through profit or loss		**–**	–
Other non-current assets		**1,800,837**	158,760
Deferred tax assets	18	**174,956**	158,780
Total non-current assets		**48,030,004**	49,619,558
CURRENT ASSETS			
Inventories		**2,598,330**	2,246,758
Prepayments, deposits and other receivables	13	**356,062**	259,239
Accounts receivable	14	**10,511,674**	10,212,212
Notes receivable	15	**29,259**	10,050
Receivables at fair value through other comprehensive income		**9,862**	3,010
Financial assets at fair value through profit or loss		**5,703,728**	5,539,402
Debt instrument at amortised cost		**–**	1,000,416
Contract assets		**90,997**	320,397
Contract costs		**26,523**	18,514
Other current assets		**841,983**	125,351
Pledged deposits	16	**11,479**	3,659
Time deposits	16	**95,418**	–
Cash and cash equivalents	16	**5,006,389**	6,583,742
Total current assets		**25,281,704**	26,322,750

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
CURRENT LIABILITIES			
Trade and other payables	*17*	**9,066,083**	9,393,051
Notes payable		**54,173**	–
Salary and bonus payables		**794,877**	820,138
Tax payable		**338,971**	168,111
Loan from a related party	*19*	**2,232,061**	2,284,336
Interest-bearing bank borrowings	*20*	**18,285**	18,291
Long-term bonds	*21*	**8,122,706**	3,265,377
Lease liabilities		**342,013**	224,285
Contract liabilities		**545,113**	388,144
Other current liabilities		**494,445**	314,191
Total current liabilities		**22,008,727**	16,875,924
NET CURRENT ASSETS		**3,272,977**	9,446,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**51,302,981**	59,066,384
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*18*	**38,670**	24,906
Interest-bearing bank borrowings	*20*	**180,239**	191,146
Long-term bonds	*21*	**11,980,462**	19,455,678
Lease liabilities		**568,080**	366,303
Contract liabilities		**31,487**	61,057
Deferred income	*22*	**235,852**	278,486
Other non-current liabilities		**51,861**	–
Total non-current liabilities		**13,086,651**	20,377,576
Net assets		**38,216,330**	38,688,808
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*23*	**4,771,592**	4,771,592
Reserves		**33,261,239**	33,738,338
		38,032,831	38,509,930
Non-controlling interests		**183,499**	178,878
Total equity		**38,216,330**	38,688,808

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 December 2021

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 registered 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")

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied 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 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy.

    The Group had a loan from a related party denominated in United States dollars based on the London Interbank Offered Rate ("LIBOR") as at 31 December 2021. For the LIBOR-based borrowings, since the interest rate of this instrument was not replaced by RFR during the year, the amendments did not have any impact on the financial position and performance of the Group. If the interest rate of this borrowing is replaced by RFR in a future period, the Group will apply the above-mentioned practical expedient upon the modification of this instrument provided that the "economically equivalent" criterion is met.

(b) In June 2020, the HKICPA added a practical expedient in HKFRS 16 which provides an optional relief to lessees from applying lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic that reduce lease payments originally due on or before 30 June 2021. The amendment does not apply to lessors. The 2020 Amendment is effective for annual periods beginning on or after 1 June 2020, but can be early adopted.

    Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

    The Group has early adopted the amendment on 1 January 2021. However, the Group has not received covid-19-related rent concessions and plans to apply the practical expedient when it becomes applicable within the allowed period of application.

2.2 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 and are expected to be applicable to the Group but not yet effective:

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying in HKFRS 16, and HKAS 41[1]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

3 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in the consolidated statement of profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018-2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- *HKFRS 9 Financial Instruments:* clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- *HKFRS 16 Leases:* removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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; and

(d) the geophysical acquisition and surveying services segment is engaged in the provision of offshore seismic data acquisition 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, time deposits, certain other current assets, certain other non-current assets, financial assets at FVTPL, a 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 a 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 2021	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	**8,767,747**	**15,067,885**	**3,303,683**	**2,029,164**	**29,168,479**
Sales surtaxes	**11,514**	**16,767**	**3,587**	**2,655**	**34,523**
Revenue, before net of sales surtaxes	**8,779,261**	**15,084,652**	**3,307,270**	**2,031,819**	**29,203,002**
Intersegment sales	**68,664**	**126,458**	**283,465**	**5,152**	**483,739**
Segment revenue	**8,847,925**	**15,211,110**	**3,590,735**	**2,036,971**	**29,686,741**
Eliminations	**(68,664)**	**(126,458)**	**(283,465)**	**(5,152)**	**(483,739)**
Group revenue	**8,779,261**	**15,084,652**	**3,307,270**	**2,031,819**	**29,203,002**
Segment results	**(2,085,700)**	**3,632,974**	**244,913**	**62,787**	**1,854,974**
Reconciliation:					
Exchange losses, net					**(165,389)**
Finance costs					**(831,257)**
Interest income					**123,932**
Investment income					**44,550**
Gains arising from financial assets at FVTPL					**62,740**
Profit before tax					**1,089,550**
Income tax expense					**(767,500)**
As at 31 December 2021					
Segment assets	**35,126,818**	**14,406,888**	**7,084,363**	**5,046,449**	**61,664,518**
Unallocated assets					**11,647,190**
Total assets					**73,311,708**
Segment liabilities	**4,814,682**	**5,877,848**	**1,052,958**	**950,318**	**12,695,806**
Unallocated liabilities					**22,399,572**
Total liabilities					**35,095,378**
Other segment information:					
Capital expenditure*	**819,499**	**1,932,149**	**315,467**	**378,271**	**3,445,386**
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	**2,500,710**	**754,221**	**696,781**	**552,060**	**4,503,772**
Depreciation of right-of-use assets	**176,599**	**88,391**	**63,584**	**34,433**	**363,007**
Impairment of accounts receivable	**5,504**	**7,656**	**962**	**839**	**14,961**
Impairment of other receivables	**206**	**430**	**101**	**60**	**797**
Impairment of inventories	**1,587**	**2,726**	**598**	**367**	**5,278**
Impairment of property, plant and equipment	**2,011,343**	**–**	**–**	**–**	**2,011,343**
Share of profits of an associate and joint ventures, net of tax	**–**	**278,911**	**–**	**94,085**	**372,996**
Investments in an associate and joint ventures	**–**	**923,396**	**–**	**323,887**	**1,247,283**

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 losses, 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 and MultiClient library	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 impairment of other receivables	(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, net of tax	4,687	285,301	–	74,929	364,917
Investments in an associate and joint ventures	656	855,122	–	246,230	1,102,008

* The capital expenditure includes the addition of property, plant and equipment, MultiClient library and other intangible assets.

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 the Middle East, 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 an associate and joint ventures, financial assets and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2021 and 2020.

		International		
Year ended/as at 31 December 2021	**Domestic**	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**24,587,392**	**403,856**	**4,211,754**	**29,203,002**
Less: Sales surtaxes	**(34,523)**	**–**	**–**	**(34,523)**
Revenue, net of sales surtaxes	**24,552,869**	**403,856**	**4,211,754**	**29,168,479**
Non-current assets	**31,407,122**	**5,137,584**	**8,501,907**	**45,046,613**

		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

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 84% (2020: 73%) of the total sales of the Group for the year ended 31 December 2021.

4. REVENUE

	2021	2020
	RMB'000	*RMB'000*
Revenue from contracts with customers	**28,838,203**	28,647,528
Revenue arising from operating leases	**364,799**	311,671
	29,203,002	28,959,199

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the years ended 31 December 2021 and 2020

	For the year ended 31 December 2021				
Segments	**Drilling services**	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Geographical markets					
Domestic	**6,957,663**	**12,956,748**	**2,854,828**	**1,753,862**	**24,523,101**
North Sea	**369,975**	**–**	**–**	**–**	**369,975**
Others	**1,151,116**	**2,063,612**	**452,442**	**277,957**	**3,945,127**
Total	**8,478,754**	**15,020,360**	**3,307,270**	**2,031,819**	**28,838,203**
Timing of revenue recognition					
At a point of time	**–**	**31,765**	**–**	**61,866**	**93,631**
Over time	**8,478,754**	**14,988,595**	**3,307,270**	**1,969,953**	**28,744,572**
Total	**8,478,754**	**15,020,360**	**3,307,270**	**2,031,819**	**28,838,203**
Type of customers					
CNOOC Limited Group	**6,138,833**	**13,726,100**	**2,864,094**	**1,859,869**	**24,588,896**
Others	**2,339,921**	**1,294,260**	**443,176**	**171,950**	**4,249,307**
Total	**8,478,754**	**15,020,360**	**3,307,270**	**2,031,819**	**28,838,203**

Segments	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 *(Note)*	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 customers					
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

Note: 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 lawsuit 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.

Segments	**For the year ended 31 December 2021** **Drilling services** ***RMB'000***	**Well services** ***RMB'000***	**Marine support services** ***RMB'000***	**Geophysical acquisition and surveying services** ***RMB'000***	**Revenue from contracts with customers** ***RMB'000***
Segment revenue	**8,847,925**	**15,211,110**	**3,590,735**	**2,036,971**	**29,686,741**
Less: Revenue arising from operating leases	**(300,507)**	**(64,292)**	**–**	**–**	**(364,799)**
Eliminations	**(68,664)**	**(126,458)**	**(283,465)**	**(5,152)**	**(483,739)**
Revenue from contracts with customers	**8,478,754**	**15,020,360**	**3,307,270**	**2,031,819**	**28,838,203**

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

(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) mobilising and demobilising 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, mobilisation and demobilisation fees, and reimbursement. The Directors consider the activities required under the drilling contracts as 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 in 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 support service 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 acquisition and marine surveying. Consideration for the services may consist of payment for seismic data acquisition 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 the 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 obligations for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 and the expected timing of recognising revenue are as follows:

	As at 31 December 2021				
	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	**597,451**	**637,653**	**–**	**47,801**	**1,282,905**
In the second to fifth year, inclusive	**1,693,677**	**1,400,349**	**–**	**240**	**3,094,266**
After five years	**–**	**–**	**–**	**–**	**–**
Total	**2,291,128**	**2,038,002**	**–**	**48,041**	**4,377,171**

	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

Most of the Group's contracts with customers generally provide for payment on a day rate or operation volume basis. The Group elected to apply the practical expedient and has recognised revenue in the amount to which the Group has a 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

	2021 *RMB'000*	2020 *RMB'000*
Insurance claims received	**251,143**	194,472
Government grants *(a)*	**260,474**	211,525
Compensation income on breach of contracts	**9,752**	11,189
Others	**36,042**	20,838
	557,411	438,024

(a) Government grants include release of deferred income of RMB46,309,000 for the year (2020: RMB109,134,000) (note 22).

6. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**4,406,477**	3,663,398
Social security costs	**1,411,630**	994,682
Retirement benefits and pensions	**212,169**	239,019
	6,030,276	4,897,099
Auditor's remuneration	**12,377**	15,827
Losses/(gains) arising from lease modifications	**2,955**	(3,226)
Losses on disposal of plant and equipment, net	**56,413**	15,383
	59,368	12,157
Lease expenses in respect of land and buildings, berths and equipment *(a)*	**1,318,482**	1,224,265
Provision of impairment of inventories	**5,278**	21,981
Impairment of accounts receivable	**14,961**	10,311
Impairment/(reversal) of other receivables	**797**	(2,533)
Exchange losses, net	**165,389**	403,839
Income from investments in corporate wealth management products, monetary funds and debt instrument	**(44,550)**	(116,175)
Gains arising from financial assets at FVTPL	**(62,740)**	(26,572)
Cost of inventories recognised as an expense	**4,217,875**	3,810,024
Research and development costs, included in:		
Depreciation of property, plant and equipment	**157,100**	96,577
Employee compensation costs	**357,311**	229,696
Consumption of supplies, materials, fuel, services and others	**445,957**	442,980
	960,368	769,253

(a) Lease expenses represent short-term lease 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 profits 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 and associates in Mainland China is 25%.

According to the High-New Technical Enterprise ("HNTE") certificate renewed by the Company in October 2020, the CIT rate of the Company is 15% for the years 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 15% for the years 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. was 15% for the years from 2019 to 2021.

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

Countries and regions	**2021**	2020
Indonesia	**22%**	22%
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 rates ranging from 8% to 16%, depending on the province and the size of the business**	Net federal corporate income tax of 15% and provincial income tax rates ranging from 9% to 16%, depending on the province and the size of the business
Malaysia	**24%**	24%
Saudi Arabia	**20%**	20%
Myanmar	**Withholding tax based on 2.5% of revenue generated in Myanmar**	Withholding tax based on 2.5% of revenue generated in Myanmar
Brazil	**34%**	34%

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

	2021	2020
	RMB'000	*RMB'000*
Overseas income taxes:		
Current	**226,107**	190,589
Deferred	**35,715**	(8,336)
PRC corporate income taxes:		
Current	**534,025**	573,419
Deferred	**(37,851)**	(96,147)
Underprovision in prior years	**9,504**	899
Total tax charge for the year	**767,500**	660,424

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:

	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**1,089,550**		3,378,740	
Tax at the statutory tax rate of 25% (2020: 25%)	**272,388**	**25.0**	844,685	25.0
Tax effect as an HNTE	**(326,168)**	**(29.9)**	(309,435)	(9.2)
Tax effect of income not subject to tax	**(5,286)**	**(0.5)**	(51)	–
Tax effect of share of profit of an associate and joint ventures	**(93,249)**	**(8.6)**	(91,133)	(2.7)
Tax effect of expenses not deductible for tax	**165,009**	**15.1**	44,887	1.3
Tax benefit for qualifying research and development expenses	**(130,421)**	**(12.0)**	(101,284)	(3.0)
Effect of non-taxable profit or loss and different tax rates for overseas subsidiaries	**543,334**	**49.9**	499,345	14.8
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	**372,224**	**34.2**	304,594	9.0
Utilisation of tax losses previously not recognised	**(827)**	**(0.1)**	(428,879)	(12.7)
Tax effect on translation adjustment *(Note)*	**1,159**	**0.1**	3,912	0.1
Under provision in respect of prior years	**9,504**	**0.9**	899	–
Others	**(40,167)**	**(3.7)**	(57,135)	(1.6)
Total tax charge at the Group's effective tax rate	**767,500**	**70.4**	660,424	19.5

Note: The translation adjustment mainly relates to the tax effect of the 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 RMB65,108,000 (2020: RMB56,472,000) is included in "Share of profits of an associate and joint ventures" in the consolidated statement of profit or loss.

8. DIVIDENDS

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Proposed dividend – RMB0.15 per ordinary share (2020: RMB0.17 per ordinary share)	**715,739**	811,171

The Board of Directors of the Company recommended the payment of a proposed dividend for the year ended 31 December 2021 of RMB0.15 per ordinary share (tax inclusive) (of which: final dividend of RMB0.02 (tax inclusive), special dividend of RMB0.13 (tax inclusive)), in an aggregate amount of RMB715,738,800. The proposed 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 2021, the dividend proposed in 2020 and paid to the shareholders of the Company was RMB0.17 per ordinary share, in an aggregate amount of RMB811,170,640 (2020: RMB763,454,720).

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 reserve, the profit after tax shall be the amount determined under the PRC accounting principles and financial regulations in the PRC. The 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 lower 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 HKFRSs.

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 the 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 the enterprise income tax at a rate 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:

	2021	2020
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**313,176**	2,703,187

	2021	2020
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share calculation (share)	**4,771,592,000**	4,771,592,000

There were no differences between the basic and diluted earnings per share amounts for the years ended 31 December 2021 and 2020 as the Group had no dilutive potential ordinary shares in issue during those years.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2021	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
As at 31 December 2020 and at 1 January 2021							
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
Carrying amount							
At 1 January 2021	7,660,193	29,527,207	5,797,609	11,270	774,338	3,148,313	46,918,930
Additions	–	–	1,064,381	5,806	–	2,256,111	3,326,298
Depreciation provided during the year	(790,088)	(1,708,590)	(1,907,297)	(2,359)	(23,400)	–	(4,431,734)
Disposals/write-offs	(2,655)	(11,867)	(63,440)	(1,262)	–	–	(79,224)
Transfers from/(to) construction in progress	478,574	183,921	1,696,158	–	658,156	(3,016,809)	–
Impairment provided	–	(2,011,343)	–	–	–	–	(2,011,343)
Exchange realignment	(4,773)	(414,859)	(32,186)	–	(7,677)	(7,274)	(466,769)
At 31 December 2021	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158
At 31 December 2021							
Cost	16,029,765	60,254,716	23,643,134	86,142	1,639,818	2,380,751	104,034,326
Accumulated depreciation and impairment	(8,688,514)	(34,690,247)	(17,087,909)	(72,687)	(238,401)	(410)	(60,778,168)
Carrying amount	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158

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*
As 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

During the year ended 31 December 2021, no interest was capitalised in property, plant and equipment (2020: Nil).

Impairment of property, plant and equipment

During the year ended 31 December 2021, international oil companies remain prudent in the investment in oil and gas exploration and development, the oversupply of the international oilfield service market has limited improvement and the competition in international oilfield service remains intense. The operating prices and utilization rate of some large-scale equipment of the Group are at low levels and there are indicators of impairment. Those assets are used in the Group's drilling services segment, marine support services segment and geophysical acquisition and surveying services segment. The Directors carried out the review of the recoverable amounts of those assets as there were impairment indicators during the year. Among others reviewed, given the lower expected day rates, utilisations, and future operating cash flows, the recoverable amount of the relevant drilling rigs is considered to be lower than their carrying value. The review led to the recognition of an impairment loss of RMB2,011,343,000 (2020: RMB1,447,834,000) for certain drilling rigs and module drilling rigs in the drilling services segment which has been recognised in the consolidated statement of profit or loss for the year ended 31 December 2021. 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 the relevant assets is determined based on a variety of valuation methods, including the 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 the relevant assets. The market approach is by reference to the value that would be received from selling the assets in an orderly transaction between market participants at the measurement date. The above estimates of fair value requires the use of significant unobservable inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets, non-binding quotes from brokers and/or indicative bids, estimated utilisation rates, service prices, cost level and capital requirements.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate. 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 pre-tax discount rate applied to the cash flow projections is in the range of 7.41%~12.58%. The discount rate used is a long-term weighted-average cost of capital, which is based on 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 judgements and expectations 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 by the Group, 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.

	2021
	RMB'000
COST	
At 1 January	**4,396,126**
Exchange realignment	**(100,523)**
At 31 December	**4,295,603**
IMPAIRMENT	
At 1 January	**4,396,126**
Exchange realignment	**(100,523)**
At 31 December	**4,295,603**
CARRYING VALUE	
At 31 December	**–**

12. MULTICLIENT LIBRARY

	MultiClient Library
	RMB'000
Carrying amount at 1 January 2020	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

	MultiClient Library
	RMB'000
Carrying amount at 1 January 2021	**253,840**
Development cost capitalised in the year	**77,007**
Amortisation provided during the year	**(40,651)**
Exchange realignment	**(2,490)**
At 31 December 2021	**287,706**
At 31 December 2021	
Cost	**372,529**
Accumulated amortisation	**(84,823)**
Carrying amount	**287,706**

The Group has entered into cooperation agreements with Spectrum Geo Inc ("Spectrum") and TGS AS ("TGS") 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 the multi-client data projects are capitalised to the MultiClient library. During the year ended 31 December 2021, except for certain part of the multi-client data projects which had been completed, the projects were still in progress.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Prepayments	**111,152**	105,258
Deposits	**60,058**	28,363
Dividends receivable	**46,067**	–
Other receivables	**148,786**	134,822
	366,063	268,443
Less: Provision for impairment of other receivables	**(10,001)**	(9,204)
	356,062	259,239

An analysis of other receivables is as follows:

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Prepaid tax	**53,229**	74,727
Compensation receivables	**211**	2,651
Insurance claim receivables	**25,225**	29,883
Payments on behalf of suppliers	**2,552**	7,708
Advance to employees	**3,137**	2,407
Lease receivable	**51,356**	–
Others	**13,076**	17,446
	148,786	134,822

14. ACCOUNTS RECEIVABLE

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Accounts receivable		
– goods and services	**13,208,466**	12,956,377
Less: Allowance for credit losses	**(2,696,792)**	(2,744,165)
	10,511,674	10,212,212

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

	31 December 2021	31 December 2020
	RMB'000	*RMB'000*
Within one year	**10,377,252**	10,040,693
One to two years	**66,753**	125,692
Over two years	**67,669**	45,827
	10,511,674	10,212,212

As at 31 December 2021, included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of RMB134,422,000 which were past due as at the reporting date. Out of the past due balances, RMB58,341,000 is not considered 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 the customer's credit quality, historical behaviour 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 2021 *RMB'000*	31 December 2020 *RMB'000*
Commercial notes receivable at amortised cost	**29,259**	10,050

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, PLEDGED DEPOSITS AND TIME DEPOSITS

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Cash and balances with banks	**3,914,329**	5,389,440
Deposits with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,198,957**	1,197,961
Cash and balances with banks and financial institutions	**5,113,286**	6,587,401
Less:		
Pledged deposits	**(11,479)**	(3,659)
Time deposits	**(95,418)**	–
Cash and cash equivalents	**5,006,389**	6,583,742

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,533,053,000 (31 December 2020: RMB2,976,395,000). 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. The bank balances, pledged deposits and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND OTHER PAYABLES

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Trade payables	**8,487,861**	8,846,958
Other payables	**578,222**	546,093
	9,066,083	9,393,051

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

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
Outstanding balances aged:		
Within one year	**8,239,978**	8,140,199
One to two years	**135,328**	626,382
Two to three years	**61,487**	34,840
Over three years	**51,068**	45,537
	8,487,861	8,846,958

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 2021	31 December 2020
	RMB'000	*RMB'000*
Deferred tax assets	**174,956**	158,780
Deferred tax liabilities	**(38,670)**	(24,906)
	136,286	133,874

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

	Balance at 1 January 2020	Recognised in profit or loss	Exchange realignment	Balance at 31 December 2020 and 1 January 2021	Recognised in profit or loss	Exchange realignment	Balance at 31 December 2021
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:							
Provision for staff bonuses	55,330	(43,040)	(98)	12,192	(9,550)	–	2,642
Impairment of assets	62,323	1,876	–	64,199	24,428	(45)	88,582
Fair value adjustment arising from acquisition of a subsidiary	8,659	(7,552)	(154)	953	(935)	(18)	–
Accrued liabilities	180,202	34,033	–	214,235	(46,241)	–	167,994
Deductible tax losses	55,247	(23,174)	(2,325)	29,748	(28,731)	(336)	681
Right-of-use assets and lease liabilities	45,935	(38,705)	21	7,251	15,511	5	22,767
Others	32,334	18,386	(97)	50,623	17,059	(68)	67,614
	440,030	(58,176)	(2,653)	379,201	(28,459)	(462)	350,280
Deferred tax liabilities:							
Accelerated depreciation of property, plant and equipment	392,477	(176,614)	(648)	215,215	(40,353)	–	174,862
Investment of corporate wealth management products	2,627	2,920	–	5,547	(5,033)	–	514
Others	15,113	11,035	(1,583)	24,565	14,791	(738)	38,618
	410,217	(162,659)	(2,231)	245,327	(30,595)	(738)	213,994
	(29,813)	(104,483)	422	(133,874)	(2,136)	(276)	(136,286)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of the Group's associate and joint ventures for which deferred tax liabilities have not been recognised was RMB1,907,918,000 (31 December 2020: RMB1,244,951,000). 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 2021, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB743,516,000 (31 December 2020: RMB414,556,000). 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 2021, accumulated unrecognised tax losses arising in the Group of approximately RMB7,228,779,000 (31 December 2020: RMB7,375,319,000) 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 dates, will expire in the following years:

	31 December 2021 *RMB'000*	31 December 2020 *RMB'000*
31 December 2022	**–**	236
31 December 2023	**–**	1,632
31 December 2024	**–**	737
31 December 2025	**–**	701
31 December 2027	**3,118**	3,118
31 December 2028	**4,703**	4,703
31 December 2029	**408**	408
31 December 2031	**198**	–
	8,427	11,535

At 31 December 2021, the Group had tax losses arising in Norway of RMB7,220,352,000 (31 December 2020: RMB7,363,784,000) 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 by the Group 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 2021, the Group had deductible temporary differences of RMB4,154,317,000 (31 December 2020: RMB2,771,710,000). No deferred tax asset has been recognised by the Group 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 2021** ***RMB'000***	31 December 2020 *RMB'000*
Loan from a related party – unsecured	LIBOR+0.5%	**2,232,061**	2,284,336

During the year ended 31 December 2021, the Group had a loan of US$350,000,000, equivalent to approximately RMB2,231,495,000, from a fellow subsidiary, which is repayable on demand and carries interest at an 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 *(%)*	Year of maturity	**31 December 2021** ***RMB'000***	31 December 2020 *RMB'000*
China Development Bank-unsecured *(Note)*	1.08%	2035	**198,524**	209,437
Less: Current portion of long term bank loans			**(18,285)**	(18,291)
			180,239	191,146

Note: The Group borrowed RMB320,000,000 from a wholly-owned subsidiary of China Development Bank in December 2015. The loan was initially recognised at fair value measured by discounting future cash flows at the prevailing market interest. The repayments started 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 2021 was 1.08% per annum (2020: 2.39% per annum).

	31 December 2021 ***RMB'000***	31 December 2020 *RMB'000*
Bank borrowings repayable:		
Within one year	**18,285**	18,291
In the second year	**4,644**	3,951
In the third to fifth year, inclusive	**37,101**	35,930
Beyond five years	**138,494**	151,265
	198,524	209,437

21. LONG-TERM BONDS

	Year of maturity	**31 December 2021** *RMB'000*	31 December 2020 *RMB'000*
Corporate bonds *(Note (a))*	2022	**1,542,000**	1,542,000
2016 Corporate Bonds			
(Type II of the First Tranche Issue as defined below) *(Note (b))*	2026	**3,071,603**	3,071,183
(Type I of the Second Tranche Issue as defined below) *(Note (b))*	2021	**–**	102,493
(Type II of the Second Tranche Issue as defined below) *(Note (b))*	2023	**732,610**	2,917,698
Senior unsecured USD bonds *(Note (c))*	2022	**6,442,557**	6,585,160
Guaranteed medium term notes			
Second Drawdown Note *(Note (d))*	2025	**3,237,994**	3,311,019
Guaranteed senior notes			
2025 Notes *(Note (e))*	2025	**3,181,334**	3,253,958
2030 Notes *(Note (e))*	2030	**1,895,070**	1,937,544
		20,103,168	22,721,055
Current		**8,122,706**	3,265,377
Non-current		**11,980,462**	19,455,678
		20,103,168	22,721,055

Notes:

(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 interest at an effective interest rate of 4.48% per annum (2020: 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 interest at an 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") is repayable on 24 October 2021. As of 31 December 2021, the Group has repaid all principal and interest.

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 years 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 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 bondholders resaled a principal amount of RMB2,171,382,000 to the Group on 25 October 2021. The effective interest rate of the Type II of the Second Tranche Issue is 2.90% 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 is 3.38% per annum.

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

On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with a nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate is 4.58% per annum after taking into consideration 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 is amortised according to the related drilling contract periods and is credited to revenues of the Group. The deferred income received from government and the Others is recognised according to the depreciable periods of the related assets and the periods in which the related costs are incurred, respectively, and is credited to other income of the Group.

	Contract value	**Government grants related to assets**	**Government grants related to income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	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 and 1 January 2021	9,530	163,059	40,743	65,154	278,486
Additions	**–**	**5,610**	**14,899**	**–**	**20,509**
Credited to profit or loss	**(9,422)**	**(18,078)**	**(28,231)**	**(7,292)**	**(63,023)**
Exchange realignment	**(108)**	**–**	**(12)**	**–**	**(120)**
At 31 December 2021	**–**	**150,591**	**27,399**	**57,862**	**235,852**

23. ISSUED CAPITAL

	31 December 2021	31 December 2020
	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

24. EVENTS AFTER THE REPORTING PERIOD

As at 24 March 2022, the board of directors of the Company proposed to distribute the dividend for the year ended 31 December 2021 of RMB0.15 per ordinary share (tax inclusive) (of which: final dividend of RMB0.02 (tax inclusive), special dividend of RMB0.13 (tax inclusive)) of the Company in cash to the shareholders with an amount of RMB715,738,800. The proposal is subject to the approval by the shareholders at the 2021 Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2021

In 2021, affected by the impact of multiple factors such as the continuous global COVID-19 pandemic (hereinafter “Pandemic”), fluctuation in the international oil and gas industry, and accelerated transformation of the energy industry, international oil companies remain prudent in the investment in oil and gas exploration and development. The oversupply of the international oilfield service market has limited improvement and the competition in international oilfield service remains intense. Driven by emission reduction initiatives for the climate, global oil service companies have begun to embark on new modes of production and new technical services, seeking for transformation and adjustment, firstly, to spin off non-core business and focus on the main business; secondly, to accelerate the digitization and intelligence of the industry, by using digital technologies to transform and upgrade to improve efficiency; and thirdly, business diversification in the context of low-carbon transformation, mainly involving emerging markets such as wind power, solar energy, hydrogen, geothermal energy and CCUS in the field of renewable energy. The fourth is the transformation of business model for new energy business. In terms of domestic market, as the continual promotion of “Seven-Year Action Plan” which aims to safeguard national energy security and strengthen reserves and production, the oilfield service market has remained relatively stable.

Business Review

In 2021, the recurrence of the global Pandemic as a result of the variant virus brought uncertainty to the economic recovery and the overall upward swing of international oil prices fell at the end of the year due to the recurrence of the Pandemic and other factors. International oil companies contracted their traditional energy investments and the oilfield service industry was faced with a more severe environment with continuous market oversupply. The Company analyzed and studied the situation of the industry, practiced the new national strategy of “Four Revolutions and One Cooperation” for energy security, focused on the new development concept, anchored the new development goals, formulated five new development strategies, promoted energy transformation, formulated the “14th Five-Year Development Plan”, clarified the vision of building an international first-class energy service company with Chinese characteristics, made efforts to overcome the impact of reduced operation volume, strictly implemented safe production responsibilities, vigorously carried out cost reduction and efficiency improvement of various systems, and fully promoted core technological breakthroughs to ensure the stable and orderly production and operation during the year. In 2021, the Company’s operating revenue was RMB29,168.5 million, while net profit was RMB322.1 million and basic earnings per share was RMB0.07.

Drilling Services Segment

The Company 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 2021, the Company 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 2021, revenue from drilling services amounted to RMB8,767.7 million, representing a decrease of 23.5% as compared with RMB11,456.8 million of 2020 which included the receipt of US$188 million settlement income from Equinor in 2020.

During the period, the Company has deeply implemented "Seven-Year Action Plan", focused on new strategies and new goals, coordinated the prevention and control of Pandemic and production and operation, systematically improved the reliability and stability of equipment production, "HYSY921" successfully completed the task of "new, excellent and fast" project to effectively promote the progress of drilling & completion well technology and improve the quality and efficiency of drilling & completion well work; and "customized" the new semi-submersibles drilling rig "Shen Lan Tan Suo" for deepwater oil and gas exploration and development, which is the first domestic drilling rig with a single-row multifunctional rig system, improving overall efficiency by 35%. "NH7" successfully completed sea trial operation of the domestic underwater wellhead system; the successful operation of "NH8" during the period created a new record for the first consecutive single trip triple coring operation in the paleogene formation in nearly 40 years. The Company adhered to a "dual circulation" development pattern in which domestic economic cycle plays a leading role while domestic and international economic cycles remain extension and supplement, strengthened market development and customer relationship maintenance, and actively promoted overseas business development. "COSLStrike" achieved 12 consecutive years of accident-free safety production; "HYSY936" and "China Merchants Hailong 7" continuously received letters of commendation from American customers; "Oriental Phoenix" arrived in the United Arab Emirates smoothly to meet the customer's inspection and then set out for the Middle East; "COSLPioneer" started drilling in the European continental shelf successfully and began to provide drilling services for customers.

At the end of 2021, the Company had 37 drilling rigs operating in the China Sea, 9 drilling rigs operating overseas, 8 drilling rigs were standby and 3 were being maintained in the shipyard.

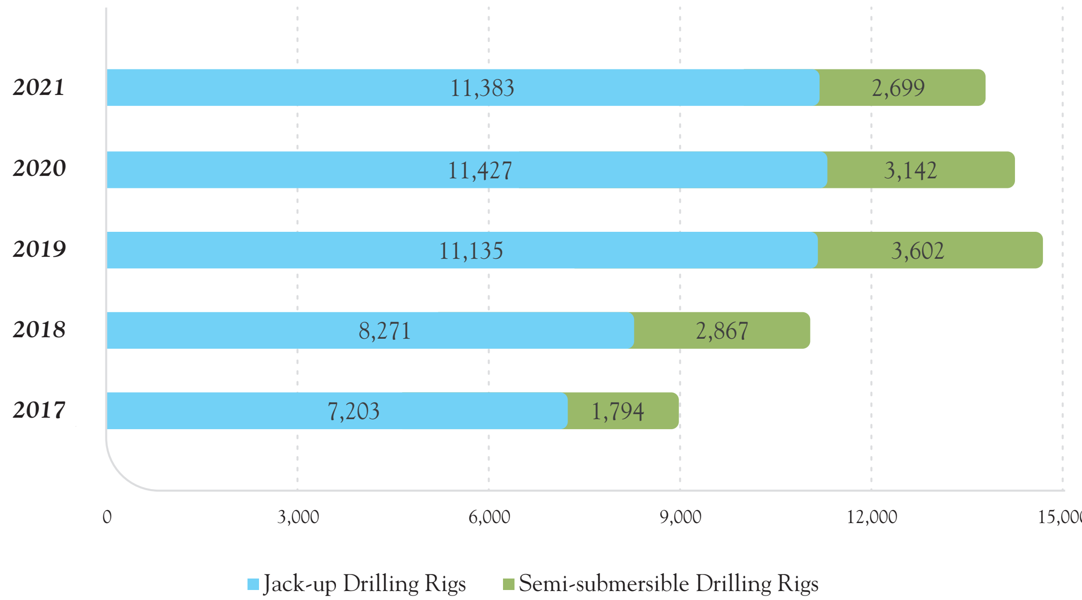
In 2021, the Company's drilling rigs operated for 14,082 days, representing a year-on-year decrease of 487 days which decreased by 3.3%. Primarily due to the impact of continuous Pandemic, oil price fluctuations and exploration for the green and low-carbon transformation of the energy industry, the global upstream exploration and development investment grew slowly and the oil service market recovered slowly, resulting in a small overall decline in drilling operation volume.

In 2021, the Company's jack-up drilling rigs operated for 11,383 days, representing a year-on-year decrease of 44 days; semi-submersible drilling rigs operated for 2,699 days, representing a year-on-year decrease of 443 days. Operational details are as follows:

	2021	2020	**Change**	**Percentage Change**
Operating days (day)	**14,082**	14,569	(487)	(3.3%)
Jack-up drilling rigs	**11,383**	11,427	(44)	(0.4%)
Semi-submersible drilling rigs	**2,699**	3,142	(443)	(14.1%)
Available day utilization rate	**71.9%**	75.0%	Down 3.1 percentage points	
Jack-up drilling rigs	**75.8%**	78.2%	Down 2.4 percentage points	
Semi-submersible drilling rigs	**59.3%**	65.3%	Down 6.0 percentage points	
Calendar day utilization rate	**69.1%**	71.6%	Down 2.5 percentage points	
Jack-up drilling rigs	**73.3%**	75.0%	Down 1.7 percentage points	
Semi-submersible drilling rigs	**55.5%**	61.3%	Down 5.8 percentage points	

Five module rigs operated in the Gulf of Mexico for 1,031 days, representing an increase of 91 days over the same period last year. The calendar day utilization rate increased by 5.1 percentage points to 56.5%.

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS



In 2021, the average daily revenue of the Company's drilling rigs is as follows:

Average daily revenue (ten thousand US$/day)	2021	2020	Change	Percentage Change
Jack-up drilling rigs	**7.0**	7.0	0.0	0.0%
Semi-submersible drilling rigs	**13.5**	18.6	(5.1)	(27.4%)
Drilling rigs average	**8.2**	9.5	(1.3)	(13.7%)

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

(2) USD/RMB exchange rate was 1: 6.3757 as at 31 December 2021 and 1: 6.5249 as at 31 December 2020.

Well Services Segment

The Company 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 Company provides comprehensive professional well services, including but not limited to logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, stimulation etc.

In 2021, revenue from the well services increased by 13.3% from RMB13,304.7 million in the same period of 2020 to RMB15,067.9 million. The Company has steadily promoted the research and development of key core technologies and the guarantee of the demand for additional reserves and production, continuously improved the transformation capacity of scientific research results, firmly internationalized the development path, and taken the important role of pioneer in technology development. The Company enjoyed results of various reform initiatives and numerous technological developments, enhanced the stability of independent technology and scale production of technical products, aiming to building international first-tier capabilities of independent R & D, manufacturing, operation and maintenance, operations and geological services in all dimensions. The Company has achieved historical breakthroughs in revenue and profit contribution.

Due to the continuous advancement of the transformation of the Company's technological achievements and the continuous breakthrough in scientific and technological innovation, it undertook 10 major scientific research projects during the period, helping the country to become self-reliant in science and technology; 2 scientific and technological achievements including rotary steering and high-temperature logging were selected into the "Recommended Catalogue of Scientific and Technological Innovation Achievements of Central Enterprises (2020 Edition)"; the Company doubled ultra-high temperature high-pressure wire line logging operations, breaking the record of highest pressure operation among similar instruments; the Company completed the design and manufacture of 8 kinds of ultra-high temperature high-pressure Packer and subsurface safety valve, initially realizing the independent manufacturing of high-end completion tools in China; well logging and directional drilling laboratory and offshore drilling fluid and cementing laboratory were rated as the "14th Five-Year Plan" first batch CNOOC key laboratories; self-innovated multiple compound synergistic technology such as multiple thermal fluid synergies and thermochemical compound synergism have been successfully implemented in offshore oilfields, effectively increasing the maximum daily oil production of oil wells; the autonomous integration technology of low-permeability fracturing completed the fracturing operation in 11 wells, with an increase of nearly 12 times in the fracturing test of a well in the South China Sea.

With the continuous improvement of the Company's independent scientific and technological innovation, the scope of overseas markets has gradually expanded. Among them, the self-developed "Xuanji" rotary steering and logging while drilling fully satisfied the specification of on-site operation capabilities with the success rate of entering the well has achieved a major breakthrough, and enabled continuous operation in overseas market. Self-developed high temperature and high pressure anti-corrosion cement slurry system broke through the South China Sea high temperature and high pressure large inclined well technical bottleneck. The innovative cementing technology and process solved the technical problems of cementing the salt-gypsum formations of an oilfield in the Middle East, successfully solving a world-class problem. The Company obtained a drilling and completion fluids service contract in Southeast Asia, successfully started and completed the land cementing project operation in Southeast Asia, officially launched the Middle East cementing project, made sales in the Middle East market since the independently development of logging equipment MUIL, entered the drilling and completion fluids service market of onshore America and successfully obtained service orders; tapped into the African market successfully and targeted the future workload.

Marine Support Services Segment

The Company operates and manages the largest offshore operation fleet with the most comprehensive functions in China, with over 150 vessels including AHTS vessels, platform supply vessels and oilfield standby vessels at the end of 2021. The Company 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.

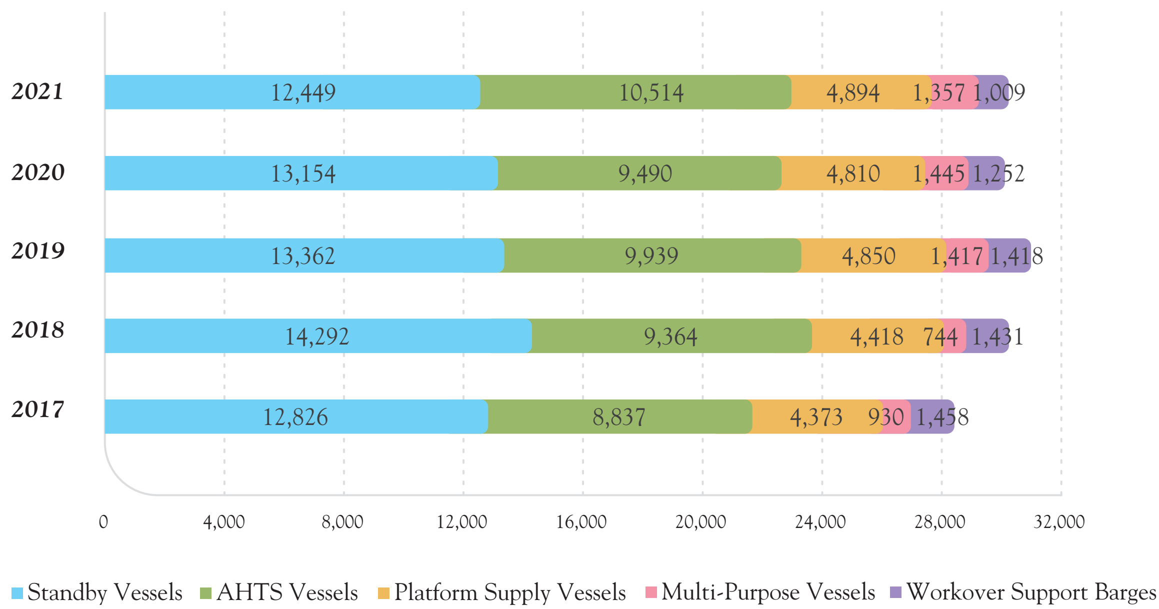
In 2021, revenue of marine support services increased by 13.3% to RMB3,303.7 million from RMB2,915.2 million in 2020. The calendar day utilization rate of self-owned utility vessels was 93.4%, and remained basically the same as that of the corresponding period of last year, and generated revenue of RMB2,223.9 million, representing an increase of 6.3% as compared with the same period of 2020 primarily due to the recovery of operating prices.

The Company focused on the traditional marine support services, strengthened the basic safety management, broadened the development path under the new situation, flexibly coordinated equipment resources, made full use of the production capacity of equipment, actively fulfilled social responsibility, and vigorously developed green equipment. During the period, 6 new LNG-powered ships were successfully delivered, which was nearly 30% more energy-efficient than traditional ship types, playing a leading role in promoting the use of LNG clean energy for ships; the Company fully completed the tug-on-water operation and anchor retrieval operation of the world's first 100,000-tonne deep-water semi-submersible oil production and storage drilling rig "Shen Hai Yi Hao"; successfully developed marine support services into the American market.

In 2021, the operational details of self-owned utility vessels of the Company are as follows:

Operating days (day)	**2021**	2020	**Change**	**Percentage Change**
Standby vessels	**12,449**	13,154	(705)	(5.4%)
AHTS vessels	**10,514**	9,490	1,024	10.8%
Platform supply vessels	**4,894**	4,810	84	1.7%
Multi-purpose vessels	**1,357**	1,445	(88)	(6.1%)
Workover support barges	**1,009**	1,252	(243)	(19.4%)
Total	**30,223**	30,151	72	0.2%

NUMBER OF OPERATING DAYS FOR UTILITY VESSELS IN RECENT YEARS



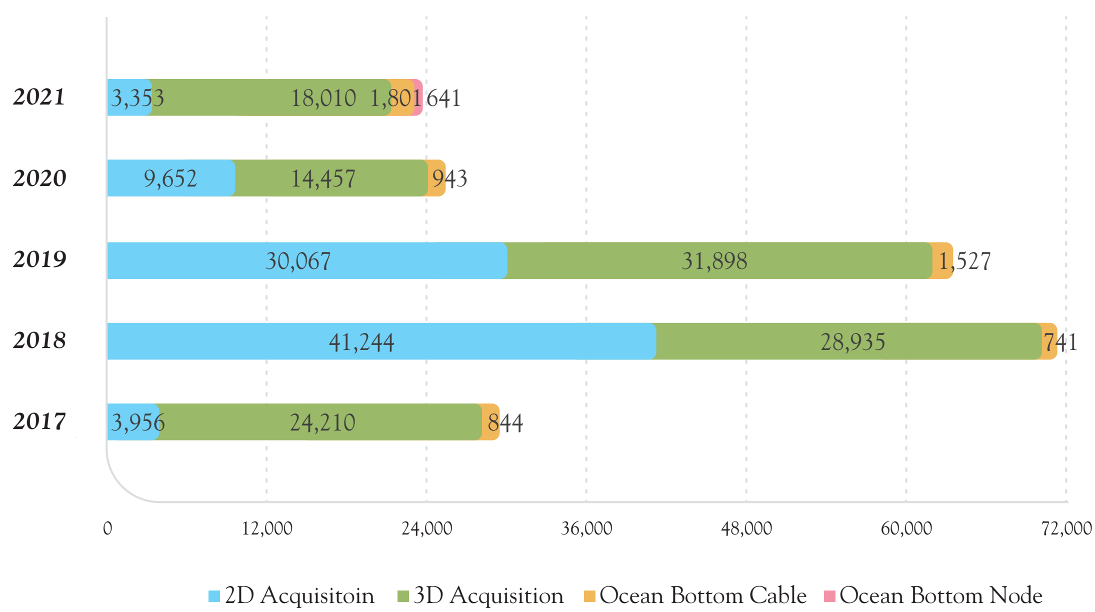
Geophysical Acquisition and Surveying Services Segment

The Company 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 2021, the Company owns 5 towing streamer seismic vessels, 4 submarine seismic vessels, 4 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, ocean bottom cable and ocean bottom node multi-component seismic acquisition services, also integrated offshore surveying services.

In 2021, revenue of geophysical acquisition and surveying services increased to RMB2,029.2 million, representing an increase of 62.5% compared with RMB1,248.6 million of 2020, of which, the surveying services recorded revenue of RMB570.6 million, representing an increase of 54.0% as compared with RMB370.5 million of 2020.

The Company actively optimized the structure of equipment resources and enhanced technology innovation. The self-developed streamer acquisition equipment "Hailiang" and streamer integrated navigation system "Haitu" have achieved commercial production and application which filled up the China's equipment technology gap in such field, thus enabling the nation's self-developed marine seismic streamer acquisition equipment technology to attain international advanced level. The geophysical vessel "HYSY720" continuously carried out several 3D seismic acquisition projects in the South America sea, and its high-quality, safe, efficient and environmental-friendly operations were well received by customers. Two geophysical vessels jointly completed the most difficult two-ship seismic acquisition project in the country's geophysical streaming operation till now, with operation efficiency of up to 95%. The Company also organized CNOOC's first Ocean Bottom Node (OBN) operating fleet, which enabled the Company to have an OBN seismic acquisition operation capability of over 100-meter water depth and formed a mature OBN technical service system.

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



In 2021, the details of geophysical acquisition of the Company are as follows:

Businesses	2021	2020	Change	Percentage Change
2D acquisition (km)	**3,353**	9,652	(6,299)	(65.3%)
3D acquisition (km²)	**18,010**	14,457	3,553	24.6%
of which: multi-client	**3,640**	2,918	722	24.7%
Ocean bottom cable (km²)	**1,801**	943	858	91.0%
Ocean bottom node (km²)	**641**	0	641	N/A

Major Subsidiaries

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

As at 31 December 2021, the total assets of COSL Chemicals amounted to RMB859.4 million and equity was RMB404.1 million. COSL Chemicals realized revenue of RMB641.8 million in 2021, representing a decrease of RMB328.6 million or 33.9% as compared with last year. The net profit amounted to RMB62.3 million, representing a decrease of RMB38.0 million or 37.9% as compared with last year.

As at 31 December 2021, the total assets of AME amounted to RMB1,439.7 million and equity was RMB-46.1 million. AME realized revenue of RMB991.2 million in 2021, representing a decrease of RMB8.1 million or 0.8% as compared with last year. The net profit amounted to RMB59.7 million, representing a decrease of RMB39.4 million or 39.8% as compared with last year.

As at 31 December 2021, the total assets of BVI amounted to RMB3,926.7 million and equity was RMB783.4 million. BVI realized revenue of RMB2,522.8 million in 2021, representing an increase of RMB957.5 million or 61.2% as compared with last year. The net profit amounted to RMB274.2 million, and net profit in the same period of last year was RMB-58.3 million.

As at 31 December 2021, the total assets of COSL Hong Kong International Limited amounted to RMB6,791.2 million and equity was RMB6,791.2 million. COSL Hong Kong International Limited realized revenue of RMB16,700 in 2021, and revenue in the same period of last year was RMB34,100. The net profit amounted to RMB300, and net profit in the same period of last year was RMB12,100.

As at 31 December 2021, the total assets of CNA amounted to RMB7,010.2 million and equity was RMB-3,608.9 million. CNA realized revenue of RMB413.6 million in 2021, representing a decrease of RMB2,514.3 million or 85.9% as compared with last year. The net profit amounted to RMB-2,271.1 million, which was RMB-144.6 million in last year. Taking into account the continuing severe overseas industrial market and the utilization rate and the operating price of large-scale equipment have not yet recovered to a normal level, provisions for the property, plant and equipment impairment loss for the year amounted to RMB1,454.2 million, and provisions for the property, plant and equipment impairment loss for the same period of last year amounted to RMB1,447.8 million.

As at 31 December 2021, the total assets of COSL Singapore Limited amounted to RMB23,239.4 million and equity was RMB-2,412.2 million. COSL Singapore Limited realized revenue of RMB1,540.4 million in 2021, representing a decrease of RMB902.9 million or 37.0% as compared with last year. Taking into account the continuing severe overseas industrial market and the utilization rate and the operating price of large-scale equipment have not yet recovered to a normal level, provisions for the property, plant and equipment impairment loss for the year amounted to RMB485.1 million. The net profit amounted to RMB-1,028.2 million, and net profit in the same period of last year was RMB-896.7 million. COSL DRILLING STRIKE PTE. LTD. and COSL PROSPECTOR PTE. LTD. are major drilling rig subsidiaries of COSL Singapore Limited.

As at 31 December 2021, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB3,753.4 million and equity was RMB-2,907.6 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 RMB163.8 million in 2021, representing a decrease of RMB74.5 million or 31.3% as compared with last year. The net profit amounted to RMB-47.2 million, representing a decrease in loss of RMB194.5 million as compared with last year.

As at 31 December 2021, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB7,294.2 million and equity was RMB-5,233.3 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 RMB451.7 million in 2021, which was basically consistent as compared with last year. The net profit amounted to RMB-939.7 million, representing an increase in loss of RMB251.2 million as compared with last year. Taking into account the continuing severe overseas industrial market and the utilization rate and the operating price of large-scale equipment have not yet recovered to a normal level, provisions for the property, plant and equipment impairment loss for the year amounted to RMB485.1 million, while no provision was made in the same period last year.

Financial Review

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2021, revenue of the Group amounted to RMB29,168.5 million, representing an increase of RMB243.2 million or 0.8% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segments	**2021**	2020	**Change**	**Percentage Change**
Drilling services	**8,767.7**	11,456.8	(2,689.1)	(23.5%)
Well services	**15,067.9**	13,304.7	1,763.2	13.3%
Marine support services	**3,303.7**	2,915.2	388.5	13.3%
Geophysical acquisition and surveying services	**2,029.2**	1,248.6	780.6	62.5%
Total	**29,168.5**	28,925.3	243.2	0.8%

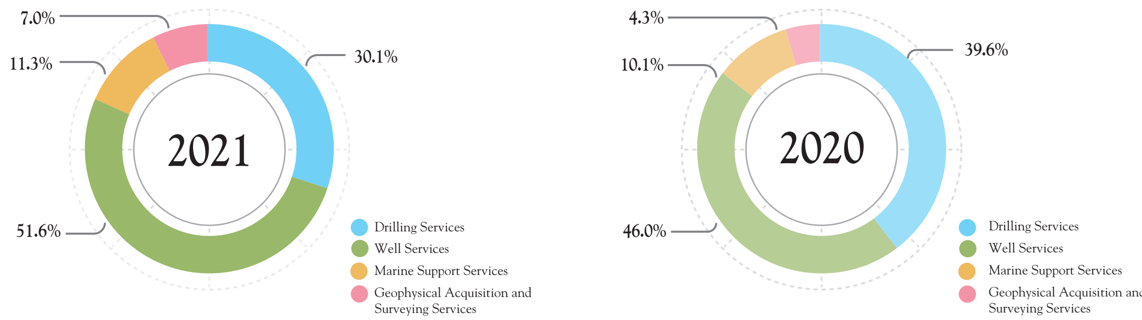
- Revenue generated from drilling services decreased by 23.5% as compared with last year, which included the receipt of US$188 million settlement income from Equinor in the same period of 2020.

- Revenue from well services increased by 13.3% as compared with last year, which was mainly due to the recovery of operations in various businesses.

- Revenue from marine support services increased by 13.3% as compared with last year, which was mainly due to the effect of the recovery in operating prices this year.

- Revenue from geophysical acquisition and surveying services increased by 62.5% as compared with last year which was mainly due to the increase in the operation volume of ocean bottom cable business and new ocean bottom node services this year.

Revenue analysis – by business



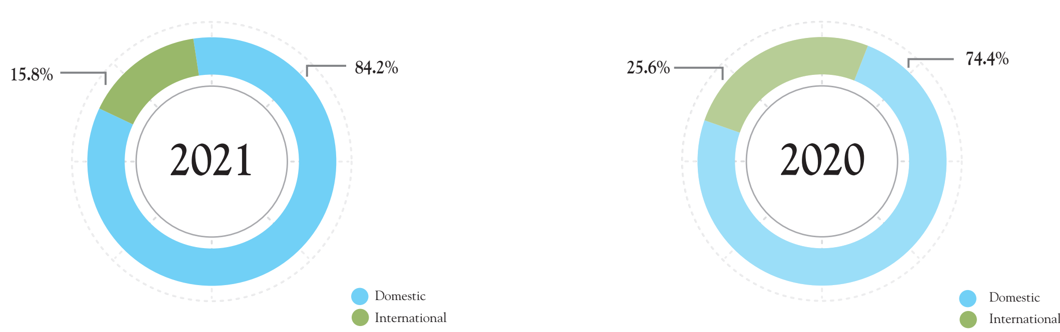
Analysis by operation area

Unit: RMB million

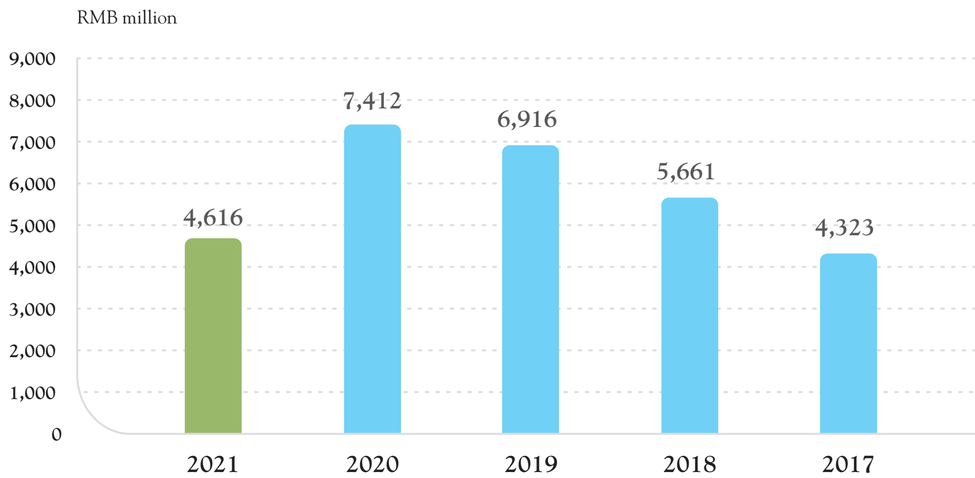
Region	**2021**	2020	**Change**	**Percentage Change**
Domestic	**24,552.9**	21,513.5	3,039.4	14.1%
International	**4,615.6**	7,411.8	(2,796.2)	(37.7%)
Total	**29,168.5**	28,925.3	243.2	0.8%

In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 84.2% of the Group's total revenue. In 2021, the Group's international business recorded revenue of RMB4,615.6 million (compared with RMB7,411.8 million over last year, representing a decrease of 37.7% as compared with last year), accounting for 15.8% of the Group's revenue for the year.

International revenue



The Latest Five Years' International Revenue



1.2 Operating expenses

For the year 2021, operating expenses of the Group amounted to RMB28,184.5 million, representing an increase of RMB2,963.1 million or 11.7% as compared with RMB25,221.4 million of last year.

The table below shows the comparison of the breakdown of the Group's operating expenses in 2021 and 2020:

Unit: RMB million

	2021	2020	**Change**	**Percentage Change**
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	**4,503.8**	4,335.7	168.1	3.9%
Depreciation of right-of-use assets	**363.0**	480.4	(117.4)	(24.4%)
Employee compensation costs	**6,030.2**	4,897.1	1,133.1	23.1%
Repair and maintenance costs	**479.0**	435.9	43.1	9.9%
Consumption of supplies, materials, fuel, services and others	**6,572.7**	6,290.2	282.5	4.5%
Subcontracting expenses	**5,643.2**	4,768.5	874.7	18.3%
Lease expenses	**1,318.5**	1,224.3	94.2	7.7%
Other operating expenses	**1,247.0**	1,333.7	(86.7)	(6.5%)
Impairment loss of property, plant and equipment	**2,011.3**	1,447.8	563.5	38.9%
Impairment loss under expected credit losses model, net of reversal	**15.8**	7.8	8.0	102.6%
Total operating expenses	**28,184.5**	25,221.4	2,963.1	11.7%

Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library for the year increased by RMB168.1 million compared with last year, mainly due to the increase in depreciation of property, plant and equipment and amortisation of MultiClient library.

Depreciation of right-of-use assets for the year decreased by RMB117.4 million compared with last year.

Employee compensation costs for the year increased by RMB1,133.1 million compared with last year, due to the phased exemption of corporate social insurance premium applicable in the PRC during the last year, which was not applicable this year.

Repair and maintenance costs for the year increased by RMB43.1 million compared with last year.

Consumption of supplies, materials, fuel, services and others for the year increased by RMB282.5 million compared with last year, mainly due to the increase in the prices of raw materials, fuel, etc. and the operation volume of certain business segments, which led to the increase in supplies, materials, fuel, services and other consumption for the year.

Subcontracting expenses for the year increased by RMB874.7 million compared with last year, mainly due to the increase in the workload of certain businesses with a large proportion of subcontracting for the year, which led to the increase in subcontracting expenses.

Lease expenses for the year was RMB1,318.5 million, representing an increase of RMB94.2 million compared with last year.

Impairment loss of property, plant and equipment for the year amounted to RMB2,011.3 million, representing an increase of RMB563.5 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.

Impairment loss under expected credit losses model for the year, net of reversals, was RMB15.8 million, representing an increase of RMB8.0 million compared with last year.

Other operating expenses for the year amounted to RMB1,247.0 million, which mainly included more than 30 cost items 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 RMB86.7 million. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB307.0 million, accounting for 24.6%; travel expenses amounted to RMB217.9 million, accounting for 17.5%; transfer fees for technology amounted to RMB180.8 million, accounting for 14.5%; business trip expenses amounted to RMB62.4 million, accounting for 5.0%; transfer fees for other technology research, consulting fees, audit fees and so on, amounted to RMB478.9 million in total.

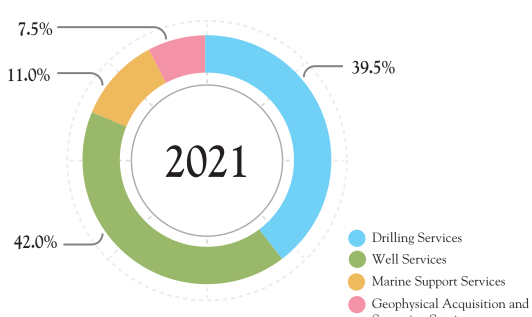
Other operating expenses in 2020 amounted to RMB1,333.7 million, of which the travel expenses amounted to RMB320.2 million, accounting for 24.0%; health, safety and environmental protection expenses amounted to RMB251.7 million, accounting for 18.9%; business trip expenses amounted to RMB165.9 million, accounting for 12.4%; Pandemic prevention expenses amounted RMB159.9 million, accounting for 12.0%; transfer fees for other technology research, consulting fees, audit fees and so on, amounted to RMB436.0 million in total.

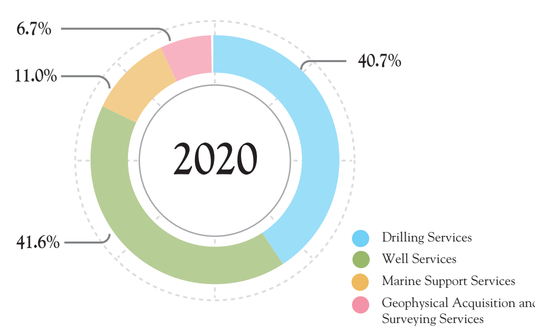
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2021**	2020	**Change**	**Percentage Change**
Drilling services	**11,128.0**	10,264.5	863.5	8.4%
Well services	**11,833.5**	10,508.4	1,325.1	12.6%
Marine support services	**3,091.1**	2,765.6	325.5	11.8%
Geophysical acquisition and surveying services	**2,131.9**	1,682.9	449.0	26.7%
Total	**28,184.5**	25,221.4	2,963.1	11.7%

Analysis of operating expenses – by business





1.3 Profit from operations

For the year 2021, the Group's profit from operations amounted to RMB1,541.3 million, representing a decrease of RMB2,600.6 million as compared with RMB4,141.9 million of last year.

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

Unit: RMB million

Business segments	2021	2020	Change	Percentage Change
Drilling services	**(2,082.2)**	1,256.8	(3,339.0)	(265.7%)
Well services	**3,393.8**	3,057.1	336.7	11.0%
Marine support services	**254.7**	173.7	81.0	46.6%
Geophysical acquisition and surveying services	**(25.0)**	(345.7)	320.7	(92.8%)
Total	**1,541.3**	4,141.9	(2,600.6)	(62.8%)

1.4 Financial expenses, net

Unit: RMB million

	2021	2020	Change	Percentage Change
Exchange losses, net	**165.4**	403.8	(238.4)	(59.0%)
Finance costs	**831.3**	924.5	(93.2)	(10.1%)
Interest income	**(123.9)**	(69.6)	(54.3)	78.0%
Financial expenses, net	**872.8**	1,258.7	(385.9)	(30.7%)

The exchange losses decreased by RMB238.4 million as affected by the change of exchange rates during the year.

1.5 Interest income

In 2021, the Group's interest income was RMB123.9 million, representing an increase of RMB54.3 million as compared with RMB69.6 million of last year, which was mainly due to the addition of certificate of deposit this year, whose gains were included in interest income.

1.6 Investment income

For the year 2021, the Group's investment income amounted to RMB44.6 million, representing a decrease of RMB71.6 million as compared with RMB116.2 million of last year, which was mainly attributable to the decrease in investment income of wealth management products.

1.7 Gains arising from fair value changes of financial assets at fair value through profit or loss

The gains arising from fair value changes of financial assets at fair value through profit or loss of the Group in 2021 amounted to RMB62.7 million, representing an increase of RMB36.1 million from RMB26.6 million of last year. This was mainly due to the increase in the purchase of funds and structured deposit products during the year.

1.8 Other gains and losses

In 2021, the Group's other gains and losses amounted to RMB-59.4 million, as compared with RMB-12.2 million of last year.

1.9 Other income

In 2021, the Group's other income was RMB557.4 million, representing an increase of RMB119.4 million as compared with RMB438.0 million of last year, which was mainly due to the increase of insurance claims and government grants.

1.10 Profit before tax

The profit before tax of the Group was RMB1,089.6 million in 2021, representing a decrease of RMB2,289.1 million as compared with RMB3,378.7 million of last year.

1.11 Income tax expense

The income tax expense of the Group in 2021 was RMB767.5 million, representing an increase of RMB107.1 million as compared with RMB660.4 million of 2020.

1.12 Profit for the year

For the year 2021, profit of the Group was RMB322.1 million, representing a decrease of RMB2,396.2 million as compared with RMB2,718.3 million of last year.

1.13 Basic earnings per share

For the year 2021, the Group's basic earnings per share were approximately RMB6.56 cents, representing a decrease of approximately RMB50.09 cents as compared with approximately RMB56.65 cents of last year.

1.14 Dividend

In 2021, the Board of Directors of the Company recommended a dividend of RMB0.15 per share (tax inclusive) (of which: final dividend of RMB0.02 (tax inclusive), special dividend of RMB0.13 (tax inclusive)). The total dividend amounts to RMB715,738,800 (of which: final dividend of RMB95,431,840, special dividend of RMB620,306,960). The dividend payment will be paid on or before 30 June 2022 upon approval at the general meeting of shareholders.

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 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 2021, the total assets of the Group amounted to RMB73,311.7 million, representing a decrease of RMB2,630.6 million or 3.5% as compared with RMB75,942.3 million as at the end of 2020. The total liabilities amounted to RMB35,095.4 million, representing a decrease of RMB2,158.1 million or 5.8% as compared with RMB37,253.5 million as at the end of 2020. Total equity amounted to RMB38,216.3 million, representing a decrease of RMB472.5 million or 1.2% as compared with RMB38,688.8 million as at the end of 2020.

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

Accounts		2021	2020	Change	Percentage Change	Reasons
Assets						
1	Other non-current assets	**1,800.8**	158.8	1,642.0	1,034.0%	The increase in certificate of deposit.
2	Prepayments, deposits and other receivables	**356.1**	259.2	96.9	37.4%	Mainly due to increase in dividend receivable and lease receivable during the year.
3	Notes receivable	**29.3**	10.1	19.2	190.1%	The increase in commercial acceptance bills during the year.
4	Receivables at fair value through other comprehensive income	**9.9**	3.0	6.9	230.0%	The increase in bank acceptance bills at the end of the year.
5	Debt instrument at amortised cost	**0.0**	1,000.4	(1,000.4)	(100.0%)	The decrease in certificate of deposit during the year.
6	Contract assets	**91.0**	320.4	(229.4)	(71.6%)	Mainly due to the decrease in contract assets as a result of confirmation of invoices by customers.
7	Contract costs (current assets)	**26.5**	18.5	8.0	43.2%	Mainly due to the increase in mobilization revenue during the year.
8	Other current assets	**842.0**	125.4	716.6	571.5%	The increase in deposits paid for monetary funds at the end of the year.
9	Pledged deposits	**11.5**	3.7	7.8	210.8%	The increase in pledged deposits during the year.
10	Time deposits	**95.4**	0.0	95.4	N/A	The increase in time deposits during the year.

Accounts		2021	2020	Change	Percentage Change	Reasons
Liabilities						
1	Notes payable	**54.2**	0.0	54.2	N/A	The increase in commercial acceptance bills at the end of the year.
2	Tax payable	**339.0**	168.1	170.9	101.7%	The increase in corporate income tax payable this year.
3	Long term bonds (current liabilities)	**8,122.7**	3,265.4	4,857.3	148.8%	The increase in the reclassification of US dollar bonds and corporate bonds due in one year.
4	Lease liabilities (current liabilities)	**342.0**	224.3	117.7	52.5%	The increase of the machinery leasing during the year.
5	Contract liabilities (current liabilities)	**545.1**	388.1	157.0	40.5%	Mainly due to the increase of the advance payment for operation and machinery subsidies.
6	Other current liabilities	**494.4**	314.2	180.2	57.4%	Mainly due to the increase in output value-added tax to be recognised and provision.
7	Deferred tax liabilities	**38.7**	24.9	13.8	55.4%	Mainly due to the increase of deferred tax liabilities after offsetting the decreased deferred tax assets.
8	Long term bonds (non-current liabilities)	**11,980.5**	19,455.7	(7,475.2)	(38.4%)	Mainly due to the reclassification of US dollar bonds and corporate bonds due in one year.
9	Lease liabilities (non-current liabilities)	**568.1**	366.3	201.8	55.1%	The increase of the machinery leasing during the year.
10	Contract liabilities (non-current liabilities)	**31.5**	61.1	(29.6)	(48.4%)	The decrease due to the amortisation of mobilization revenue for the year.
11	Other non-current liabilities	**51.9**	0.0	51.9	N/A	The increase in provision during the year.

3. Analysis of Consolidated Statement of Cash Flows

At the beginning of 2021, the Group held cash and cash equivalents of RMB6,583.7 million. During 2021, the net cash inflows from operating activities amounted to RMB7,418.3 million; net cash outflows from investing activities amounted to RMB4,727.7 million; net cash outflows from financing activities amounted to RMB4,196.1 million and the impact of foreign exchange fluctuations resulted in a decrease of cash of RMB71.8 million. As at 31 December 2021, the Group's cash and cash equivalents amounted to RMB5,006.4 million.

3.1 Cash flows from operating activities

In 2021, net cash inflows from operating activities of the Group amounted to RMB7,418.3 million, representing a decrease of 1.6% as compared with last year, there is no material change compared with last year.

3.2 Cash flows from investing activities

In 2021, net cash outflows generated from investing activities of the Group amounted to RMB4,727.7 million, representing an increase of RMB1,390.5 million as compared with last year, which was mainly attributed to the decrease of RMB459.0 million in the cash outflows of the purchase of property, plant and equipment and other intangible assets as compared with last year. The cash outflows of the purchase of corporate wealth management products, monetary funds and treasury bonds reverse repurchase increased by RMB1,695.4 million as compared with last year. The cash inflows received from the disposal of/matured corporate wealth management products and monetary fund related investments decreased by RMB182.4 million as compared with last year, and the total increase of cash inflows from other investment activities amounted to RMB28.3 million.

3.3 Cash flows from financing activities

In 2021, net cash outflows from financing activities of the Group amounted to RMB4,196.1 million, representing an increase of outflows of RMB3,469.0 million as compared with last year. There were no proceeds from the issuance of long term bonds in 2021, which resulted in the decrease of RMB5,613.7 million in the cash inflows as compared with last year. As compared with 2020, cash outflows from repayment of bank loans decreased by RMB587.8 million, cash outflows from repayment of long term bonds decreased by RMB1,229.6 million and cash outflows from repayment of lease liabilities decreased by RMB257.7 million, while cash outflows from other financing activities decreased by RMB69.6 million.

3.4 The effect of foreign exchange fluctuations on cash during the year was a decrease of cash of RMB71.8 million.

3.5 The Group provides operation capital mainly through cash from operating activities, investment activities and financing activities and interest bearing borrowings. For details of the Group's borrowings for the year ended 31 December 2021, please refer to Note 20 to the consolidated financial statements of this announcement.

4. Capital Expenditure

In 2021, the capital expenditure of the Group amounted to RMB3,445.4 million, representing a decrease of RMB511.0 million or 12.9% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	**2021**	2020	**Change**	**Percentage Change**
Drilling services	**819.5**	869.0	(49.5)	(5.7%)
Well services	**1,932.1**	1,879.8	52.3	2.8%
Marine support services	**315.5**	726.1	(410.6)	(56.5%)
Geophysical acquisition and surveying services	**378.3**	481.5	(103.2)	(21.4%)
Total	**3,445.4**	3,956.4	(511.0)	(12.9%)

The capital expenditure of drilling service business is mainly used for the renovation of drilling rigs. The capital expenditure of well services business is mainly used for the construction of equipment related to technical services. The capital expenditure of marine support services business is mainly used for the construction of oilfield vessels. The capital expenditure of geophysical acquisition and surveying services is mainly used for the purchase of operational equipment.

Business Plan

In 2021, due to the impact of the Pandemic and cost reduction and efficiency improvement, the Company's capital expenditure on renovation and repair projects was lower than planned at the beginning of the year, and the actual expenditure was about RMB3.45 billion. In January 2022, the "World Economic Outlook Report" released by the International Monetary Fund (IMF) shows that the growth of the global economy has slowed to 4.4% in 2022 from 5.9% in 2021. On 5 March, the Chinese government announced an expected GDP growth of around 5.5% in 2022. As oil prices remaining relatively high, the cautious attitude of global upstream investment has eased and drilling rigs signings have increased, representing an increasing demand trend. It is expected that the total upstream capital expenditure in exploration and development will continue to increase compared with 2021. In 2022, the Company will continue to explore room for cost reduction and efficiency improvement during the industry rebound, gradually adjust the cost structure, build a protective wall of costs and maintain its cost leadership. In 2022, the Company's capital expenditure is expected to be RMB4.16 billion, mainly for production base construction, equipment and technical equipment renovation and technological research and development, etc. The cash flow is generally secure and stable. The Company will actively implement the five new development strategies and strengthen basic, forward-looking and leading technology research, build core competitive advantages, establish a new integration model that creates value for customers, promotes the Company's business and protects against industry risks, and fully release the room for growth of each segment and the whole chain of business. The Company will adhere to green and low-carbon development, promote industrial transformation and upgrading, firmly establish a high-quality development path, actively safeguard the interests of investors and guarantee stable dividend returns to shareholders.

2022 Business Outlook

The latest "World Economic Outlook Report" released by the International Monetary Fund (IMF) shows that the global economy is expected to grow by 4.4% and China's economy is expected to grow by around 5.5% in 2022. With the global climate cooperation to promote emission reduction and other factors, the global energy structure will continue to transform step by step and renewable energy is increasingly important. With increasing investment and development efforts, the wind and solar power installations will surge. However, the main source of global energy will still be fossil energy until 2040. Oil supply is expected to slightly exceed demand in 2022 due to higher international crude oil prices in 2021, which has stimulated oil companies' willingness to invest, and OPEC+'s strategy to increase production. According to IHS Markit, an international energy service provider, and other main institutions, the average Brent price for the whole year of 2022 is range from US$80-90 per barrel, with oil prices hovering at a medium to high level in the coming period. Global upstream E&P investment is expected to continue to increase, with US$433 billion in E&P investment in 2022. According to a report published by Spears & Associates, the global oilfield services market will reach US$219 billion in 2022, mainly due to rising mean price of oil and increased willingness of oil companies to invest.

In 2022, the Company will earnestly carry out six aspects of work according to the new development strategy: first, focus on the main business, highlighting the development of oil and gas exploration and development; second, establish the capital and expand new businesses, accelerating the development of new energy industries; third, synergistic integration, developing innovative elements and the industry; fourth, industrial optimization, promoting the development of integrated business; fifth, multiple measures, keeping practice the internationalization strategies; sixth, common construction and sharing, integrating into the national regional development strategies.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2021 of the Group were audited by Ernst & Young. 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 2021 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2021, the Company has complied with the then code provisions of the Corporate Governance Code ("Corporate Governance Code", formerly known as the "Corporate Governance Code" and "Corporate Governance Report") 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 C.2.1 of the Corporate Governance Code (formerly section A.2.1 of the Corporate Governance Code).

The Chairman and the Chief Executive Officer of the Company are currently held by Mr. Zhao Shunqiang alone. This is different from the Code provision C.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 Senior Management. 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.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2021 Annual Report which will be issued in April 2022.

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 2021, 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 the Company's 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 2021.

DISCLOSURE OF INFORMATION ON THE HKEX'S WEBSITE

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

By order of the Board
China Oilfield Services Limited
Sun Weizhou
Joint Company Secretary

24 March 2022

As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Shunqiang (Chairman) and Yu Feng; the non-executive directors of the Company are Messrs. Wu Wenlai and Liu Zongzhao; and the independent non-executive directors of the Company are Messrs. Wong Kwai Huen, Albert, Lin Boqiang and Ms. Chiu Lai Kuen, Susanna.