COSL

CHINA OILFIELD SERVICES LIMITED

(STOCK CODE H-share : 2883 ; A-share : 601808)

2021 ANNUAL REPORT

Forging Ahead
With Resilience and Ambition

Company Profile

INTRODUCTION

China Oilfield Services Limited (the "Company", the "Group" or "COSL"), listed on Hong Kong Stock Exchange (HK stock code: 2883) and Shanghai Stock Exchange (Shanghai stock code: 601808), is one of the leading integrated oilfield services providers in the world. Its services cover each phase of oil and gas exploration, development and production.

OUR PERFORMANCE

In 2021, COSL provided clients with single, bundled, integrated and general contracting business services in each phase of exploration, development and production of oil and gas through business in four main segments (drilling services, well services, marine support services and geophysical acquisition and surveying services). Furthermore, the Company's performance in some broaden operating aspects such as society and environment has also fulfilled its expectation (details please refer to Financial Statements and Sustainability Report).

PROSPECT

The Company has steady market share in China market and actively expands the overseas markets in the regions including Asia Pacific, Middle East, America, Europe, Africa and the Far East, which provides a sturdy platform for continuous business development.

Oilfield service industry has made us facing challenges and risks varying from place to place, including global COVID-19 pandemic, uncertain political and legal environment as well as the risks coming from deepwater and overseas operation. COSL has rich experiences in oilfield services. With a better understanding on China market, and strict risk management policy, we believe that we will seize the opportunities and overcome the challenges.

STRATEGIC TARGET

COSL aims at becoming an international first-class energy services provider with Chinese characteristics. The Company has formulated five development strategies of technology-driven, cost leadership, integration, internationalization and regional development. To achieve this, the Company insists on working in a sustainable operating model, targets on balancing the development of economic, society and environment and endeavors to provide our clients with safe, high quality, effective and eco-friendly full life-cycle services, striving for a win-win benefit with our shareholders, clients, staff and business partners.

CORPORATE GOVERNANCE

Corporate governance of COSL includes not only those set out in the Corporate Governance Code of Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company Law of PRC and the Articles of Association of the Company, but also stricter and self-established standards.

Content

COSL
2021 ANNUAL REPORT
Forging Ahead
With Resilience and Ambition

Business Overview

COSL not only provides services of single operation for the customers, but also offers integrated project and one-stop solution services.

2021 PERFORMANCES

Total revenue:
RMB
29,168.5
million

Profit from operations:
RMB
1,541.3
million

Profit for the year:
RMB
322.1
million

Basic earnings per share:
RMB
6.56
cents/share

Total assets:
RMB
73,311.7
million

Total equity:
RMB
38,216.3
million

DOMESTIC

The Company maintains the leading position in China oilfield services market and provides drilling services, well services, marine support services and geophysical acquisition and surveying services for oilfield surveying and development.

INTERNATIONAL

In 2021, the Company achieved breakthroughs in exploring new businesses, markets and customers on the basis of the traditional international operation markets.

Asia Pacific region: Businesses involve geophysical services, drilling, logging, directional drilling, cementing, drilling & completion fluids, well completion, work-over services, stimulation, marine support services and product sales.

Middle East region: Businesses involve drilling, logging, directional drilling, cementing, drilling & completion fluids, well completion, work-over services, stimulation and product sales.

America region: Businesses involve drilling, cementing, drilling & completion fluids, logging, geophysical services, marine support services and product sales.

Europe region: Businesses involve drilling services and related services.

Africa region: Businesses involve integrated services of land drilling and completion, land wireline logging and TCP, land cementing and drilling & completion fluids.

The Far East region: Businesses involve drilling services and related services.

Financial Highlights

Unit: RMB million

	2021	2020	Change %
Revenue			
Domestic revenue	24,552.9	21,513.5	14.1
International revenue	4,615.6	7,411.8	(37.7)
Total	29,168.5	28,925.3	0.8
Operating expenses	(28,184.5)	(25,221.4)	11.7
Profit from operations	1,541.3	4,141.9	(62.8)
Profit before tax	1,089.6	3,378.7	(67.8)
Income tax expense	(767.5)	(660.4)	16.2
Profit for the year	322.1	2,718.3	(88.2)
Basic earnings per share (cent/share)	6.56	56.65	(88.4)
Net assets per share (RMB/share)	8.0	8.1	(1.2)
Ratio			
Return on equity (%)	0.8	7.2	
Return on asset (%)	0.4	3.6	
Gearing ratio (%)	42.3	42.9	
Price/Earnings ratio	85.1	9.7	
Dividend yield (%)	2.7	3.1	
Dividend payout ratio (%)	228.5	30.0	

Notes:

1. *Return on equity = Net profit for the year/(total equity at the beginning of the period + total equity at the end of the period)/2*
2. *Return on asset = Net profit for the year/Average total assets*
3. *Gearing ratio = Net debt at the end of the period/(total capital at the end of the period + net debt at the end of the period)*
4. *Price/Earnings ratio = Closing share price of H shares on the last trading day of the year/Earnings per share*
5. *Dividend yield = Dividends per share/Closing share price of H shares on the last trading day of the year*
6. *Dividend payout ratio = Dividends/Earnings attributable to ordinary equity holders of the Company during the year*

FIVE-YEAR FINANCIAL POSITION REVIEW

Unit: RMB million

Major financial data and indicators	2021	2020	Change over the same period last year (%)	2019	2018	2017
Revenue	29,168.5	28,925.3	0.8	31,075.8	21,886.6	17,458.6
Profit from operations	1,541.3	4,141.9	(62.8)	3,895.2	643.5	1,468.0
Profit for the year	322.1	2,718.3	(88.2)	2,528.0	88.7	80.9
Basic earnings per share (cent/share)	6.56	56.65	(88.4)	52.44	1.48	0.90
	As at the end of 2021	As at the end of 2020	Change over the end of the same period last year (%)	As at the end of 2019	As at the end of 2018	As at the end of 2017
Total equity	38,216.3	38,688.8	(1.2)	36,910.3	34,677.4	34,687.5
Total assets	73,311.7	75,942.3	(3.5)	76,101.8	74,687.0	73,941.3

Chairman's Statement

Zhao Shunqiang
Chairman and Chief Executive Officer

Dear Shareholders,

In 2021, amid the slow recovery of global economy and the recurring COVID-19 pandemic (hereinafter "Pandemic") due to the variants of the virus, the impact of the "carbon peaking and carbon neutrality" policy on the energy industry was further deepened, without radical improvements of oversupply in the oilfield service market and more challenges from the transformation of the oilfield service industry. In the face of the new changes brought about by the domestic and international "dual circulation" development pattern, the new impact of technological innovation and industry changes and the new challenges as a result of the accelerated transformation of the global energy industry, the Board of COSL has reviewed, analyzed and assessed the current situation, adjusted the strategic targets and development direction from time to time based on through analysis on characteristics of the Company and scientifically formulated and practiced the five development strategies of "technology-driven", "cost leadership", "integration", "internationalization" and "regional development", achieving new results of high-quality development and laying a solid foundation for the goal of building an international first-class energy service company on the whole.

I. PROMOTING HIGH-QUALITY DEVELOPMENT WITH FIVE DEVELOPMENT STRATEGIES

In 2021, the Company established five development strategies, strengthened the production and operation capabilities, established a new integration model that creates value for customers, adds value to the Company's business and resists industry risks, formed competitive advantages of integrated service, gradually built a systematic, structural and long-term cost reduction and efficiency enhancement mechanism, kept the first driving force of scientific and technological innovation, and prioritised cultivating overseas markets and green development, pushing forward the Company's high-quality development into a new journey.

The Company adheres to the leading technology-driven strategy, shapes the core competitive advantages, adheres to the cost leadership strategies, and builds a basic competitive platform. The Group persists in the new integration strategies and accumulates potential energy for the system linkage. The Group perseveres in the internationalization strategies to adapt to the external environment of the industry. The Group adheres to the regional development strategies and lay a solid foundation for international business, and promotes industrial transformation and upgrading through green and low-carbon development to build a security system for high-quality development. The Company strengthens risk prevention management, improves risk identification and control ability, enhances the breadth and depth of internal control supervision, and promotes the reform of modern corporate governance system to stimulate the intrinsic vitality of high-quality development.

II. COMPREHENSIVE IMPROVEMENT OF GOVERNANCE EFFECTIVENESS AND CONTINUOUSLY STRENGTHENED RISK PREVENTION AND CONTROL

In 2021, the Company continuously improved the management authority of the Board, optimized the corporate governance system and promoted the process of modernizing the corporate governance capacity, implemented strategic restructuring and functional reorganization, deepened reform and innovation and organizational change, and created an organizational structure that highly matches the development strategy. The Company strengthened external risk assessment, enhanced risk prediction and response capability; continued to improve risk control mechanism, established a consistent, horizontal and collaborative risk control system, promoted QHSE information construction, strictly controlled safety risks, steadily improved operation services and product quality, with a OSHA recordable event rate of 0.08. In 2021, there were changes in the members of the Board and Senior Management of the Company due to the expiration of the terms of office, departure or retirement of certain Directors and Senior Management. At present, the composition of the Board of the Company complies with the principle of diversity of directors and the Company has fully considered factors such as profession, experience, gender and specialties when nominating candidates for Directors. Each Director makes prudent decisions on important matters and fully protects the interests of shareholders. The three Independent Directors provide professional opinions and views in different fields in the decision-making process, which ensures the standardized and efficient operation of the Board. Senior Management performs their duties and responsibilities diligently and fully participates in all aspects of corporate governance and operation of the Company, which effectively guarantees and enhances the effectiveness of the Board in making and executing decisions.

III. ADHERENCE TO THE GUIDANCE OF TECHNOLOGY-DRIVEN STRATEGY WITH THE GOAL OF FORMING CORE COMPETITIVE ADVANTAGES

In 2021, the Company insisted on technology innovation as the first driving force, launched new R&D systems and continued to enhance the stability of independent high-end technology. The self-developed seismic acquisition equipment has efficiently completed the first small trace interval towing high-density 3D seismic acquisition operation in China; the new seismic processing technologies such as double demodulators geophone merge of full information were used in the new findings of reserves; the amount of ultra-high temperature and high pressure wireline logging operations has doubled and many ultra-high difficulty operations have been completed; the "Xuanji" system has formed a full range equipment system and operational capability, doubled the scale of equipment, reached the international advanced level of well entry success rate, and successfully entered the overseas market. the deep-water HEM drilling fluids, full-liquid low-hydration heat cementing system enabled "Shen Hai Yi Hao" gas field to be successfully put into operation; the independent fracturing technology such as high temperature seawater-based fracturing fluid has been successfully applied, providing effective supports for customers to discover the proven reserves.

IV. IMPLEMENTING NEW INTEGRATED STRATEGIES AND OPTIMISING OVERSEAS MARKET LAYOUT

In 2021, the Company adhered to new integrated strategies, and built the systematic and potential energy with coordination so as to rapidly expand its systematic capacities for high-quality development. Associated with internationalization and regional development strategies, the Company continuously optimized the performance of overseas markets, and built a regional layout more adapted to the needs of international operation and development, achieving rapid overseas development with high-quality. In 2021, the Company focused on the rebound of the oilfield service industry, concentrated on developing overseas markets, and completed the 3D seismic acquisition project for South American customers with high quality and efficiency, which shaped the outstanding overseas brand image of the Company. From the perspective of customer demand and effective resource allocation, the Company has signed more than 100 new overseas contracts and supplemental agreements through coordination with customers and internal and external linkage, realizing increased overseas contracts in terms of quality and quantity. For instance, the Company won bids for projects of drilling rig, directional drilling, wireline logging and cementing project in Asia Pacific market. The Company won bids of integrated projects in African market for cementing, mud, solids control, logging and perforation and drilling services in Uganda.

V. ADHERENCE TO SUSTAINABLE DEVELOPMENT IN ACCORDANCE WITH GREEN AND LOW-CARBON IDEOLOGY

In 2021, the Company deeply practiced the requirements of national ecological civilization construction, always adhered to the concept of sustainable development, insisted on integrating the concept of green low-carbon and cyclic development into the production and operation process, and continuously promoted the Company's environment-friendly and high-quality development mode. The Company implemented the decisions and works of "carbon peaking and carbon neutrality", practiced green development and transformation, strengthened green low-carbon top-level design, strove to develop green equipment to replenish our new energy safeguards, sped up the involvement in the new energy industry chain, optimized the business layout and promoted the transformation, and made further progress towards the goals under "carbon peaking and carbon neutrality". The Company optimized the governance system of sustainable development, continuously improved the competitiveness of corporate responsibility, established a sound environmental protection system, promoted the standardization of environmental protection work, strengthened the management of pollution prevention and control, and focused on ecological environment and resource protection. The Company firmly fulfilled corporate social responsibility, made great efforts to fight against the Pandemic and actively participated in maritime salvage. The Company fully complies with the ten principles of the United Nations Global Compact and the latest requirements of regulatory bodies. In 2021, the Company has been listed in the Hang Seng Sustainability Index for consecutive years, and has been highly recognized by the capital market for its outstanding performance and governance. The Company won numerous honors including the "Best Listed Company Award", "Best Corporate Leader Award", "Chinese Business Top 100 Award", "Outstanding Listed Company Award" and "Best ESG Case Award of Chinese Enterprises".

Dear shareholders, in 2021, under the background of the slow recovery of the global economy, the continuous fluctuation of oil prices and the accelerating transformation in energy industry, the Board and management of the Company scientifically researched and evaluated, efficiently coordinated, and promoted the Company's Pandemic prevention and control, production and operation, and strategic deployment with high quality, leading all employees to strive to achieve stable operation and favorable development achievements. In 2022, under the leadership of the Board and management, the Company will fully implement the new development concept, deeply practice the development strategy, adhere to the leadership of technology-driven strategy, consolidate and enhance core competitive advantages, continue to carry out cost reduction and efficiency improvement, reshape cost leadership advantage, closely focus on the Company's positioning of providing lifecycle services for customers, and implement the new strategy of energy security. The Company will actively implement the "Belt and Road" initiative, optimize the strategic layout and regional layout of overseas development, deeply cultivate regional markets, adhere to green and low-carbon development, actively promote business transformation and upgrading, continuously strengthen risk identification and control, deepen the reform of corporate governance institutions, systematically improve the corporate governance system, build international first-class corporate governance capabilities, and start a new journey to build a world-class energy service company, aiming to create new value and greater return for shareholders, customers and society with higher quality development and better operation performance.

Zhao Shunqiang
Chairman and Chief Executive Officer
24 March 2022

Management Discussion and Analysis

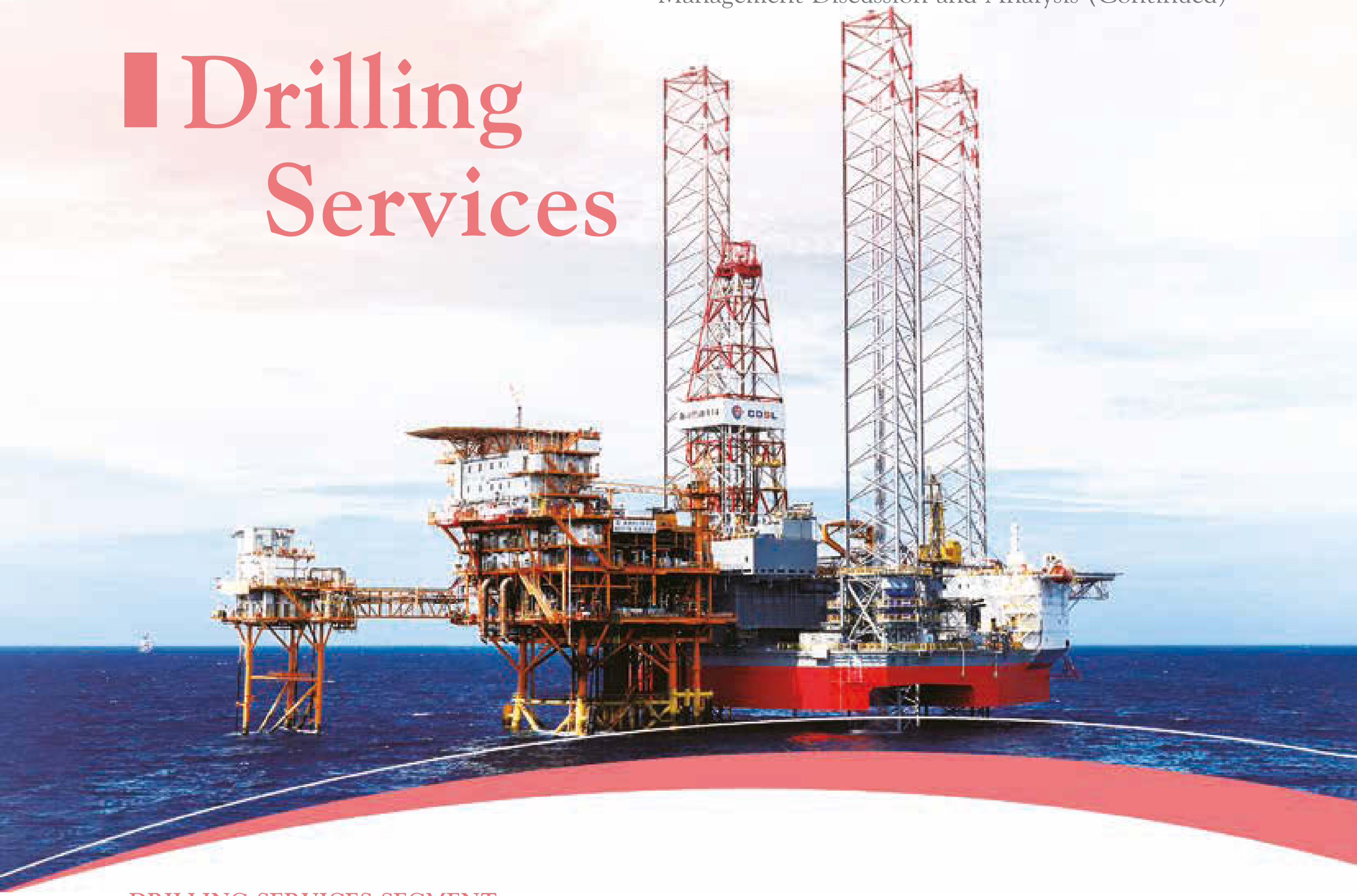
INDUSTRY DEVELOPMENT OVERVIEW FOR 2021

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 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



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 Energy AS (hereinafter "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. The Company "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

Drilling Services

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.

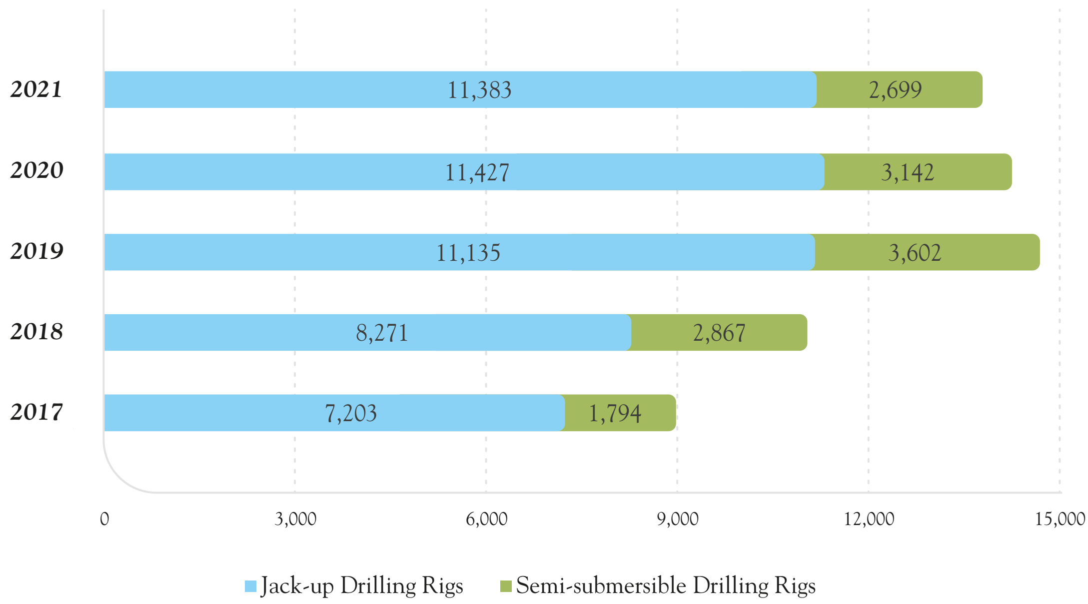
In 2021, the Company's jack-up drilling rigs operated for 11,383 days, representing a year-on-year decrease of 44 days; semi-submersible drilling rigs operated for 2,699 days, representing a year-on-year decrease of 443 days. Operational details are as follows:

	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%.

Drilling Services

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

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

Well Services

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 satisfied all specifications of on-site operation, achieving a major breakthrough in the success rate of entering the well, and enabling 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

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.

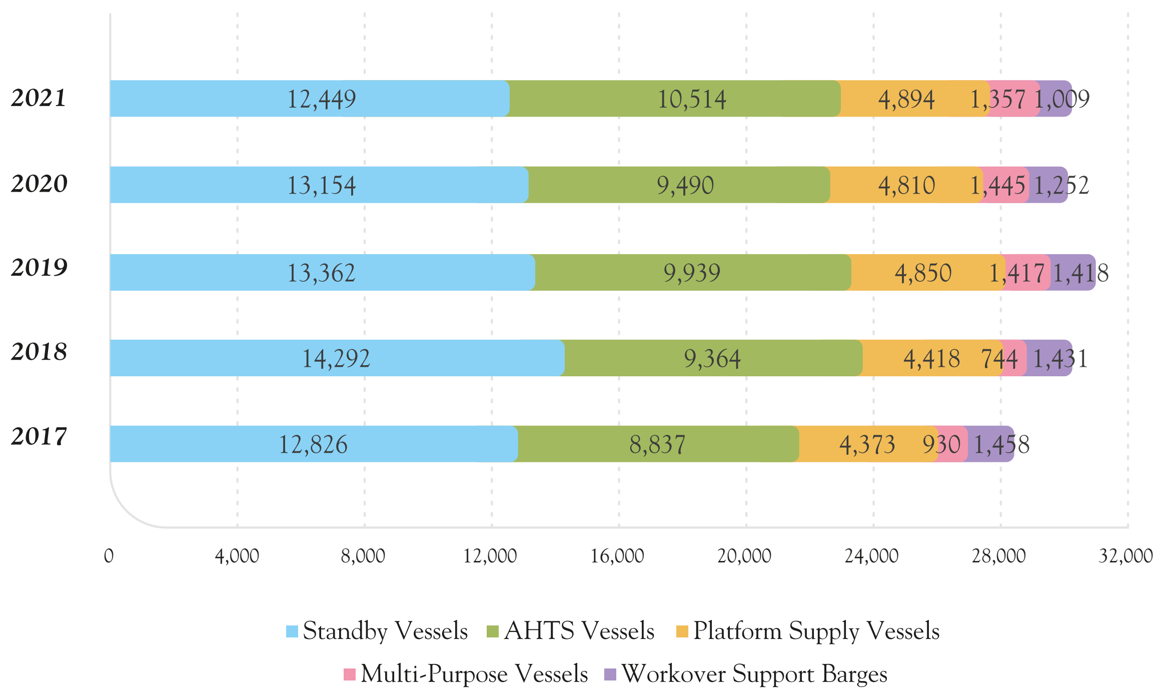
The Company focused on the traditional marine support services, strengthened the basic safety management, broadened the development path under the new situation, flexibly coordinated equipment resources, made full use of the production capacity of equipment, actively fulfilled social responsibility, 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.

Marine Support Services

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

GEOPHYSICAL ACQUISITION AND SURVEYING SERVICES SEGMENT

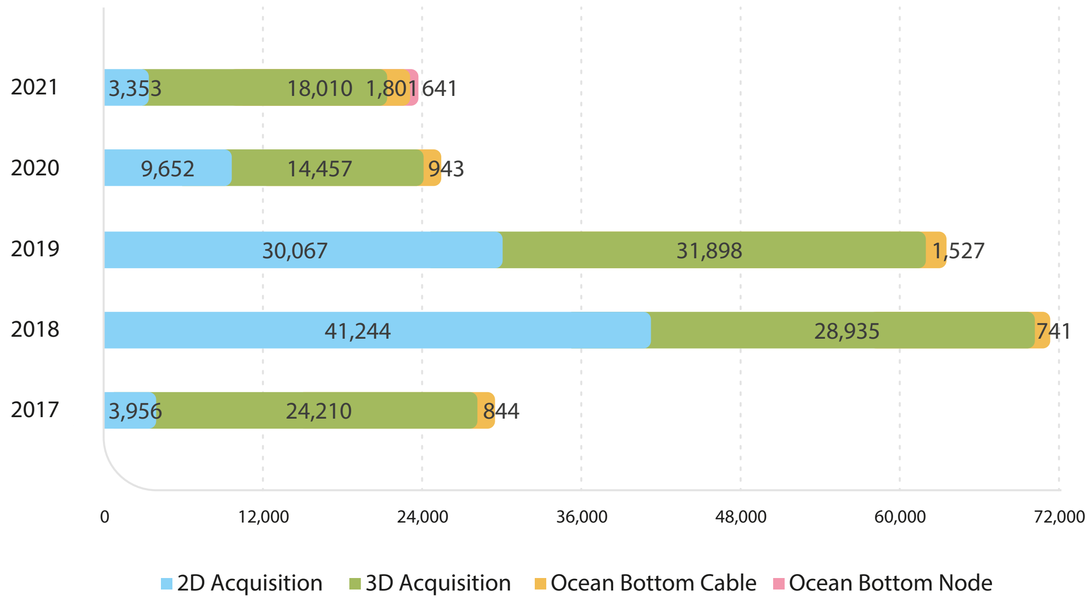
The Company is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical. At the end of 2021, the Company owns 5 towing streamer seismic vessels, 4 submarine seismic vessels, 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 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.

Geophysical Acquisition and Surveying Services

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, which engage 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%

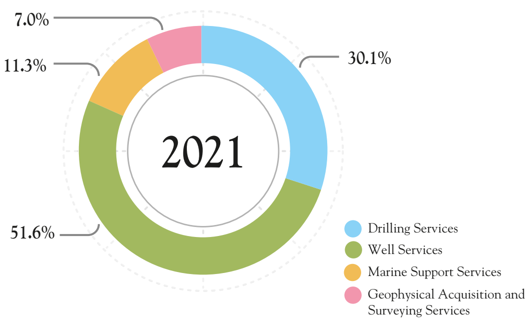
- Revenue generated from drilling services decreased by 23.5% as compared with last year, which included the receipt of US$188 million settlement income from Equinor in the same period of 2020.

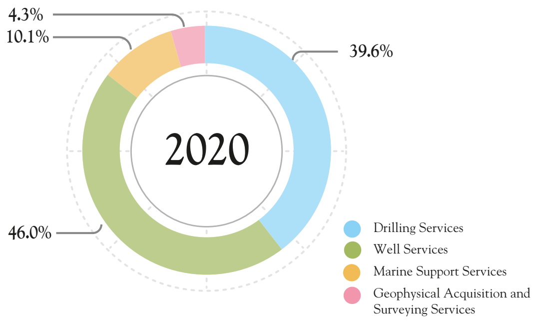
- Revenue from well services increased by 13.3% as compared with last year, which was mainly due to the recovery of operations in various businesses.

- 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





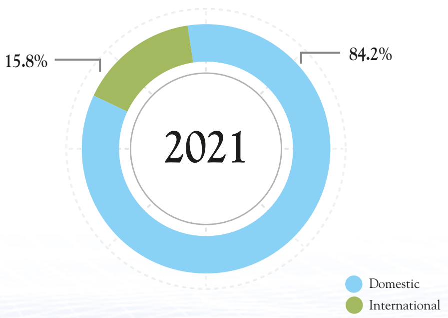
Analysis by operation area

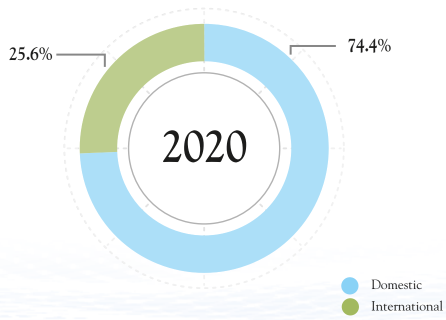
Unit: RMB million

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%

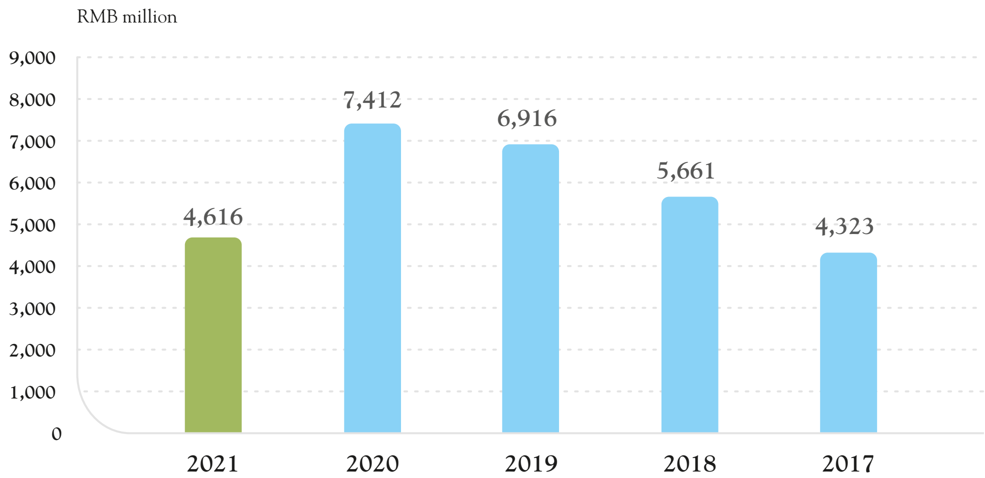
In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 84.2% of the Group's total revenue. In 2021, the Group's international business recorded revenue of RMB4,615.6 million (compared with RMB7,411.8 million over last year, representing a decrease of 37.7%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

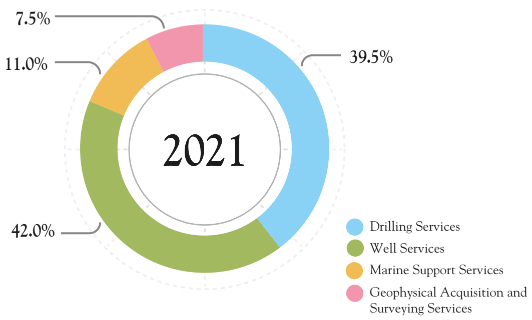
Other operating expenses in 2020 amounted to RMB1,333.7 million, of which the travel expenses amounted to RMB320.2 million, accounting for 24.0%; health, safety and environmental protection expenses amounted to RMB251.7 million, accounting for 18.9%; business trip expenses amounted to RMB165.9 million, 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.

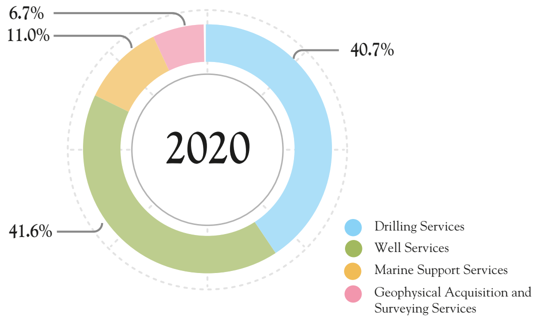
The operating expenses for each segment are shown in the table below:

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.

Accounts	2021	2020	Change	Percentage Change	Reasons
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.
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 38 to the consolidated financial statements of this annual report.

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 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 five development strategies: 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.

Corporate Governance Report

As a domestic and overseas listing company, the Company has reviewed the compliance with the Corporate Governance Code (hereinafter referred to as the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (hereinafter referred to as the "Listing Rules") and the regulatory documents on listed companies issued by China Securities Regulatory Commission. Upon the review, the Board is of the view that the corporate governance of the Company has generally met the requirements set out in the Code and the regulations during the reporting period. During the 12 months ended 31 December 2021, the Company has complied with the principles and code provisions as set out in the then Code in Appendix 14 of the Listing Rules (formerly referred to as the Corporate Governance Code and Corporate Governance Report, hereinafter referred to as the "Former Code"), and also explained the implementation of Code provision C.2.1 (namely the provision A.2.1 of the "Former Code").

The Board is of the view that the improvement in corporate governance in 2021 was mainly reflected in the following aspects:

1. Promote the implementation of the comprehensive risk management framework, strengthen the assessment of external risks and strategic risks, and improve and enhance strategic risk prediction and response capabilities of the Company in consideration of the environment and future development trends in oilfield service industry.

2. Optimize the risk prevention procedures, complete the risk prevention system, revise the Internal Risk Control and Audit Management System, further improve the complaint process and smooth the complaint channels; improve the risk identification system, perfect and update risk concerns, and continuously improve risk management and control capabilities.

3. Focus on the changes in the new securities law and regulatory rules, deepen reforms, strictly govern the corporate, continuously improve the management authority of the Board of Directors and the corporate governance system, promote the efficiency of corporate governance, and actively adapt to the higher requirements of new regulatory changes on corporate governance, information disclosure, inside information and others.

4. Deeply implement the Company's development strategy, keep abreast of the impact of energy transformation on the development of the Company, strengthen the prevention and response to exchange rate risks, legal risks and cash flow risks, endeavor to construct digitization, informatization and intelligentization, and continue to promote the Company's high-quality development and improve profitability.

5. Continuously improve information disclosure and investor relationship, enhance the management and registration of inside information. The Company attaches great importance to information disclosure, strictly abides by the requirements of information disclosure laws and regulations, and publishes regular reports and temporary announcements in accordance with the law. According to the industry environment and actual operation situation, the Company timely made risk alerts to investors in its regular report, expressing the sincerity to be accountable to investors and the idea of offering maximum protection to small and medium investors. During the reporting period, the Company carried out inside information and insider management and registration in accordance with regulatory requirements and Company rules, enhanced the inside information management mechanism based on the latest regulatory requirements, improved the awareness of inside information insiders' compliance, and accomplished the registration of inside information and insiders. During the reporting period, there was no evidence of insiders using inside information to buy or sell company shares.

In 2021, the Company won "China Listed Company Best Investor Relations Award" in the 12th Management Forum for Investor Relations of Chinese Listed Companies; won "Outstanding Listed Company Award 2021" at the 10th China Finance Summit; and awarded the "A" category (Excellent), the highest evaluation of information disclosure among Shanghai Stock Exchange Main Board Listed Companies 2020-2021; it was included into "Central Enterprises ESG-Vanguard 50 Index" published by the SASAC of the State Council and the Responsibility Cloud Research Institute; and was included in the Hang Seng (China A) Corporate Sustainability Benchmark Index for ten consecutive years as well as the Hang Seng Corporate Sustainability Benchmark Index for eight consecutive years; won "ESG Best Practice Award for Chinese Enterprises 2021" at the "2021 Cailian Press·ESG Summit"; won the"China Business Top 100 Awards 2021" at the 21th China Business Top 100 Listed Companies Summit & the 7th Forum for Comprehensive Development of Chinese Top 100 Cities; awarded the "Best Listed Company" award and "Best Business Leader Award" in the 2021 China Financial Market Award Gala organized by "China Finance"; and received the "ESG Award" in 2021 Golden Quality Award for Listed Companies organized by Shanghai Securities News.

(I) DIRECTOR'S INVOLVEMENT IN SECURITIES TRANSACTIONS

Following specific enquiries with all directors, the Board confirmed that during the 12 months ended 31 December 2021, the provisions of the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules were observed. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code. In addition, directors, supervisors and senior management of the Company confirmed that during the 12 months ended 31 December 2021, they complied with the "Management Rules with regard to the Holding of and Changes in Company Shares by Directors, Supervisors and Senior Management of Listed Companies" regulated by the China Security Regulatory Commission.

(II) PERFORMANCE OF THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

The composition of the Board of Directors during 2021 and on the date of this report is as follows:

Chairman:	Zhao Shunqiang
Executive Directors:	Zhao Shunqiang Yu Feng (appointed at the 2021 First EGM)
Independent Non-executive Directors:	Wong Kwai Huen, Albert Lin Boqiang Chiu Lai Kuen, Susanna (appointed at the 2020 AGM)
Non-executive Directors:	Wu Wenlai (appointed at the 2021 First EGM) Liu Zongzhao (appointed at the 2021 First EGM)

2. The Roles of the Board of Directors and the Management

The Articles of Association of the Company clearly define the duties and functions of the Board of Directors and the Management. The division of functions is consistent with those disclosed in the Corporate Governance Report 2020 (for details, please search our website for Articles of Association of the Company or Annual Report 2020).

The duty and authority of the Board in the Articles of Association of the Company are consistent with those disclosed in the Corporate Governance Report 2020 (for details, please search our website for Articles of Association of the Company or Annual Report 2020).

Besides, the Company has a specified system to divide responsibilities between the Board and the management towards making investment decisions: all equity investment shall be approved by the Board (approval from shareholders is required if such investment exceeds a certain amount); traditional fixed-asset investment projects with an investment amount of more than RMB300 million (inclusive) or non-traditional fixed-asset investment projects with an investment amount of more than RMB100 million (inclusive) may be approved by the Board.

3. Board Meetings

The Board of Directors convened five meetings during the year. Please see Table I of this Report for details of Board meeting attendance and general meeting attendance of directors. For other items not within the scope of the regular Board meeting's agenda and require approval from the Board, the Chairman may serve to the members of the Board the proposed resolutions in written form in accordance with the related requirements of the Articles of Association, and the items will become valid resolutions upon signing by the directors which meets the quorum as stated in the Articles of Association. To create more opportunities for the Independent Non-executive Directors to express their views and make recommendation in respect of the Company's affairs, the Chairman hold several meetings with Independent Non-executive Directors in the absence of Executive Directors every year so as to listen to the advice of Independent Directors in respect of the corporate governance and management (this practice has adopted the Code provision C.2.7 (namely the provision A.2.7 of the "Former Code")). In the year of 2021, one meeting was held in such regard. The Board is of the view that meeting proceedings and resolutions of the Board complied with requirements of laws, regulations and the Articles of Association, which ensured prudent discussion by Directors before making decisions on material items, and performance of integrity and due diligence and act in the interests of the Company and shareholders as a whole by Directors in the related decision making process. Please see Table II for detailed resolutions adopted by the Board in the year of 2021.

4. Performance of Independent Directors

The Board currently has three Independent Directors. All of them have rich professional experience in the fields of accounting, law and finance, and are very familiar with the operation of board of directors and duties of independent directors of listed companies. During the reporting period, the Independent Directors effectively performed their due diligent and attentive responsibilities as directors, and provided various professional advice to the Company, especially in the review of financial reports, the review of connected transactions, the internal control system and the management of risks, among which, please see section VII of this report for details of related reviews of financial reports and the internal control system, as well as sections V and VI of this report for other relevant work. In 2021, the independent directors reviewed the Company's change of auditors and the provision for asset impairment and others and expressed their independent opinions. Please see the section headed "Summary of General Meetings" of this annual report for the details of the Independent Directors' attendance of the general meetings during the reporting period. Please see Table I of this report for details of Board meetings and special committee meeting attendance of Independent Directors.

During the reporting period, Independent Directors did not have any objection to resolutions of the Board for the year or any other items (other than resolutions of the Board) of the Company.

5. Policy on Diversification of Board Composition

The Board of Directors held discussion with regards to the diversification policy of Board composition, and considered it could play a positive role for the Company in recruiting different types of talents, improving corporate governance level and achieving sustainable development to the largest extent. The Board considered that the Company should have different perspectives at the time of selecting Directors (measurable objectives include but not confined to factors of educational background, professional experience, age, gender, location and race, etc.), so as to achieve and maintain a policy of diversification among the directors. The Board will endeavour to implement and promote the policy of board diversification. Each year, the Nomination Committee of the Company will be responsible for monitoring the implementation of this policy and making recommendations to the Board on assessing the implementation process at an appropriate time. The Company carried out the nomination and election of Directors in 2021 (Mr. Yu Feng was appointed as an Executive Director of the Company, Ms. Chiu Lai Kuen, Susanna was appointed as an Independent Non-executive Director of the Company, Mr. Wu Wenlai and Mr. Liu Zongzhao was appointed as Non-executive Directors of the Company), and the Nomination Committee considered that when the Company handled the Director nomination process, the policy of diversification of Directors was adequately considered.

6. Internal control and risk management

The Company has established and continuously improved the risk management and internal control systems to prevent that the Company may face. The Company has established a hierarchical organizational structure for the Board and its affiliated Audit Committee, headquarter departments and direct units to ensure the effective operation of internal control and risk management. The Board is responsible for the risk management and internal control systems, and has the responsibility to review the effectiveness of the systems and conduct a review of the risk management and internal control systems once a year.

In terms of internal control, the Company has established 14 internal control systems covering the headquarter of the Company and domestic and overseas units at all levels in line with the "Basic Norms for Internal Controls of Enterprises" and "Guidelines for Enterprise Internal Control Support" issued by the government, and the requirements for listing supervision. The Company continued to carry out system optimization such as "Planning, establishment, modification, abolition, interpretation and evaluation", aiming to ensure the scientific, adaptable and compliance of the internal control system. Since 2012, the Company has checked and evaluated the effectiveness of internal control operations through daily internal control inspections and annual internal control evaluations. The Board meeting held by the Board of the Company in early 2022 evaluated the effectiveness of the 2021 internal control evaluation. The Board assessed that the Company's internal control system was sound and its implementation was effective, and no major deficiencies in the design or implementation of the Company's internal control were found.

In terms of risk management, the Company established a comprehensive risk management organization system, formulated comprehensive risk management systems including the "Comprehensive Risk Management Measures", the "Management of Reports on Major Business Risk Events", the "Management of Response on Major Business Risk Events". The Company organizes annual risk identification and assessment and reports the annual risk control to the Board. It also conducts quarterly comprehensive risk identification and assessment and submits the "Quarterly Comprehensive Risk Management Report" to the Board. The Company actively carries out special investigation and control of major risks, continuously strengthens risk identification and early warning capabilities; establishes and improves comprehensive risk emergency management mechanism, and continuously improves emergency response capabilities. We continuously improve the effect of coordinated risk management control, systematically inspect the operation of the Company's risk research and judgment mechanism, decision-making risk assessment mechanism, risk prevention and control coordination mechanism, and risk prevention and control responsibility mechanism, and continue to improve our ability and level of prevention and resolution of major risks.

7. Directors and General Meetings

Particulars of General Meetings convened by the Board and the particulars of the participation of directors during the reporting period were set out in the section "Summary of General Meetings" of this annual report. In the opinion of the Board, the Company complied with all requirements of resolution of the General Meeting during the reporting period. The Board reviewed the implementation of the resolution passed at the General Meeting by the Company, and considered there was no problem occurred in the implementations of the resolution of General Meeting.

8. Other Matters

During the reporting period, the number and qualifications of independent non-executive directors of the Company were in compliance with Rule 3.10 (1) and (2) and Rule 3.10A of the Listing Rules and the independence of the current independent non-executive directors of the Company is in compliance with the requirements set out in Rule 3.13 of the Listing Rules. Apart from working relationship, there is no material relationship between the Directors, supervisors and senior management of the Company in relation to financial, business, family or other aspects.

The Board is responsible for the corporate governance functions of the Company, and regularly reviews the corporate governance practices to ensure that the Board fully performs the corporate governance responsibilities contained in the Code provision A.2.1 (namely the provision D.3.1 of the "Former Code").

(III) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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 (namely the provision A.2.1 of the "Former Code"), 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 can help to meet the Company's overall production and operation needs in current phase, and guarantee the effective formulation and vigorous promotion of the Company's strategies. 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.

(IV) TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of Mr. Wong Kwai Huen, Albert is three years since the 2018 AGM. The term of office of Mr. Lin Boqiang is three years since the 2019 AGM. The terms of office of Ms. Chiu Lai Kuen, Susanna is three years since the 2020 AGM. The term of office of Mr. Wu Wenlai is three years since the 2021 First EGM. The term of office of Mr. Liu Zongzhao is three years since the 2021 First EGM.

(V) DIRECTORS' REMUNERATION

1. The Composition and Functions of the Remuneration and Assessment Committee

(1) The Remuneration and Assessment Committee of the Company consists of four members, all of them are non-executive directors, namely Wong Kwai Huen, Albert, Lin Boqiang, Chiu Lai Kuen, Susanna and Wu Wenlai. Three of them are independent non-executive directors. Wong Kwai Huen, Albert acts as Chairman.

(2) The functions of this committee are to formulate the standard for assessing the performance of directors, supervisors and senior management and to conduct such assessment, formulate and review the remuneration policy and scheme for directors, supervisors, and the senior management. The committee studies and discusses the above matters and makes recommendations to the Board, and the Board reserves the final decision in respect of the above matters (please refer to documents of relevant Terms of Reference under the section of Corporate Governance on the Company's website).

2. The work of the Remuneration and Assessment Committee during the year

During the reporting period, the committee held two meetings (please see Table I for meeting summaries) to review and approve the remuneration of directors, supervisors and senior management for the year 2020 as disclosed in the 2020 annual report of the Company, review and approve the key performance assessment of the management in 2021, and listened to the report on the performance evaluation of management in 2021.

(VI) NOMINATION OF DIRECTORS

1. The Composition and Functions of the Nomination Committee

(1) To ensure that the members of the Board possess of the professional experience and educational background as required for the business development of the Company and achieve and maintain the diversity of the Board, the Company established the Nomination Committee which would assess the implementation of policies and provide advices to the Board in due course. The Nomination Committee of the Company consists of three members, namely Lin Boqiang, Zhao Shunqiang, Wong Kwai Huen, Albert, and Lin Boqiang acts as Chairman.

(2) Major functions of the committee are to select and recommend candidates for directors and senior management of the Company and to recommend the standards and procedures for selecting such candidates (please refer to documents of relevant Terms of Reference under the section of Corporate Governance on the Company's website).

2. The work of the Nomination Committee during the year

During the reporting period, the Nomination Committee held four meetings (for details of the meetings, please see Table I), during which the nomination of directors, the selection of Chairman and the diversity policy of the directors were discussed, the independence of the independent directors was recognized, and the senior management was appointed.

(VII) THE AUDIT COMMITTEE

1. The Composition and Functions of the Audit Committee

(1) The Audit Committee consists of three members, namely Chiu Lai Kuen, Susanna, Wong Kwai Huen, Albert and Lin Boqiang. All of them are independent non-executive directors, and Chiu Lai Kuen, Susanna acts as Chairman.

(2) The functions of the Audit Committee are to review the accounting policy, financial position and financial reporting procedures of the Company; to review the internal control structure; to recommend and engage external auditing firm; and to be primarily responsible for the communication, supervision and review of the internal and external audits of the Company (please refer to documents of relevant Rules of Procedure under the section of Corporate Governance on the Company's website).

2. The Work of the Audit Committee during the year

During the reporting period, the Audit Committee held four meetings, for details of the meetings, please see Table I. The major work of the Audit Committee for the year is as follows:

(1) Reviewed the annual financial results of 2020, the first quarterly report, the interim financial results and the third quarterly report of 2021 of the Company. During the review process, the members performed sufficient and necessary communication with the Company's external auditors and the management of the Company and fulfilled the committee's duties in ensuring the Company's compliance with regulations, completeness and accuracy of the operating results disclosed by the Company.

(2) Reviewed, discussed and optimized the work for internal audit and risk management of the Company and considered and approved the 2020 annual internal audit report and the 2020 annual internal control assessment report of the Company. During the reporting period, the committee listened to the internal control and internal audit working report, required the Company to conduct risk management on material investment project and further improve internal audit coverage; strengthen the effective execution of internal and external audit in the spread of the Pandemic; optimize accounts receivable management and cash flow management.

(3) Reviewed the connected transactions and the provision for asset impairment of the Company. Enquired about the progress of the 2021 daily connected transactions, required the Company to strengthen the countermeasures under the influence of the spread of the Pandemic and changes in the international situation and carry out impairment assessment in thorough consideration of industry development.

(4) Regarding the change of the auditors, the committee unanimously approved the appointments of Ernst & Young Hua Ming LLP and Ernst & Young as domestic and international auditors of the Company for 2021.

(VIII) TRAINING FOR DIRECTORS

In June, the directors, supervisors and senior management of the Company participated in the "Special Training on State-owned Listed Companies" organized by China Association for Public Companies. In December, the directors, supervisors and senior management of the Company participated in the "Training on Corporate Governance of Listed Companies" organized by Tianjin Association for Public Companies.

(IX) BOARD SECRETARY

Ms. Wu Yanyan has resigned as the Board Secretary (and the Company Secretary) of the Company with effect from 28 October 2021 due to adjustment of work arrangements. On 21 January 2022, the Company convened the first meeting of the Board, appointed Mr. Sun Weizhou as the Board Secretary and Joint Company Secretary and appointed Ms. Ng Sau Mei as the Joint Company Secretary with effect from 21 January 2022. Biography of Mr. Sun Weizhou and Ms. Ng Sau Mei are set out in the section "Directors, Supervisors, Senior Management and Employees" in this Annual Report. The Board Secretary of the Company reports to the Chairman and Chief Executive Officer and makes recommendation to the Board in respect of completing corporate governance, improving the quality of listed companies, promoting the integration of functions and responsibilities of various corporate governance units, and strengthening Director training, etc., and continues to promote corporate governance compliance operation. For the year 2021, Ms. Wu Yanyan has confirmed that she has taken not less than 15-hour relevant and professional training.

(X) PROTECTION ON THE SHAREHOLDERS' INTERESTS

In respect of the protection on the shareholders' interests, shareholders of the Company may obtain relevant information in accordance with the requirements under the Articles of Association, including the personal information of the directors, supervisors and senior management of the Company, share capital of the Company, record of general meetings, Board resolutions, resolutions of Supervisor Committee and financial reports, and so on. The Company provides its contacts in regular reports and on the Company's website to facilitate smooth communication with its shareholders. Also, the Company makes a clear explanation for the procedures of calling an EGM or a class meeting by shareholders in the Articles of Association. For details of which, please refer to the Articles of Association published on the Company's website.

During the reporting period, the Company didn't make amendments to the Articles of Association. For details, please visit the Company's website.

(XI) THE REMUNERATION OF AUDITORS

In 2021, the Company has appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2021, and authorized the Board to fix their remuneration. The fees for the audit work provided by the auditors to the Company during the reporting period were as follows:

Auditing – The audit fees totaled RMB11.9124 million for audit/review of the annual and interim financial statements in 2021 and internal control.

(XII) RESPONSIBILITIES UNDERTAKEN

The Board of Directors acknowledges its responsibilities of preparing the account of the Company and the auditors have also explained their reporting responsibilities in the financial reports; the Board of Directors undertakes the responsibilities for the effectiveness of internal control of the Company and its subsidiaries and has completed the relevant review and assessment during the reporting period, and concluded that there were no material weaknesses in the internal controls of the Company and its subsidiaries; the Board of Directors confirms that, unless otherwise stated in this annual report, there are no major events and circumstances of uncertainty which may affect the operation of the Company as a going concern.

Table I: Board Meetings & Special Committee Meetings

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Board of Directors	24 March 2021	Yanjiao	Qi Meisheng, Zhao Shunqiang, Fong Chung, Mark, Wong Kwai Huen, Albert, Lin Boqiang, Xu Yugao, Zhao Baoshun	Qi Meisheng	Three supervisors attended as non-voting delegates
Second Meeting of Board of Directors	28 April 2021	Yanjiao	Qi Meisheng, Zhao Shunqiang, Fong Chung, Mark, Wong Kwai Huen, Albert, Lin Boqiang, Xu Yugao, Zhao Baoshun	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Third Meeting of Board of Directors	25 August 2021	Yanjiao	Zhao Shunqiang, Qi Meisheng, Wong Kwai Huen, Albert, Lin Boqiang, Chiu Lai Kuen, Susanna, Xu Yugao, Zhao Baoshun	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Fourth Meeting of Board of Directors	28 October 2021	Yanjiao	Zhao Shunqiang, Qi Meisheng, Wong Kwai Huen, Albert, Lin Boqiang, Chiu Lai Kuen, Susanna, Xu Yugao, Zhao Baoshun	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Fifth Meeting of Board of Directors	29 December 2021	Yanjiao	Zhao Shunqiang, Yu Feng, Wong Kwai Huen, Albert, Lin Boqiang, Chiu Lai Kuen, Susanna, Wu Wenlai, Liu Zongzhao	Zhao Shunqiang	Three supervisors attended as non-voting delegates
First Meeting of Audit Committee	23 March 2021	Yanjiao	Fong Chung, Mark, Wong Kwai Huen, Albert, Lin Boqiang	Fong Chung, Mark	One supervisor attended as non-voting delegates
Second Meeting of Audit Committee	27 April 2021	Yanjiao	Fong Chung, Mark, Wong Kwai Huen, Albert, Lin Boqiang	Fong Chung, Mark	One supervisor attended as non-voting delegates
Third Meeting of Audit Committee	24 August 2021	Yanjiao	Chiu Lai Kuen, Susanna, Wong Kwai Huen, Albert, Lin Boqiang	Chiu Lai Kuen, Susanna	One supervisor attended as non-voting delegates
Fourth Meeting of Audit Committee	27 October 2021	Yanjiao	Chiu Lai Kuen, Susanna, Wong Kwai Huen, Albert, Lin Boqiang	Chiu Lai Kuen, Susanna	One supervisor attended as non-voting delegates

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Remuneration and Assessment Committee	23 March 2021	Yanjiao	Wong Kwai Huen, Albert, Fong Chung, Mark, Lin Boqiang, Xu Yugao	Wong Kwai Huen, Albert	One supervisor attended as non-voting delegates
Second Meeting of Remuneration and Assessment Committee	29 December 2021	Yanjiao	Wong Kwai Huen, Albert, Lin Boqiang, Chiu Lai Kuen, Susanna, Wu Wenlai	Wong Kwai Huen, Albert	
First Meeting of Nomination Committee	23 March 2021	Yanjiao	Lin Boqiang, Qi Meisheng, Wong Kwai Huen, Albert	Lin Boqiang	One supervisor attended as non-voting delegates
Second Meeting of Nomination Committee	27 April 2021	Yanjiao	Lin Boqiang, Qi Meisheng, Wong Kwai Huen, Albert	Lin Boqiang	One supervisor attended as non-voting delegates
Third Meeting of Nomination Committee	24 August 2021	Yanjiao	Lin Boqiang, Zhao Shunqiang, Wong Kwai Huen, Albert	Lin Boqiang	One supervisor attended as non-voting delegates
Fourth Meeting of Nomination Committee	27 October 2021	Yanjiao	Lin Boqiang, Zhao Shunqiang, Wong Kwai Huen, Albert	Lin Boqiang	One supervisor attended as non-voting delegates

	Participation in Board Meetings							Participation in Shareholders Meetings
	Independent director or not	No. of Board Meetings Participations for This Year	No. of In-person Attendance	No. of Participation by Communication	No. of Delegated Attendance	No. of Absences	Whether or not absent from two consecutive meetings	No. of Shareholders Meetings Participations
Zhao Shunqiang	No	5	5	0	0	0	No	4
Yu Feng	No	1	1	0	0	0	No	0
Wong Kwai Huen, Albert	Yes	5	5	5	0	0	No	4
Lin Boqiang	Yes	5	5	5	0	0	No	4
Chiu Lai Kuen, Susanna	Yes	3	2	2	1	0	No	1
Wu Wenlai	No	1	1	0	0	0	No	0
Liu Zongzhao	No	1	1	1	0	0	No	0
Qi Meisheng	No	4	1	0	3	0	Yes	0
Fong Chung, Mark	Yes	2	2	2	0	0	No	0
Xu Yugao	No	4	4	3	0	0	No	0
Zhao Baoshun	No	4	3	1	1	0	No	3

Note: Mr. Qi Meisheng failed to attend two consecutive Board meetings in person due to other business matters, but he has authorised other Directors to vote on his behalf in respect of the resolution of Board meetings (the proxy shall vote in accordance with the terms of the written power of attorney).

Table II: Particulars of the Board resolutions

Meeting	Matters considered	
First Meeting of Board of Directors	1	Approving the resolution of the audited 2020 Financial Report (including the assets impairment) of the Company
	2	Approving the resolution of disclosure of results of the Company for the year 2020
	3	Approving the resolution of the dividend distribution plan of the Company for the year 2020
	4	Approving the resolution of providing guarantee to the subsidiaries and external third parties of the Company
	5	Approving the resolution of selecting domestic and international audit firms and submitting the same to the general meeting for consideration and authorizing the Board of Directors to approve their remunerations
	6	Approving the proposal for the Directors' Report and Corporate Governance Report of the Company for the year 2020
	7	Approving the resolution of the Sustainability Report of the Company for the year 2020
	8	Approving the resolution of the 2020 Assessment Report on Internal Control of the Company
	9	Approving the proposal to authorize the Board to further issue 20% of H shares at the general meeting
	10	Approving the proposal to authorize the Board to repurchase 10% of A shares and 10% of H shares at the general meeting
	11	Approving the resolution of Management Performance Assessment and Remuneration of Directors, Supervisors and Senior Management
	12	Approving the resolution of nominating Ms. Chiu Lai Kuen, Susanna as candidate for Independent Non-executive Director
	13	Approving the proposal for convening Annual General Meeting and Class Meeting
Second Meeting of Board of Directors	1	Approving the resolution of the 2021 First Quarterly Financial Report of the Company
	2	Approving the resolution of the 2021 First Quarterly results disclosure of the Company
	3	Approving the resolution of electing Mr. Zhao Shunqiang as the Chairman of the Company and appointing him as the Chief Executive Officer of the Company

Meeting	Matters considered	
Third Meeting of Board of Directors	1	Approving the resolution of the 2021 Interim Financial Report of the Company
	2	Approving the resolution of the 2021 interim results disclosure of the Company
	3	Approving the resolution of nominating Mr. Liu Zongzhao as a candidate for Non-executive Director
	4	Approving the resolution of the development strategy of the Company
	5	Approving the resolution of convening EGM
Fourth Meeting of Board of Directors	1	Approving the resolution of the 2021 Third Quarterly Financial Report of the Company
	2	Approving the resolution of the 2021 Third Quarterly results disclosure of the Company
	3	Approving the resolution of selecting Directors
	4	Approving the resolution of approving the Chairman to perform the duties of the Board Secretary
Fifth Meeting of Board of Directors	1	Approving the resolution of the 2022 wealth management amount of the Company
	2	Approving the resolution of issuing USD bonds by overseas wholly-owned subsidiaries of the Company in 2022 with guarantees provided by the Company

Summary of General Meetings

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
AGM 2020	1 June 2021	**As ordinary resolutions:** 1. To consider and approve the audited financial statements and the report of the auditor for the year ended 31 December 2020; 2. To consider and approve the proposed profit distribution plan and annual dividend plan for the year ended 31 December 2020; 3. To consider and approve the report of the directors of the Company for the year ended 31 December 2020; 4. To consider and approve the report of the supervisory committee of the Company for the year ended 31 December 2020; 5. To appoint Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors of the Company for the year 2021, respectively and authorisation to the Board to fix the remuneration thereof; 6. To consider and approve the resolution on the provision of guarantees by the Company for subsidiaries and external third parties of the Company; 7. To consider and approve the appointment of Ms. Chiu Lai Kuen, Susanna as an independent non-executive director of the Company. **As special resolutions:** 1. To consider and approve the resolution of granting the Board a mandate to issue further H shares representing up to 20% of the aggregate amount of the H shares in issue during the relevant period; 2. To consider and approve the resolution of granting the repurchase rights on 10% A shares and 10% H shares to the Board.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and Articles of Association. There were 14 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 3,024,114,466 shares or 63.38% of the voting shares. The aforesaid resolutions were approved by way of on-site and online voting by poll. Executive director, Mr. Qi Meisheng, non-executive director, Mr. Xu Yugao and independent non-executive director, Mr. Fong Chung, Mark could not attend the meeting due to other business and Chairman of the Supervisory Committee, Mr. Peng Wen could not attend the meeting due to other business, while all other directors and supervisors of the Company attended the AGM.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2021 First A Share Class Meeting	1 June 2021	**As special resolutions:** 1. To consider and approve the resolution of granting the repurchase rights on 10% of A shares and 10% of H shares to the Board.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and Articles of Association. There were 13 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 2,415,577,882 shares or 81.59% of the voting shares. The aforesaid resolutions were approved by way of on-site and online voting by poll. Executive director, Mr. Qi Meisheng, non-executive director, Mr. Xu Yugao and independent non-executive director, Mr. Fong Chung, Mark could not attend the meeting due to other business and Chairman of the Supervisory Committee, Mr. Peng Wen could not attend the meeting due to other business, while all other directors and supervisors of the Company attended the Class Meeting.	www.sse.com.cn www.hkex.com.hk
2021 First H Share Class Meeting	1 June 2021	**As special resolutions:** 1. To consider and approve the resolution of granting the repurchase rights on 10% of A shares and 10% of H shares to the Board.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and Articles of Association. There was 1 shareholder in attendance either in person or by proxy at the meeting, representing 619,152,584 shares or 34.19% of the H voting shares. The aforesaid resolution was approved by way of on-site voting by poll. Executive director, Mr. Qi Meisheng, non-executive director, Mr. Xu Yugao and independent non-executive director, Mr. Fong Chung, Mark could not attend the meeting due to other business and Chairman of the Supervisory Committee, Mr. Peng Wen could not attend the meeting due to other business, while all other directors and supervisors of the Company attended the Class Meeting.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2021 First EGM	28 December 2021	**As ordinary resolutions:** 1. To consider and approve the appointment of Mr. Yu Feng as an executive director of the Company; 2. To consider and approve the appointments of non-executive directors 2.1 To consider and approve the appointment of Mr. Wu Wenlai as a non-executive director of the Company; 2.2 To consider and approve the appointment of Mr. Liu Zongzhao as a non-executive director of the Company; 3. To consider and approve the re-appointment of Mr. Cheng Xinsheng as a supervisor of the Company.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and Articles of Association. There were 25 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 3,186,875,567 shares or 66.79% of the voting shares of the Company. The aforesaid resolutions were approved by way of onsite and online voting by poll. Executive director, Mr. Qi Meisheng, non-executive directors, Mr. Xu Yugao and Mr. Zhao Baoshun could not attend the meeting due to other business and Chairman of the Supervisory Committee, Mr. Peng Wen could not attend the meeting due to other business, while all other directors and supervisors of the Company attended the EGM.	www.sse.com.cn www.hkex.com.hk

Sustainability Report 2021

About This Report

This is the 16th annual report on sustainable development released by China Oilfield Services Limited (hereinafter referred to as "COSL", "the Company" or "we").

● Statement by the Board of Directors

The China National Offshore Oil Corporation (CNOOC) is a member of the UN Global Compact; by extension, as a member of CNOOC, COSL will comply with the UN Global Compact's 10 principles. The Board of Directors will facilitate the Company to fulfill its responsibilities, including the disclosure obligations of related information.

● Scope of This Report

This report covers the performance of COSL and its subsidiaries in aspects like economy, environment and social responsibilities. The time range of this report is from 1 January 2021 to 31 December 2021. Part of the content data is beyond the above range.

● Principle of This Report

During the preparation of this report, the principles of importance, quantification, and balance and consistency are followed to ensure that the information in this report is objective, standardized, honest and transparent.

● References

References for the preparation of this report include "Sustainability Reporting Standards" issued by the Global Reporting Initiative (GRI), the UN Global Compact's 10 Principles, the "Environmental, Social and Governance Reporting Guide" within Listing Rules and relevant consultation papers of provisions of the Listing Rules of Hong Kong Stock Exchange, the "Guidelines of Environmental Information Disclosure for Listed Corporations" issued by the Shanghai Stock Exchange, and the "Guide for Social Responsibility Report of China (CASS-CSR4.0)" from the Chinese Academy of Social Sciences.

● Sources of Information and Descriptions

All information used in the report was obtained from official Company documents and statistical reports. Unless otherwise stated, all financial information in the report is stated in RMB.

● Languages

This report is released in Chinese and English. The Chinese version shall prevail in case of any discrepancy.

● Access to the Report

This report is available in printed and electronic versions. For the electronic version, please visit the Company's official website (http://www.cosl.com.cn).

For information on COSL's corporate governance system, measures and results, please refer to the "COSL 2021 Annual Report – Corporate Governance Report".

About COSL

Company Profile

China Oilfield Services Limited is one of the world's leading energy service companies and dedicated to providing customers with full lifecycle services. The Company is listed on the Hong Kong and Shanghai stock exchanges, and has more than 50 years of experience in offshore oil and gas exploration, development and production. Its business currently encompasses geophysical surveying services, drilling services, well services, marine support services and integrated and new energy services. It has a strong offshore oil service equipment group. As well as providing single-operation services to customers, COSL also offers one-stop solution services using the best offshore oilfield technology. COSL's business has expanded to Asia Pacific, the Middle East, the Americas, Europe, Africa and the Far East, with activities taking place in more than 40 countries and regions around the globe.

Corporate Culture

Corporate Spirit

Always Do Better

Performance Guideline

Do Everything Diligently

Core Value

Win-win with shareholders, customers, employees and partners

Code of Conduct

Integrity, dedication, team work and self-discipline

Corporate Strategies

The Company focused on its strategy of "technology-driven", "cost leadership", "integration" and "internationalization" and "regional development" under new situation, and fully implemented the new development concept. Insisting on the shift from heavy assets to light assets & heavy technology and overall development idea of combining domestic and overseas markets as well as maritime and land operations, the Company focused on improving professional technical service and support ability, so as to accelerate technological innovation. We adhere to the path of internationalization, develop new energy business and promote digital transformation and intelligent development, striving to build an world-class energy service company with Chinese characteristics by 2030. The strategy implications are as follows:

Technology-driven strategy	● Always focus on basic scientific exploration, applied scientific verification, and industrial application guidance with perspective of the industry and development, so as to promote the systematization and standardization of research and development system, The Company will continue to enhance the core competitiveness of technology with greater determination and pragmatism and make technology development the core engine that drives the Company's development.
Cost leadership strategy	● Reshape the cost advantage, enhance the ability of cost control and formulate the Company's competitiveness. The Company deeply roots the concept of creating value for customers in its value and well integrates its business into the customer value chain. Relying on our efforts of creating added value for customers, we can improve customer investment efficiency and returns.
Integration strategy	● Taking comparative advantage of the Company's complete professional chain, increasing product categories and complete business chain, the Company re-understands, defines and expands the meaning of integration. Establish new integration model, so as to achieve benefits and efficiency to the greatest extent. Promote the development of integrated business of COSL and continuously provide value-added services for customers, making integrated services as breakthrough and value-added tool for the transformation and upgrading of various traditional businesses, so as to expand the main segment and increase market share for the Company.
International strategy	● Expand the simple market internationalization into the internationalization of global comprehensive governance, building a world-class governance ability and further developing the space for surviving and operating as the first-class energy service companies. Organically complement the domestic market with the international market for the Company's better development.
Regional development strategy	● Fully exploit domestic oil companies' comparative advantages of solid reserves management, fine reservoir engineering research and practical process technology, complemented by an all-round, fully integrated and partially integrated business model involving exploration, development, engineering and production, together with profitable models of service, product sales and equipment leasing, so as to promote the balanced development of the full range of businesses in the region and the implementation of global strategy with lower costs and risks.

Honours in 2021

2021.5

won the "Chinese Listed Companies Best Investor Relations Award" in the 12th Management Forum for Investor Relations of Chinese Listed Companies.

2021.8

won the "Outstanding Listed Company Award 2021" in the 10th China Finance Summit and 2021 Global Sustainable Business Conference.

2021.8

rated as "A" Category (Excellent), the highest evaluation of information disclosure among Shanghai Stock Exchange Main Board Listed Companies 2020-2021.

2021.9

selected as "Central Enterprise ESG-Vanguard 50 Index" published by SASAC and the Responsibility Liability Cloud Research Institute.

2021.10

selected as the "Hang Seng (China A) Corporate Sustainability Benchmark Index" for the tenth consecutive year, selected as the constituents of the "Hang Seng Corporate Sustainability Benchmark Index" for the eighth consecutive year.

2021.10

awarded "ESG Best Practice Award for Chinese Enterprises 2021" by the 2021 Financial Associated Press ESG Summit Forum Case Award".

2021.12

the Company won the "Chinese Business Top 100 Award 2021" at the 21st China Business Top 100 Listed Companies Summit and the 7th Forum for Comprehensive Development of Chinese Top 100 Cities.

2021.12

the Company was awarded the "Best Listed Company Award" and the "Best Business Leader Award" at the 2021 China Financial Market Award Gala organised by China Financial Market Magazine.

2021.12

awarded the "ESG Award" in 2021 Golden Quality Award for Listed Companies organised by Shanghai Securities News.

2021.12

awarded the "Best Listed Company at Social Responsibility"and the "Listed High-end Manufacturing Company with the Largest Growth" at the Reputation List of China Listed Companies 2021 of National Business Daily.

Business Development

Business Presence

Asia-Pacific: Singapore, Indonesia, Malaysia, Myanmar,Thailand

Middle East: Iraq, Saudi Arabia, Kuwait, United Arab Emirates

Europe: Norway, UK

Americas: Canada, Mexico, Brazil

Africa: Uganda

Business Scope

Geophysical Acquisition and Surveying Services

- Offshore Seismic data Acquisition Services
- Offshore Geo-surveying Services
- Seismic Data Processing & Interpretation
- Fundamental Construction

Drilling Services

- Offshore Drilling Rigs
- Modular Drilling Rigs
- Supporting Rigs
- Land Drilling Rigs
- Drilling Rig Management
- Oil Casing

Well Services

- Logging
- Drilling & Completion Fluids
- Directional Drilling
- Cementing
- Well Completion
- Workover
- Oilfield Production Stimulation
- Oilfield Waste Treatment

Marine Support Services

- Anchor Handling
- Towing
- Offshore Transportation
- Stand-by oil/gas fields
- Oil Lifting
- Fire Fighting
- Rescue
- Oil Spill Assistance

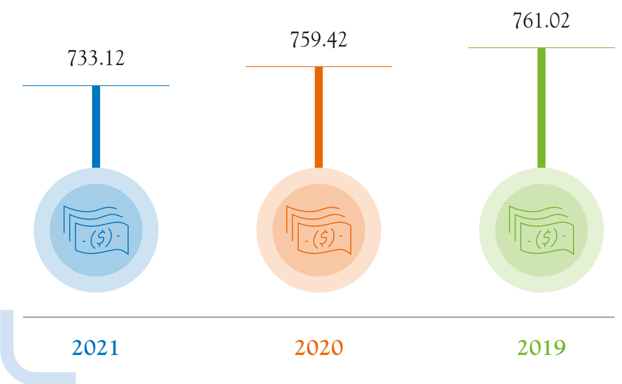
Integrated Operation Services and New Energy Services

- Integrated E&P Service
- Integrated Oilfield Management Service
- Integrated Drilling, Completion and Workover Service
- Integrated Disposal Service
- Offshore Wind Power Engineering Technical Service

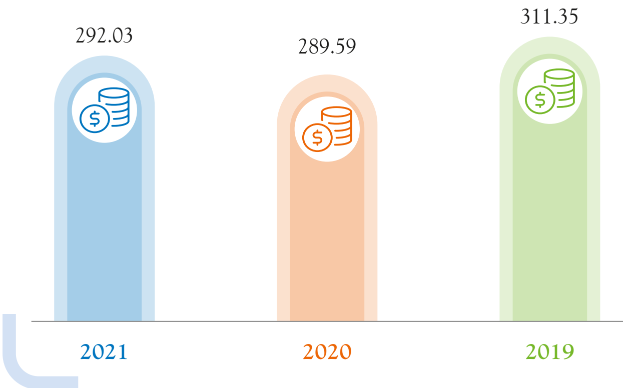
Key Performance

Market Performance

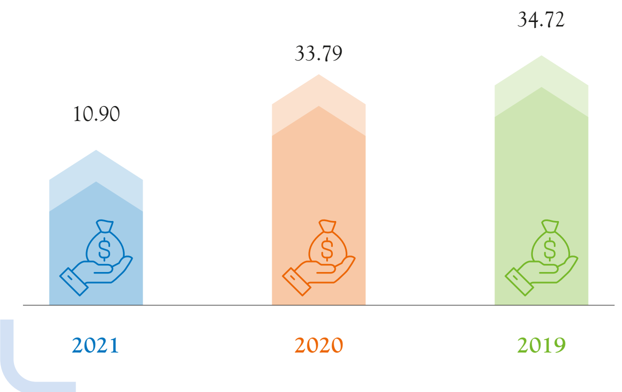
Total assets
(Unit: RMB100 million)



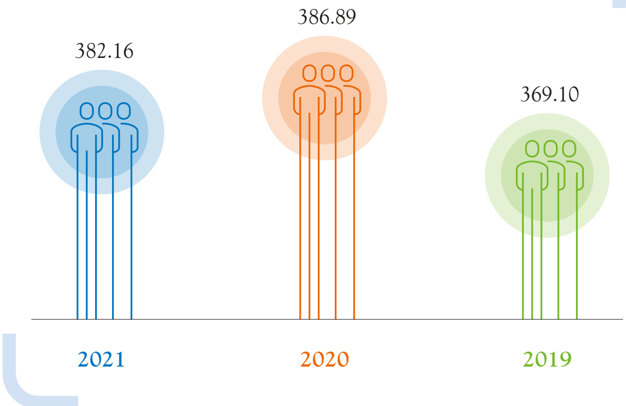
Operating revenue
(Unit: RMB100 million)



Total profit
(Unit: RMB100 million)



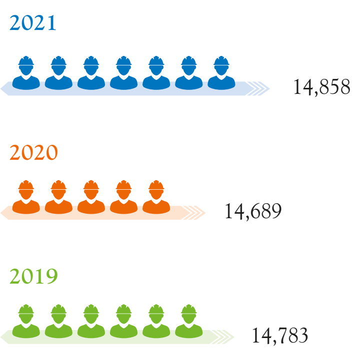
Equity interest
(Unit: RMB100 million)



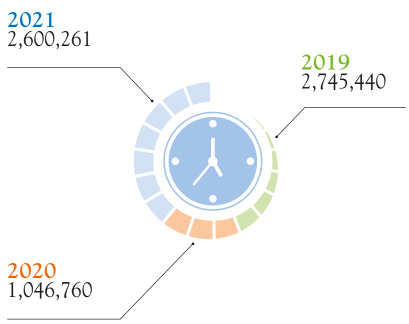
Indicator	Unit	2021	2020	2019
Social contribution value per share	RMB Yuan	1.75	2.06	2.30
Revenue from international business	RMB100 million	46.16	74.12	69.16
Percentage of revenue from international business	%	16	26	22
Total taxation	RMB100 million	14.90	22.82	23.36
The cost of fighting the Pandemic	RMB10,000	7,230.76	18,574	——

Social Performance

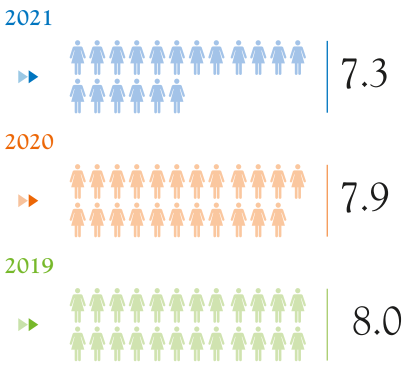
Total number of employees
(persons)



Total time of employees' training
(hours)



Proportion of Chinese female employees
(%)

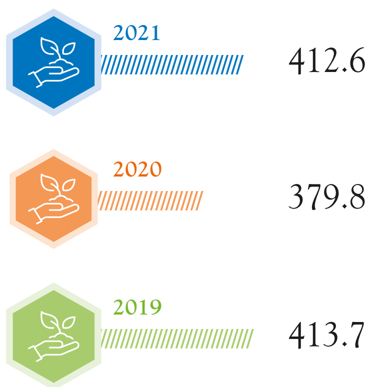


Note: There was no micro and small training hour for 2020 but there were micro and small training hours for 2021.

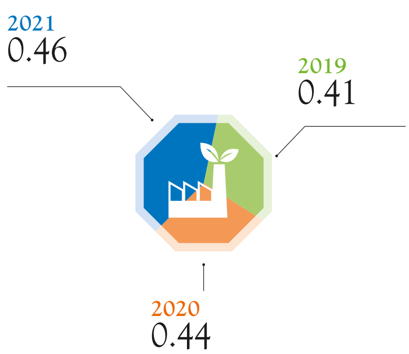
Indicator	Unit	2021	2020	2019
Social insurance coverage	%	100	100	100
Percentage of labour contracts signed	%	100	100	100
Chinese staff turnover rate	%	1.1	0.8	1.6
Total donation & employee relief fund	RMB10,000	2,476.4	397.15	255
Number of maritime rescues and salvages	Times	16	14	16
Number of employees participating involunteer activities	Persons	1,796	11,530	980

Environmental Performance

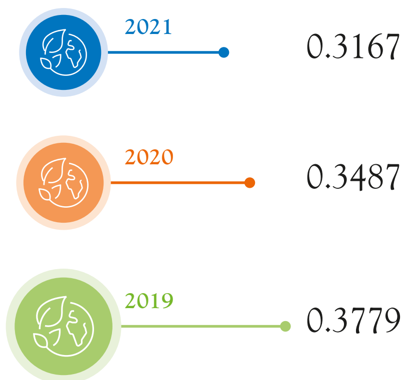
Investment in energy conversion and emissions reduction
(RMB10,000)



Emissions of carbon dioxide for an output value of RMB10,000
(tonnes/RMB10,000)



Energy consumption for an output value of RMB10,000
(tonnes of standard coal/ RMB10,000)



Indicator	Unit	2021	2020	2019
Environmental investment	RMB10,000	6,412.27	7,318.06	2,411.40
Energy savings	tonnes of standard coal	9,600.00	3,434.20	1,843.70

Corporate Governance

Strengthen Party Building

Governance Structure

Regulatory Compliance

Internal Control and Risk Management

Anti-fraud Initiatives ▸▸▸

Strengthening Party Building

Guided by Xi Jinping's thought of socialism with Chinese characteristics in the new era, the Company focuses on the main task of "the year of promoting the integration of party building" and conscientiously implements the deployment requirements of "three principles, four whether, five good Party branches, six service-oriented Party organizations" to lead and ensure a good start of the 14th Five-Year Plan with high-quality Party building.

Carry out Party history study and education to improve ideological and political leadership

High-quality series of activities to celebrate the 100th anniversary of the founding of the Party and Party history learning and education

- The Company's Party committee members at two-level and 292 branch Party secretaries took the lead in speaking about party history and organized nearly 10,000 people to attend online and offline classes and visit red education bases.
- The Company held the Thematic Party Day and Staff Art Performance to celebrate the 100th anniversary of the founding of the Party, and innovated special activities such as the Sihai Party History Tour, the Red Family Letter Reciting and My Story of Joining the Party.

Strengthen the theoretical study to help reform and development

- Established a regular supervision and research mechanism for central group study and a list of unplanned key studies and carried out "first issue" supervision and training to ensure "having all studies that should be learned".
- Held 12 Party committee central group (expanded) meeting to accelerate the implementation of the instructions from the higher Party level based on building a strong ocean state, "carbon peaking and carbon neutrality" and other topics.

Establish a closed-loop management mechanism to implement the spirit of important instructions from General Secretary Xi Jinping and major decisions and deployments of the Party Central Committee

- Quarterly follow-up implementation, half-yearly special studies and regular review to ensure the implementation of the "first action".

COSL thematic Party day to celebrate the 100th anniversary of the founding of the Communist Party of China

COSL Drilling Division organized young staff to watch Themed Cloud Group Class Live of "Learn Party History, Strengthen Beliefs and Follow the Party"

Promote the "deepening integration project" to improve the vitality of basic organizations

Build and strengthen the Party's organizational system

- In accordance with the principle of "differential deployment of prescribed actions, differential management of optional actions and integration of Party building into production", formulated differential assessment standards and supported 30 Party branches. Carried out the "portrait" of the performance of the Party secretary to ensure responsibility.

Deepen the "deepening integration project"

- With "whether the exemplary role of cadres is outstanding, whether basic Party organizations can overcome difficulties, whether the model role of Party members is distinct, and whether the evaluation of the masses is satisfactory" as an important criterion to measure the effectiveness of basic Party building, Party secretaries at all levels led and handled 356 secretary projects.
- Established a synergistic linkage mechanism of "double reporting, double inspection and double supervision" between Party building and production safety, and jointly carried out activities such as "100-day action to improve production safety" to build a safety barrier.
- Widely carried out multi-dimensional construction with customers, competent authorities, basic organizations and partners and formed integration models such as Party members' Sea-going Task Package and Party Members' Package Responsibility System to make Party building a visible productivity.

COSL Shipping Division signed a task letter with the Party members participating in the tug-on-water operation of "Shen Hai Yi Hao".

Implementation of the "One Ten Hundred Thousand" publicity project to improve the impact of brand image

The Company has created a "popular" public WeChat official accounts with over 100,000 readers, its overseas responsibility fulfillment was reported twice by People's Daily, publicity of key core technologies was reported four times on CCTV, and it was reported 201 times in central and local media, representing a fourfold year-on-year increase. The Company has cultivated a number of advanced models at provincial and ministerial levels, including Hao Zhenshan, a national outstanding Communist Party member, Chen Qiang, winner of the National May 1st Labor Medal, Shang Jie, an outstanding Communist Party member of central enterprises and Wang Xinghua, an outstanding Party worker of central enterprises, showing the positive image of the Company in guaranteeing national energy security.

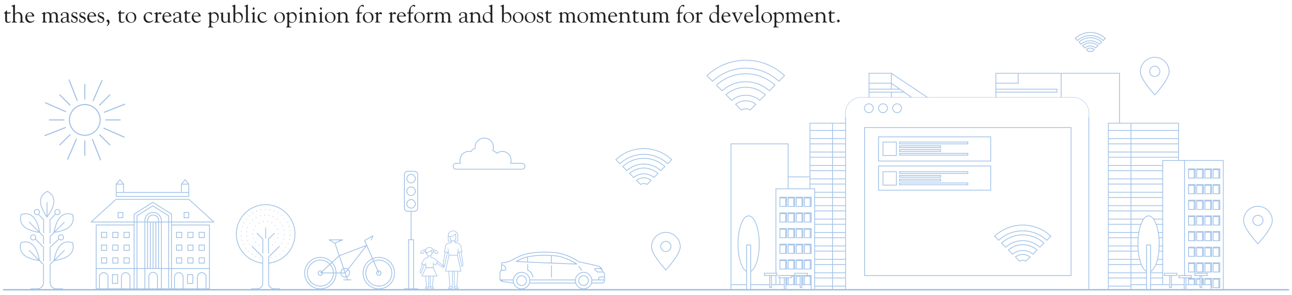
Annual coverage in central and local media

201 times

YoY increase in media coverage

4 times

The Company vigorously carries forward the corporate culture of "the heart of the sea, energy for the country" and "Always Do Better", deeply carries out the five strategies of the Company, "three systems" of reform, cost reduction and quality improvement, publicity like we do practical things for the masses, to create public opinion for reform and boost momentum for development.



Breakthrough in COSL's self-developed marine seismic acquisition equipment technology

Forming united front and improving cohesion

Do practical affairs for the employees

- The Party Committee of the Company has carried out "Doing Practical Affairs" in depth, and 23 practical matters have been completed. Among them, the "Camp Hospital" in Iraq was widely reported by 34 central mainstream media such as Xinhua News Agency and CCTV as a model of "The Belt and Road" epidemic prevention and control.

United front forces

- The Company held the first United Front Work Conference and the Symposium for Non-Party Representatives to Celebrate the 100th Anniversary of the Founding of the Party, and carried out in-depth "Love, Dedication and Practice" works. 875 backbones of the United Front took the initiative to undertake important and difficult projects and carried out technical research projects.

Three-dimensional vocational skills competition mechanism

- The Company launched vocational skills competitions jointly with human resources service companies for 17 types of work and three consecutive vocational skills competitions for new employees to stimulate the vitality of the team with the horse-racing mechanism, and 25 award-winning personnel were promoted in skill levels.

Group building under Party building

- CNOOC's first "Township Education and Poverty Alleviation Volunteer Service Station" in Xunkou Hope Primary School was commended by the Central Committee of the League.

COSL's Youth League Committee launched a volunteer service activity of "Building Dreams and Lighting Up the Future", and the deputy secretary of the Party Committee of the Company and the young pioneers saluted each other

Strict discipline against corruption and shaking

Deepening the burden reduction at basic level	In-depth investigation of 15 typical conditions of heavy burdens at the basic level, formulation of 765 measures to reduce burdens, and achieving a YoY decrease of 28% and 27.3% for the number of reports and documents, benefiting 74 three-tier Unit and all employees at basic level.
Focus on key links in key areas and continue to deepen special rectification	Completed the "Two Responsibilities" special upgrade, 9 special rectification tasks with high quality, timely rectified the 295 problems found in the closure, and continued to promote the overall strict governance of the Party to go deeper and more real.
Inspection and supervision to eliminate internal maladies	Implemented the inspection and rectification of problems, clarified management responsibilities, improved ideological awareness, strengthened system construction, and promoted effective improvement of the Company's management level.

Governance Structure

The Company integrates the leadership of the party into the whole process of governance, fulfills the pre-procedures of the Party Committee for making decisions on major issues, and take the "general meeting of shareholders, the Board, Board of Supervisors and senior management" as the starting point to establish governance mechanism with "the general meeting of shareholders takes overall management and control, the Board makes business decisions, The Board of Supervisors supervises in accordance with the law, and the senior management implements. The company has established a corporate governance structure of "scientific decision-making, effective execution, effective supervision, and standardized operation" to effectively improve the professionalism and effectiveness of the performance of the "general meeting of shareholders, the Board, Board of Supervisors and senior management", and comprehensively promoting the modernization of the corporate governance system.

Regulatory Compliance

Compliance with Relevant Laws and Regulations

The Company strictly abides by relevant laws and regulations in its development to ensure legal operation. It maintains full compliance with the Labour Law and relevant regulations, respects and protects the legal rights of employees, complies with the Safety Production Law to prevent all kinds of accidents and ensure production safety, complies with the Anti-unfair Competition Law, the Patent Law of the People's Republic of China and relevant regulations to promote fair competition, respect and protect intellectual property, and follows the Environmental Protection Law and relevant regulations. The Company endeavours to adapt to the changing environment and protect the ecological environment.

Construction of the Compliance System

Based on its commitment to governance in respect to the law, the Company strengthened its system of lawful compliance. In 2021, the Company established the Legal Compliance Department to review the internal control rules and regulations, various business contracts and major decisions of the Company, analyze and improve the internal control system of the Company, and improve the scientific, targeted and timely management of legal risk prevention and control; has focused on the cultivation of corporate compliance culture, organize legal compliance training, carried out compliance promotion activities, and strengthened the concept of rule of law and compliance spirit of the Company's employees. The Company conducted a total of 6 times compliance training during the year.

Internal Control and Risk Management

Internal Control Management

Internal control system and system construction

The Company takes strategy, problems and risks as the guide, strengthens the top-level design of the system, implements the whole life cycle, that is "planning, establishment, amendment, abolishment, interpretation and assessment", management of internal control system, establishes expert review mechanism of internal control system, and continuously improves the "demand-oriented, business-driven" collaborative and efficient globalization system.

The Company strengthens the system construction, highlights the new function positioning of the headquarter as "four centers", investigates the crossover of functions and blind areas of management to break down the functional barriers and realize the horizontal connection, carries out special work to optimize the functional system of the headquarter, and establishes a functional system with "management elements as the core and business processes as the main line" and focus on building a modern enterprise system with "complete system, scientific standard and efficient operation".

Internal control system training

The Company adopts the mode of "system publicity week + departmental training + list of knowledge and operative skill of positions" to continuously carry out accurate system propaganda at all levels of the Unit. Combined with the needs of different positions and Units on system knowledge, we conducted targeted screening of the existing system and implemented various types of targeted training; organized and carried out a number of internal control system publicity week activities, and all functional departments and units at all levels arranged and promoted the system in a timely manner after the system has been revised and improved, so as to continue to cultivate a good atmosphere of proactive promotion and implementation of the system and strengthen the system's execution.

Internal control evaluation

In accordance with the regulatory rules of listed companies and the requirements of the Board, the Company continues to carry out system construction and evaluation of implementation effectiveness, realizing "three full-coverage" of the directly subordinate units, internal control system and key business processes, forming a management dead-end cycle, promoting the Company's personnel at all levels to improve the awareness and ability of internal control management. The Company will continue to play the role of internal control evaluation to promote the quality of system construction and effectively prevent the systematic internal control risks.

Risk Management

Establishing the risk management system

The Company has continuously improved the risk management system and the risk coordination and control mechanism. The Rule of Law Construction and Internal Control Compliance and Risk Management Committee was established, and risk management organizations of Units at all levels were set up to build a comprehensive risk management structure with the Board as the core. The Company has established risk warning Indicator for each functional area to enhance risk monitoring and warning functions. It has developed and improved the emergency response system at all levels of the Company, continuously expanded the emergency response coverage areas, improved the long-term mechanism of the Company's risk emergency management, and enhanced the ability to prevent and resolve major risks and effectively respond to various unexpected risk events.

The Company has developed and published risk management systems such as "Comprehensive Risk Management Measures" and " Management Measures on Reports of Major Business Risk Events", organized overall study and dissemination, improved the Company's major risk prevention and control mechanism, improved the reporting mechanism and reporting system with consistent and horizontal coordination, and avoided systemic operational risks by promoting early detection, early reporting and early response to major risks.

Risk Identification

The Company took risk report and risk database as the carrier, continuously optimized risk information sharing and reporting channels, strengthened the overall synergy and linkage of Units at all levels of the Company, timely and dynamic controlled major and important risks jointly, and continuously enhanced risk identification and control capability. In the face of new challenges brought by uncertainties, it firmly established risk awareness, organized various major operational risk checks and risk database analysis, timely identified risks in various fields, and continuously improved the awareness and ability of Units at all levels in risk identification and collaborative control.

Risk prevention and response

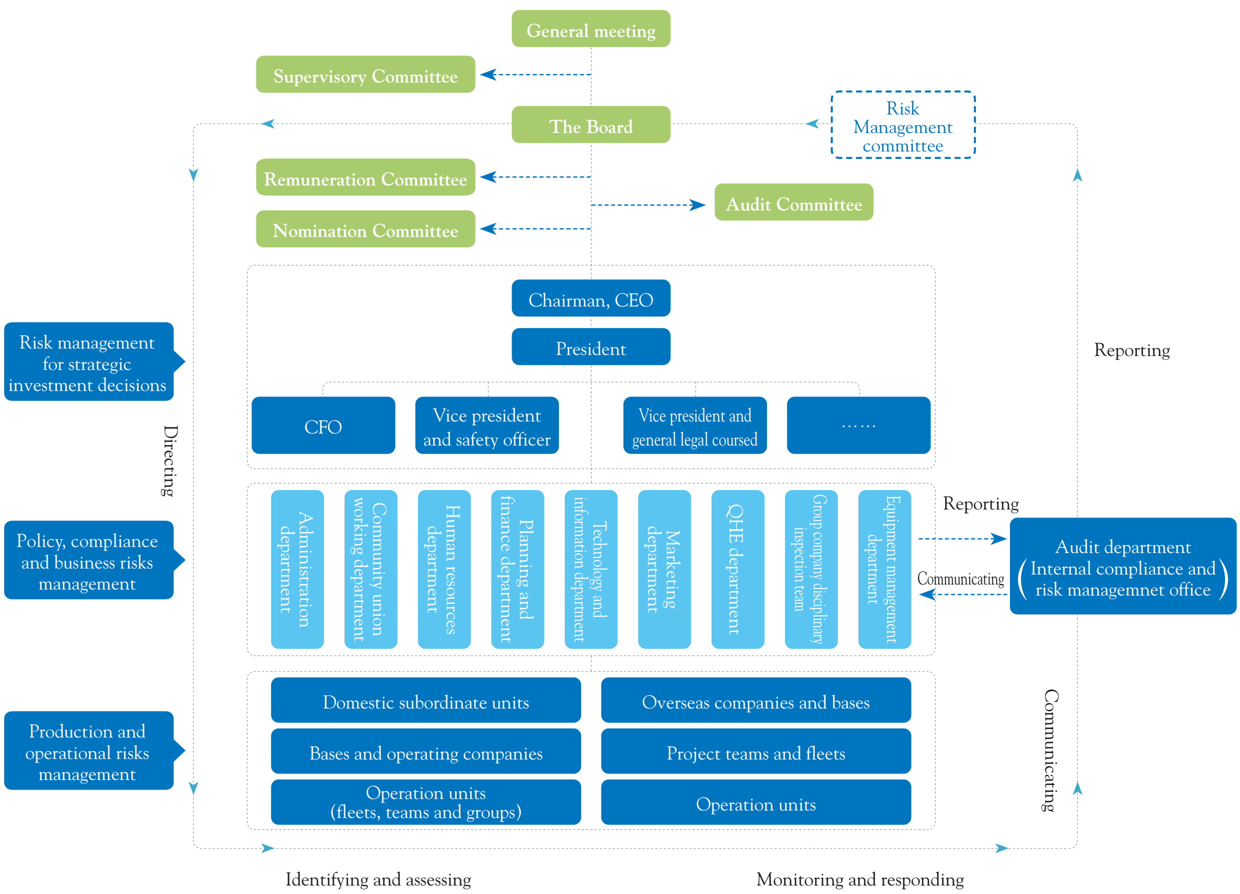
The Company continued to improve the risk management mechanism of "grading, hierarchy and classification", integrated risk management into daily production and management activities, formulated and improved prevention strategies and response control measures for identified risks, continuously improved and consolidated the risk management awareness of all employees, formed a normalized mechanism of early warning, assessment, reporting, response, emergency response and supervision, strengthened the organic integration of risk management with internal control and business, and continued to promote normalized risk management.

The Company carried out risk prevention and response and management improvement work, systematically reviewed the operation of the Company's risk analysis mechanism, risk assessment mechanism for decision-making, risk prevention and control coordination mechanism and risk prevention and control responsibility mechanism, continuously improved the ability and level of prevention and resolution of major risks to support and guarantee the Company's high-quality development.

Internal control and risk management training performance table (2019-2021)

Indicator	Unit	2021	2020	2019
Number of internal control management training	Times	105	112	172
Number of participants in internal control management training	Person-times	2,338	2,662	2,725
Number of risk management training	Times	48	42	47
Number of participants in risk management	Person-times	1,810	1,709	1,621

Risk Management Organisation Chart



Anti-fraud Initiatives

Preventing commercial corruption and bribery

The Company conforms to the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on the Prohibition of Commercial Bribery, and has promoted the governance of commercial bribery in depth. It organized and carried out integrity risk investigation in major areas and key links, scientifically assessed integrity risk points from both external environment and internal business dimensions, improved integrity risk base and enhance integrity risk control. The Company has built compliance management system, formulated integrity guidelines to cultivate integrity culture, enhance the integrity awareness of corporate management and employees, and resolutely resist commercial bribery.

Preventing and controlling corruption and fraud risks on overseas institutes

The Company has turned the strengths of its mechanism into its corporate governance, implemented overseas ethics compliance management systems and developed training courses for ethic and compliance management and foreign laws and regulations in where it operates businesses as well as courses for anti-fraud education. The Company selected the best and empower overseas compliance supervision team, sent a regulatory team and the selected supervisors for ethics compliance to the Americas, Asia-Pacific, and the Middle East, rationalized the management relationship of the overseas compliance supervision team and adjust the supervision and management level of the overseas compliance supervision team, so as to continue to improve its overseas regulatory system.

In 2021, affected by COVID-19, the Company sent staff to the Americas and Middle East to carry out supervision work, and adopted Internet telecommuting in the Asia-Pacific regions to realize the effective operation of overseas supervision mechanisms. It enabled overseas employees to enter the Letter of Commitment on Following Ethics and Code of Conduct to strengthen awareness of ethics compliance. Every direct overseas institution has now duly created tip off email addresses and telephone numbers and opened channels for reporting ethics compliance issues.

Intensified anti-fraud and warning education

The Company has adhered to enforcing discipline in the workplace and kept an eye on the "critical minority". It attached high importance to key issues and set up a mechanism for monitoring the key persons in-charge of various aspects around every festival. Besides, it strengthened the penalty and intensified the anti-fraud spirit by opening channels for reporting any fraud cases so as to create an ethical workplace with incorruptible culture and strong awareness of compliance. The Company formulated integrity records for key personnel, as an important reference in personnel's post evaluation, selection, appointment, and promotion. It carried out anti-corruption propaganda, special learning activities on the construction of party conduct and clean governance, etc., to strengthen the awareness of honesty and self-discipline of leading cadres.

Performance of Anti-fraud trainings (2019-2021)

Indicator	Unit	2021	2020	2019
Number of anti-fraud trainings	Times	575	469	409
Number of participants in anti-fraud training	Person-times	21,380	17,891	16,141

Improved Capacity

Quality Management | Professional Services

Technological Innovations

Supply Chain Management ▸▸▸

Quality Management

Through strictly abiding by the "Product Quality Law of the People's Republic of China", "Industrial Product Quality Responsibility Regulations" and other relevant laws and regulations, as well as adherence to its policy of "impeccable credibility, equipment in good condition and quality assurance", the Company fully implements quality management, provides clients the quality and sustainability of its products and services, and meets the diverse needs of customers.

Improving the Quality Management Organisation

The Company and its direct Units have established complementary organisational networks which unify the management and supervision of product and service quality.

Improving Quality Management Systems

As part of its efforts to continuously improve its quality management, all divisions followed the latest quality system versions and the Company's requirements for QHSE management and international and industrial management. The exercise led to continuous improvements in quality management system documentation. The relevance, effectiveness and operability of quality management systems were further enhanced through regular evaluation by supervisors, internal/external audit, and management appraisal and compliance evaluation of the Company.

Conducting Quality Training

Through various forms of quality trainings on quality management system, quality management basic knowledge, QC team practice, quality accident case analysis, quality control and quality assurance, and technical competition, all Units of the Company continue to improve the quality knowledge and skills of employees and help the company's high-quality development.

Advancing Laboratory CNAS Certification

In 2021, in order to meet the international market access requirements, the Company continued to promote the ISO/IEC17025 laboratory certification of the Oilfield Technology Experiment Center and the Geophysical Exploration and Geotechnical Experiment Center.

Carrying out QC Team Activities

The Company carried out a total of 226 QC group activities throughout the year. In the "CNOOC 2021 Quality Management Team Activities Outstanding Achievements" selection, a total of 19 teams including the manufacturing center "D+W Maintenance QC Team" won the title of Company's Outstanding QC Team Outstanding Achievement.

Professional Services

The Company has an integrated service chain covering oilfield surveying, development and production, with a team of outstanding professional experts who have worked in the industry for many years and have rich experience. This offers a strong technical support and protection to our integrated services, satisfies our clients' demands on lower operating costs and higher operational efficiency, controls better our risk exposures and expenses, provides clients with more professional services and creates higher economical efficiency.

Provision of Professional Services

The Company has set various service quality Indicators, and further formulated control plans and implementation programs based on such Indicators. It continuously improves service quality from management and technology aspects through activities such as benchmarking, service standardization and independent innovation, so as to continuously create maximum value for customers.

Professional Services

Asia-Pacific

Myanmar: Won the bids for offshore cementing service projects.
Indonesia: Barge support services, offshore well repair service, drilling and completion fluid service, logging service, cementing acidification and production stimulation service, offshore jack-up drilling rig service and semi-submersible drilling rig services.
Malaysia: Drilling fluid, cementing service and solids control services.

Middle East

Saudi Arabia: The Company continued to carry out the jack-up drilling rigs service contracts of Saudi Aramco.
Kuwait: Actively prepared to start the service of two jack-up drilling rigs for a period of three years offshore Kuwait. Oriental Phoenix drilling rig has set off for the Middle East on 28 November 2021.
Iraq: Long-term well repair and production stimulation project in the Missan Oilfield, completion project for third batch 11 wells in the Missan Oilfield, rigs & supporting services project for UCD 10 wells in the Missan Oilfield, BHDC sewage oil treatment service project in the Missan Oilfield.

Europe

Norway: Signed the operation contract for the Equinor semi-submersible drilling rig service project.
United Kingdom: Signed the operation contract for the Repsol Sinopec, Ithaca semi-submersible drilling rig service project.

Americas

Canada: Onshore logging, wellhead maintenance and well repair services.
Brazil: HYSY720 ship 3D seismic acquisition service.
Mexico: Module rig drilling and well repair services, jack-up drilling rig services, wireline logging and perforation services, cementing services, drilling fluid services, and integrated services for rigs & logistics.

COSL Asia Pacific company won Total's annual HSE Outstanding Performance Award for its COSLBoss drilling rig

Case

In 2021, COSL Asia Pacific company won Total's annual HSE Outstanding Performance Award for its COSLBoss drilling rig with the outstanding performance of "zero loss, zero injury, zero environmental pollution, zero accident and zero infection" in the drilling service project of Yadana Block in Myanmar.

Total Energy is the leading company for the international energy in the world, with operations in more than 130 countries worldwide. This project is the second cooperation between the Asia Pacific company and Total in two years. Total highly appreciated the professional service of the project team of the Asia Pacific company and expressed its wish to maintain the continued cooperation with the company.

COSL Well Target drilling rig successfully completed the "new, excellent and fast" pilot project

Case

In September 2021, the COSL Well Target drilling rig successfully completed the drilling of all the wells on the north side of Kenli 16-1 oil field in the "new, excellent and fast" pilot project. Since the pilot project, all the staff of Challenger platform have been working together to promote the implementation of the "Ten Safeguard Measures" and set three new operation records. During the operation, the core team members went deep into the site to ensure safety and security, the equipment team worked around the clock to ensure the integrity of the equipment, and all personnel worked together to seamlessly and steadily promote the efficiency measures to achieve the successful completion of the "new, excellent and fast" pilot project.

Strengthening Communication with Customers

The Company continued to deepen the communications with key markets and key customers. Affected by COVID-19, the Company established a cloud business marketing and promotion platform as a new channel for communication and contact with international oil company customers, further consolidated the "cooperative stickiness" with customers. It made efforts to show the Company's oilfield service capabilities, which cover the full industrial chain and high-end service, and made every effort to enhance the Company's brand influence in the domestic and foreign oil fields.

The Company continued to improve the content and quality of customer service covering the whole process, and timely recorded the content of customer complaints, handled and reported it according to the details of complaints, and maintained communication with customers during the rectification process to effectively solve customer problems. In 2021, the Company received no service complaints, and the customer satisfaction rate was 98.34%. At the same time, the relevant system documents such as the "Customer Management Measures" were revised, which did not involve customer-related privacy information.

In March 2021, the Company participated in the most influential IPTC in Middle East and Asia Pacific. During the conference, more than 4,600 representatives of major oil companies and core customers of well-known oil companies visited the Company's booth to have business exchanges with the Company's team.

The Company participated in the most influential APDT with the theme of "Powering the Drilling Needs of Tomorrow" and held customized marketing seminars to enhance customers' understanding and confidence in COSL's equipment and technology capabilities and practical achievements in the field of oilfield services.

Technological Innovation

The Company practices technology-driven strategy, systematically plans the top-level design of technology development, makes every effort to promote key core technology research and development, for the purpose of safeguarding national energy security and realizing independent and stronger high-level technology.

Increase scientific research inputs

In 2021, the Company invested RMB1.255 billion in technology development and obtained 130 patents, including 63 invention patents.

Patents for the year

130 pieces

Invention patents

63 pieces

Key Performance Table for Technical Innovation(2019-2021)

Indicator	Unit	2021	2020	2019
Research and development expenses	RMB10,000	125,507	131,178	107,269
Number of new patents	Piece	130	84	97
Number of new invention patents	Piece	63	38	38

Facilitate green development

The Company actively develops integrated drilling cuttings reduction and treatment technology to build a green barrier for oilfield development. It has built a set of "integrated technology" for offshore in-situ reduction and treatment of water-based/non-water-based drilling fluid waste in Bohai Sea oilfield, which can provide a complete solution for water-based/non-water-based drilling fluid drill cuttings, with various operation modes such as "platform drilling reduction treatment, EPSV mobile center reduction treatment, EPS offshore plant reduction treatment, and shore-based EPS mud station for regeneration and reuse. The Company has completed emission reduction for the drilling and completion of more than 150 wells in the Bohai Sea and South China Sea, recovered and disposed of over 100,000 tons of drilling waste, and improved the production efficiency of the whole process of waste recovery, transfer, disposal and reuse in real time on site while drilling by more than 30%.

Commercialization of technological achievements

Guided by the strong demand for increasing oil and gas reserves and production in China, the Company has tackled key problems in science and technology and sped up the commercialization and industrial application of scientific and technological achievements to continuously provide highquality oilfield service technologies and products.

Commercialization and application of important technological achievements in 2021

1. The first small trace interval towing high-density 3D seismic acquisition operation in China was completed efficiently by the autonomous seismic acquisition equipment in the Bohai Sea;
2. New seismic processing technologies like full-information double-geophone combined processing helped new discoveries of Kenli 10-2 and Bozhong 13-2 with 100 million tons in-place volume;
3. Doubled the logging operation numbers of ultra-high temperature high-pressure wire line and completed various operations with high-difficulty of customer, which set record of highest pressure operation among resistivity scanner imagers;
4. The autonomous rotary steerable and logging while drilling system formed full-specification field operation capability and realized the first overseas operation. Equipment scale doubled and the success rate of entry into the well was over 90%;
5. The deep-water HEM drilling fluids, full-liquid low-hydration heat cementing system enabled "Shen Hai Yi Hao" gas field to be successfully put into operation;
6. The successful implementation of overheated steaming technology in operating oilfields caused significant effect in oil increase;
7. The successful applications of high-temperature seawater-base fracturing fluid set the national record of offshore single-layer fracking scale.

Self-developed rotary steering and LWD system are permanently housed in the National Museum

Case

In 2021, the Company's Type 475 deflecting sub of the self-developed rotary steering and LWD series products was exhibited to the public in the "Power of Science and Technology" exhibition at the National Museum and permanently housed in the National Museum. At the same time, it was also selected as one of the items for the "13th Five-Year Plan Science and Technology Innovation Achievement Exhibition", which represents the highest level and capability of China in the field of directional LWD technology.

The Company has recently developed and completed seven sets of core technical equipment, including the first 6-inch slim borehole (Type 475) rotary guidance and DWL system, the world's first 12.25-inch large borehole (Type 800) reservoir limit detector while drilling and the world's second (first in China) high-speed mud pulser of this size, which reflects the Company's technical capability of full borehole size and its maximum angle building hole rate in actual drilling has reached the international first-class level.

Supply Chain Management

The Company continuously optimizes its supply chain management, actively responds to the call for promoting global supply chain construction and innovative applications. It has implemented the CNOOC's requirements for the supply chain management system to align risk control with procurement quality, benefit and efficiency, aiming to create an integrated, international and cost saving supply chain support driven by technology.

Development of international supply chain management system

In accordance with the requirements on global supply chain construction and development, the Company has developed a new global supply chain system. By formulating forward-looking and standardised demand management, real-time and dynamic process control, co-ordinated and graded supplier management, compliant and shared contract execution and integrated and intelligent warehousing and logistics, the Company gradually realizes the globalization, standardization and differentiation of its supply chain. In addition, the Company further expanded the coverage of domestic annual agreements, explored and promoted the domestic annual agreements with economic advantages to overseas and introduced overseas quality suppliers, in order for sharing of resources at home and abroad, and improved overseas procurement efficiency.

Logistics management

The Company actively promotes the construction of a green logistics chain that operates intensively, efficiently and intelligently, and continues to optimise and transform the logistics operation mode. Through the integration of regional logistics resources and the implementation of centralised co-ordination and management, the Company achieved significant improvements in logistics efficiency, service quality, cost control and operational compliance.

The Company full cultivated its domestic and foreign markets to accelerate the pace of introducing external high-quality logistics resources, and further divided its business by leveraging on external logistics resources. The Company is actively develops a sea, land, and air multimodal logistics system to establish a flexible and low-cost logistics model, further promotes the construction and improvement of the global logistics network layout, and has set up 200 domestic logistics routes by adopting the "city line + provincial line" domestic combined logistics model. The Company connected key nodes in global logistics business and set up international logistics routes in Europe, Asia, and the Americas, with a total of 48 global logistics routes.

Standardization management for supply chain

In accordance with the Group's standardization requirements for construction work, the Company co-ordinats the top-level design of standardization management, and vigorously promots the construction of procurement standards with category procurement as the core, so as to support the improvement of demand management and procurement efficiency with procurement standardization management. And the Company conducts standardized construction of the catalogue of procurement categories according to material, engineering and service categories on world class level, organizes the compilation of technical specification standards based on recent procurement data, and establishes "the menu-styled and optional" standard specification book. Based on the "procurement data management system", Standardised Management Mechanism for Suppliers historical contracts and ERP procurement data, the Company integrated 1.9 million SAP order data and 460,000 strategic module order execution data, and formed 470,000 pieces of information in short-text including prices, which realized multi-dimensional price enquiry capability of "prices, suppliers and material codes.

Standardised Management Mechanism for Suppliers

Supplier Access Approval Phase

The "registration system" management has been implemented. The Company proactively opens the boundaries and actively increases strategic sourcing efforts. In 2021, the Company focused on developing key equipment, bottleneck resources and suppliers with insufficient competitiveness, and continued to promote in the localisation of key equipment and the achievements of scientific research projects.

Supplier's Selection Phase

The Company clarifies the priority of supplier selection, implements the "standardised selection for suppliers" management model, firstly chooses manufacturers and suppliers with good contract performance track records and works to realize fair competition among suppliers at the same level.

Supplier's Appraisal Phase

The Company adopts the "single evaluation of single transaction" model for supplier's appraisal. Suppliers are systematically evaluated on factors such as product and service quality, delivery time, service capability, quality and safety management and business reputation during their contract performance. The Company applies the comprehensive evaluation results to urge suppliers to take corrective measures to improve the quality of supply and service. For procurement, it is allowed to give appropriate preferential offers to suppliers of green, environmentally friendly and energy-saving products.

Number of suppliers of COSL by region (2019-2021)

Year	Unit	Total number of suppliers as at the end of the year	Overseas	Domestic	Major cities				
					Tianjin	Beijing	Guangdong	Shanghai	Others
2021	Supplier	7,339	4,490	2,849	671	420	407	165	1,186
2020	Supplier	6,312	3,270	3,042	764	452	459	197	1,170
2019	Supplier	6,707	3,246	3,461	776	541	462	198	1,484

Safety and Environmental Protection

Operational Safety

QHSE Strategic objectives

- Zero harm to employees
- Zero pollution to environment
- Zero loss to property
- Zero influence to brand

QHSE Polices

- Reputation First, Complete Equipment, Quality Assurance;
- Safety First, Prevention Foremost, Comprehensive Control;
- People-oriented, Care for Health, Cherish Life;
- Protect the Environment, Boosting Energy Savings and Efficiency, Green Development。

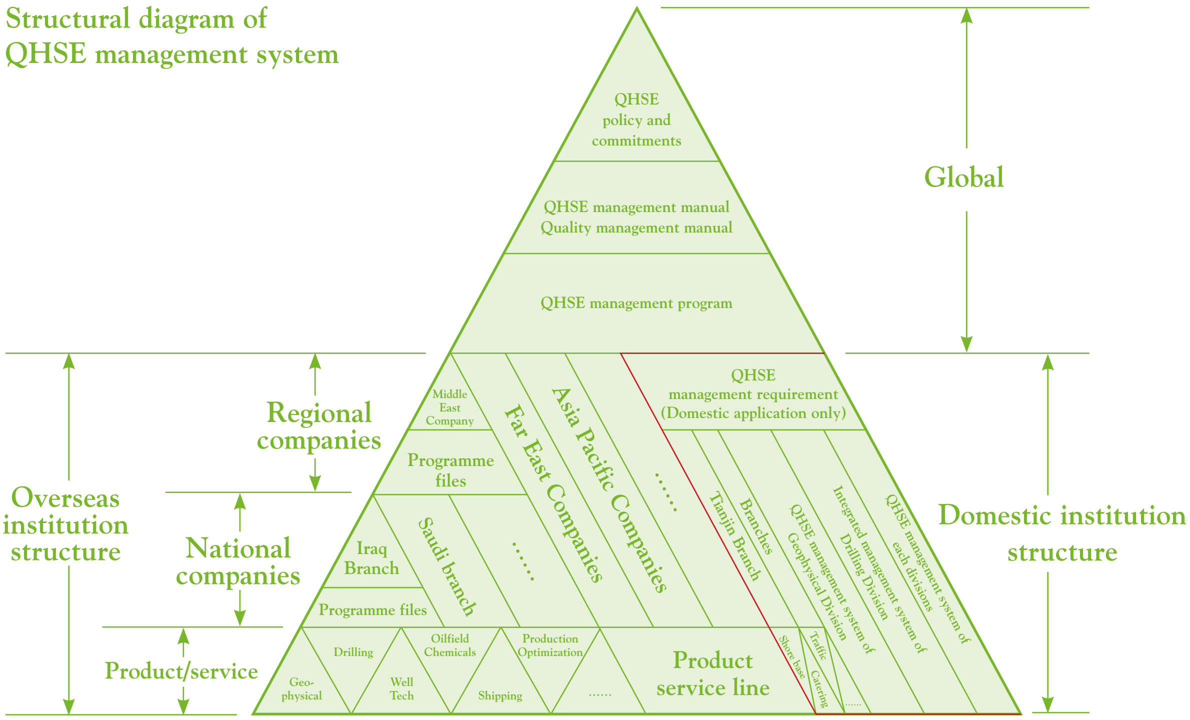
QHSE Management

QHSE management system

The Company is determined to implement the overall requirements and plans of the state and the CNOOC on safe production, and constantly improve the QHSE management system by leveraging on the concept of "building the system as a code". In 2021, the Company newly built one L2.2 layer file, revised two L2.2 layer files and revised seven L3.1 layer files, as well as published the English version of the QHSE management system in October. The Company built an international structure of the global unified QHSE management system by paying equal attention to domestic and foreign markets, and further enhances the Company's globalization capabilities of QHSE management.

QHSE management system of the Company strictly matches the requirements of ISO9001, ISO14001, and ISO45001 standards, and integrates key elements of production and operation such as manpower, market, equipment, procurement, etc. The Company has prepared, published and implemented the Quality Management Manual and HSE Management Manual, and prepared, revised, published and implemented 37 global general management procedures with the manuals as the main body. In accordance with the management requirements of the government authorities and superior authorities, the Company has prepared 24 domestically applicable management requirements.

Structural diagram of QHSE management system



Security management systems

To put the Company's internationalized strategies into practice, strengthen its internationalised operational management capability and further improve its security management measures, the Company, based on the existing internal control systems, has set up an global integration and regional differentiation security management mechanism with risk management as it core under the international generally accepted standardised framework and languages, which regulates and integrates requirements of security risk identification, assessment and control, security information, security training and personnel security risk management, with an aim at avoiding from and reducing the occurrence of security incidents and the impacts thereof caused to personnel, properties and reputation. In 2021, the Company has no security incidents throughout the year.

Operation Safety Management

The Company is strictly complied with applicable laws and regulations, and implemented industry standards, norms and best practices in all aspects of its operation. By implementing a comprehensive management system with integral quality, health, safety and environmental protections, the Company provides quality products and efficient services in a sustainable manner. Its fundamental goal is to inflict zero harm to employees, zero pollution to the environment, and cause zero accidents leading to property losses.

We undertake to:

- Effective management commitment with visible leadership;
- Continuously improvement to the Company's quality, health, safety and environmental protection management systems;
- Effective consideration given by all businesses to protecting quality, health, safety, the environment and security;
- Strengthening staff training;
- Instilling a culture of "stopping work" as the employee's personal obligation as well as a company's responsibility;
- Protecting the environment, reducing emissions and pollution;
- Implementing effective management on quality, health, safety, environmental protection and security;
- Continuous improvement to emergency management and reduced accidents and losses;
- Cultivating a culture of safety, and making safety a core staff value;
- Requirement that contractors manage quality, health, safety and environmental protections in accordance with this policy.

Production Safety Performance（2019—2021）

Indicator	Unit	2021	2020	2019
Number of production safety accidents	Case	30	26	37
Number of recordable injury incidents	Case	29	18	33
OSHA ratio	%	0.08	0.06	0.11
Accumulated lost working days ratio	%	2.56	1.68	1.24
Number of employee deaths	Person	1	1	1
Number of contractor deaths	Person	0	0	0

Note: OSHA ratio = Recordable incidents × 200,000/Total working hours
Accumulated lost working days ratio = Lost working days × 200,000/Total working hours

A Safe Production Responsibility System for All Staff

The Company has fully implemented safety production with "six accountability", enhanced the thinking based on "bottom line" and the awareness of "red line" of safety production, and carried out the interview of duties and responsibilities for safety production by leaders. The key persons in charge organised and promoted the production in person, which has strengthened the ownership of safety responsibilities. In 2021, according to the requirements of our Composition Instructions for Production Safety Accountabilities and Responsibilities for All Personnel (trial) issued by CNOOC, the Company has implemented a safe production system for roles and their responsibilities on a firm-wide basis to continuously improve and update the list of safe production roles and responsibilities for all staff.

Improvement on Safe Production Management

The Company carries out benchmarking with international oil companies, service companies and other organisations to help it identify gaps and develop plans to improve its safety management practices.

Using an "onion peeling" method and starting with the key elements of "people, machine, materials, rules and environment", the Company focuses on solving management problems at their weakest points. It identifies and develops annual improvement measures on a layer-by-layer basis, strengthening its basic management progressively and systematically.

01

Special learning on significant contents of safe production. In June 2021, the Company organised the central learning group for studying theories of the Party committee to carry out the 2021 sixth study seminar of learning the important spirit of safe production made by general secretary Xi Jinping. The Company effectively shouldered the responsibilities of safety and put it into action, and strengthened the foundation for safety production to build a safety barrier for high-quality development of the Company.

02

Clarification on requirements of violation and accountability. By compiling COSL Management Rules on Safety and Environmental Protection Violation and Accident Accountability Tracing, the Company has further clarified the management requirements on any breach of environmental regulations and responsibility tracing for accidents, promoted the responsibility implementation of safe production and environmental protection with a growing sense of responsibility, mission, urgency, and improved consciousness in thinking and action.

03

Hundred days of improvement on safety production. All units have performed their duties in accordance with the Implementation Plan for COSL Hundred Days of Improvement on Safety Production formulated by the Company. Since the actions carried out, 7,299 hidden dangers have been identified and rectified; a total of 538 violation of "Eight Prohibitions"have been found through self-assessment, giving rise to 538 people in aggregate under accountability, which guaranteed effective results of the plan.

04

Special supervision on safe production and work style inspection on basic-level operation team. Special supervision and inspection on work style construction of basic-level operation team has been implemented across the Company, of which 1,669 problems with 209 participants have been found. The Company analyses problems from multiple perspectives, finds management short-comings and weaknesses so as to formulate targeted measures based on the problems and improve safety management level.

Safety and Risk Controls

The Company continued to strengthen safety and risk management controls and fully implemented the "double prevention" mechanism. Safety and risk controls already implemented including those utilized on a daily, monthly and annual basis. It implemented a safe production risk announcement system and encouraged the dynamic management of risks with the participation of all employees.

Completing a long-term mechanism for rectifying safe production to improve significant safety management. The leading group office of the Company for a three-year special rectification for safe production organised and compiled Plan on COSL Three-Year Special Rectification for Safe Production in Depth to Complete a Long-Term Mechanism to continuously improve significant safety level and HSE performance.

Rectifying unsafe behaviors to establish "three NO" demonstration units for safety construction. The Company implemented a Pilot Scoring System for the Low, Old and Bad, and detailed rating standards of unsafe behaviors and clarified handling standards and measures. The Company regards the rectification for unsafe behaviors as the most important and basic matters, and promotes the construction of demonstration units for safety construction without violation, hidden dangers in areas and safety accidents.

Carrying out safety construction for basic-level operation units to improve self-management abilities. The Company carried out safety construction for basic-level operation units and established a scoring system in relation to accidents for safety and environmental protection in charge by the basic-level unit head, a portrait system of safety performance and an "on-the-go" system with safety archives, which improved self-management abilities of basic-level operation units, further strengthened the foundation of safety production and built a strong safety barrier for high-quality development of the Company.

Co-constructing by both parties to promote a deep integration of party building and safety. Zhanjiang Branch of COSL, Zhanjiang Branch of CNOOC Limited and Hainan Branch of CNOOC Limited jointly held the 2021 co-development activity for safety culture; the headquarters' Party branch of Shanghai Branch as well as the coordination department and Party branch of Shanghai Limited Branch jointly launched the Party building activity of "Together to Guarantee Safety" to promote the deep integration of party building culture and safety culture.

In 28 November 2021, COSL Boss of Asia-Pacific Co. Ltd. of COSL achieved records without LTI (recordable loss time for labor) for consecutive eight years, showing good safety results obtained from operations in Indonesia, Malaysia, Australia, New Zealand, Myanmar and other countries in recent years.

Advocating safety concepts led by leaders to promote cultural integration by means of training. Members of the Party committee in COSL took the initiative to give a Party lecture on safety and passed on safety concepts. Party organizations at all levels held 489 Party lectures on safety with 12,425 participants, in forms of safety publicity, special lectures, public class, special reports and research and discussion organizations, creating a good atmosphere of safety production with extensive participation.

Identifying and Addressing Hidden Dangers

The Company further promoted the identification and addressing of hidden dangers, strengthened risk classification in terms of hidden dangers identified, and implemented the rectification of hidden dangers based on the level of high, medium and low risks to ensure that hidden dangers on site were under control; it carried out reporting and analysis for hidden dangers, conducted systematic analyses to reveal associated trends, and adopted targeted management measures to eliminate and control hidden dangers. It implemented the management network application for hidden dangers, conducted big data management, and further implemented network monitoring on the scheduled rectification of hidden dangers in the interest of retaining control of their management. The Company conducted supervisory inspection to enhance the identification and harness of hidden dangers. It established temporary management and control measures for the identified hidden dangers and rectified them in a specific time period and reviewed the rectification results regularly. It investigated hidden dangers that had not been rectified as scheduled and held responsible persons accountable, and implemented a mechanism for treating major hidden dangers as accidents, so as to ensure the comprehensive operational safety.

Carrying out video monitoring to cover the identification of hidden dangers and to ensure safety production of platforms.

Case

For grasping daily activities of offshore platforms in a timely manner, the Drilling Division of COSL carried out full and systematic identification for hidden dangers which were not covered completely by the video monitoring systems of platforms, finding that ten video monitoring systems of platforms had problems in control points of cameras, video quality, storage time and other aspects. Based on the problems of video systems of platforms and rectifying requirements, the Drilling Division invested approximately RMB4 million to carry out targeted transformation in order to ensure that the video monitoring systems adapted to the complex environment and operation site, and to provide a powerful guarantee for safety production of drilling platforms.

Strengthening Safety Education and Training

The Company has created a philosophy of "insufficient training causes significant impacts to safety", and continuously implemented safety publicity, education and training work. In 2021, with the Company's safety education dominated by online training remotely, company-wide and special training courses for safety skills has been developed around leaderships, management and front-line staff; the Company has set up training sessions for safety production education to continuously strengthen all employees' safety awareness and prevent and reduce accidents for safety production.

In 2021, 1,533 team leaders of the Company has 100% accepted the training and evaluation for improving safety skills, and were certified; 160 system personnel of QHSE have gained professional certificates, accounting for 30%; all units provided a total of 2,387 training sessions, with a total of 17,000 learners and 676,000 learning hours, or 37 hours per person at average.

Safety Training Performance Table（2019—2021）

Indicator	Unit	2021	2020	2019
Number of safety training	Times	25,277	22,352	19,654
Number of participants in safety training	Person-times	300,958	254,547	226,787

Number of special exercises

17,145 times

Total number of participants in the exercise

479,924 particip ants

Safety Emergency Management

The Company attaches great importance to safety emergency management, and continues to optimise its emergency management system, including general and special emergency plans and on-site emergency procedures. It established an emergency group composed of experts from various fields to enhance its response to emergency situations and effectively improve its abilities in the Company's preparations for major accidents. In 2021, the Company carried out a total of 23,349 ship-shore joint exercises and on-site exercises involving rigs, ships and shore facilities. These included 6,204 general exercises and 17,145 special exercises with a total of 479,924 participants.

In June 2021, COSL carried out script-free and ship-shore joint exercises, effectively exercised emergency and collaboration capacities for integrated projects, and focused on improving the awareness of well control, employees' familiarity with rig emergency procedures and their roles in emergency in order to respond quickly under emergency.

Occupational Health

Health Management

The Company's commitment to the occupational health of its employees was manifested in the improvement of management rules such as the "Employee Health" and "Occupational Health". The Company comprehensively integrated health education and promotion, formulated and implemented health improvement and occupational health management plans and hearing protection plans for all staff. It launched a series of occupational health management programmes as planned. At the same time, the Company worked to make continuous improvements to employee working conditions in accordance with relevant laws, regulations and standards, to provide a safer and more comfortable work environment.

In 2021, the completion rate of detection work plan for occupational disease hazards of the Company was 93.3%. 100% of our staff working in offshore workplaces and fields passed the body check, 100% of our staff exposed to occupational harmful environment passed the health check and 99.55% of our staff working in the land workplace conducted body check.

Health Checks for Chinese Employees（2019-2021）

Indicator	Unit	2021	2020	2019
Coverage of all staff health check and health records	%	99.63	99.6	97.55
Number of persons attending occupational health checks	Person	5,150	4,673	4,709
Completion rate of occupational health checks	%	100	100	99.98

Note: Number of persons attending occupational health checks is the number of persons exposed to occupational hazard factors.

Health Examinations of Employees Exposed to Occupational Hazards（2019—2021）

Indicator	Unit	2021	2020	2019
Persons of pre-employment occupational health examination	Person-times	302	311	370
Completion rate of pre-employment occupational health examination	%	100	100	100
Persons of on-the-job occupational health examination	Person-times	4,314	4,186	4,086
Completion rate of on-the-job occupational health examination	%	100	100	100
Persons of post-employment occupational health examination	Person-times	270	175	253
Completion rate of post-employment occupational health examination	%	100	100	100

Health Training

The Company comprehensively enforced occupational disease prevention laws and regulations, aided employees in understanding occupational hazards, and promoted knowledge of prevention and control of occupational diseases. A major element of these efforts consisted of expert led seminars on health and first aid. They were complemented by the posting of health promotion posters, issue of electronic health magazines, and by health blogs on the Company website. In 2021, all staff at home and abroad received a total of 27 installments for various health-related articles in forms of "HSE Garden" and emails. The Company continued to build "Health Culture" to promote the staff to be their own health managers, simultaneously encouraged all areas and units to offer health talks, so as to create a good atmosphere for active health management. There were 27 cases of various diseases for the year, representing a decrease of 53% as compared with 2020.

In 2021, 549 staff attended the pre-employment occupational health training, with its completion rate of 100%; 6,535 staff attended on-the job occupational health training, with its completion rate of 100%; 291 staff attended the key persons-in charge and occupational health management training, with its completion rate of 100%; 734 staff attended specific occupational health training for those working in the workplaces with serious occupational hazards, with its completion rate of 100%.

Health lectures, first aid training on prevention and treatment of cardiovascular and cerebrovascular chronic diseases, cardiopulmonary resuscitation, Heimlich maneuver, etc.

Organize domestic branches to hire professional institutions to carry out first aid course training, focusing on team leaders, safety supervision, safety management personnel, etc.

Mental Health Counselling

The Company attaches great importance to the psychological health of employees, uses scientific psychological guidance methods to promote psychological intervention, guide and lead employees to scientifically resolve stress and safeguard the physical and mental health of employees. In 2021, the Company vigorously strengthened the construction of employee mental health, released the two mental health trainings of "Healthy COSL – Mental Health Promotion" and held a total of 14 courses for team leaders and all employees. A total of 16,000 people completed the learning of the courses. The Company effectively popularized mental health knowledge to prevent and solve employees' mental health problems.

Environmental Protection

Environment Management

Building an Environmentally Friendly System

Guided by Xi Jinping's thoughts on ecological civilization, the Company has complied with the "Environmental Protection Law of the PRC" and with laws, regulations and regulatory documents for the prevention and control of air, water, and soil pollution, and continued to revise and update the system and established and improved the "Environmental Protection" and "Environmental Factors Evaluation" and other environmental protection systems. The Company endeavors to promote the standardization of environmental protection work through compiling the "COSL Interim Measures for Circular Reuse" and the "COSL Guidelines for Solid Waste Management", strengthen pollution prevention and management, focus on the protection of the ecological environment and resources, and reduce the impact of production and business activities on the ecological to their needs to enhance employees' environmental awareness.

Environmental Impact Assessment

In the course of its production and operating activities, the Company carries out environmental impact assessment of major projects in compliance with requirements of the "Law of the PRC on Environmental Impact Assessment" and the "Administrative Regulations on Environmental Protection for Construction Projects". It has strengthened the identification and assessment of environmentally sensitive areas and environmental risks, and formulated strategies and measures to prevent and alleviate adverse environmental impacts. The Company continuously tracks the effectiveness of its measures in order to avoid and alleviate impacts on the environment and mitigate business risks.

Environmental Protection Education and Training

The Company attaches great importance to environmental protection education and publicity work. It sorts out and summarizes national key policies on ecological and environmental protection every quarter, and sends them to all units, combines with the Company's business characteristics to compile the environmental training course matrix, organizes the development of training courses, establishes a full-time environmental management team and carries out special training. By taking the production and operational characteristics into account, each working base improved its performance in training and management on the requirements of the latest laws and regulations, rubbish sorting, and the use of anti-pollution facilities and oil leakage emergency equipment, while further enhancing employees' awareness of environmental protection and improving their environmental work skills.

Saving Energy, Reducing Emissions and Carbon

Energy Management

The Company follows an established policy of environmental protection and energy conservation entitled "Care for Environment, Energy Saving and Efficiency Boosting, Green Development". It also acts in compliance with the energy saving and emissions control requirements of the countries and regions in which it operates. Besides, the Company strengthened energy management and revised and updated the system. To reduce energy consumption, the Company invests a great amount of money in the purchase, renewal and modification of equipment for energy saving and emission reduction every year.

In order to ensure the well winter operation, COSL HYSY924 platform ordered electric tracing in advance, completed the installation of BOP electric tracing and insulation treatment, reduced the operation time and load of boiler, at the same time according to the test results of outdoor thermometer, timely started and stopped using boiler, which can save 1 tonne of fuel oil a day, equal to approximately 150 tonnes in the 5-month winter defense period.

Energy and Water Consumption（2019-2021）

Indicator	Unit	2021	2020	2019
Electricity	10,000 kWh	2,547.00	2,332.15	2,151.42
Diesel fuel	Tonnes	352,221.52	319,857.91	333,433.76
Natural gas	Cubic metres	289,100.00	358,020.00	377,268.00
Oil fuel	Tonnes	0	0	0
Gasoline	Tonnes	289.10	222.14	333.87
Engine oil	Tonnes	46.66	1,300.24	1,352.34
Water	Tonnes	1,081,583.18	1,004,742.41	1,044,900.61
Water reduction	Tonnes	39,295.00	28,019.00	21,117.00

Note: Comprehensive energy consumption, energy conservation, and output value energy consumption are calculated in strict compliance with GB/T2589 General Principles for Calculation of Comprehensive Energy Consumption, GB/T13234-2009 Calculation Method for Enterprise Energy Conservation, GB17167-2006 General Rules for Equipping and Management of Energy Measuring Instruments of Energy Users and Q/HS1300-2019 Statistical Indicators and Calculation Methods of Energy Consumption, Q/HS13005-2019 Energy-saving Statistical Management Code issued by CNOOC and other national and corporate standards.

Wastewater Management

The Company has provided environmental protection equipment and facilities such as water and oil separators and domestic sewage treatment plants at its operational sites to treat and discharge industrial wastewater and domestic sewage in accordance with standards including the "Effluent Limitations for Pollutants from Offshore Petroleum Exploration and Production", "Discharge Standard for Water Pollutants from Ships", the relevant emissions standards of countries in which it operates, and international treaties. It maintains environmental protection equipment and facilities in accordance with the requirements of the PMS/AMOS maintenance system and executes regular industrial wastewater and domestic sewage discharges that meet relevant standards. In 2021, the amount of wastewater circulated amounted to 1,267.00 tonnes.

In 2021, the Company completed the upgrade and improvement of the domestic sewage treatment plants of HYSY937 and Hailong 5 drilling rig, completed the zero emission transformation of 5 drilling rigs. Together with updated drilling rigs at early stage, a total of 14 drilling rigs have satisfied zero emission requirements.

In order to ensure sufficient combustion of each diesel engine of the drilling rigs during operation, the maintenance personnel regularly adjust and check the fuel injectors of each cylinder of the diesel engine according to the equipment operation manual to control the optimal fuel injection ratio and ensure that the emission standards are met.

Managing Discharged Gas

Air Pollution Prevention Certificates issued by the China Classification Society (CCS) have been obtained for all Company vessels and drilling rigs. For the day-to-day operation of vessels and drilling rigs, qualified and low sulphur green fuels meeting the requirements of the countries in which they are located are used to minimise exhaust of such materials as nitrogen oxides and sulphur oxides. Meanwhile, each diesel engine delivered with a Diesel Engines Emission Test Report. Non-toxic and environment-friendly refrigerants was applied to air-conditioner refrigerants; Equipment personnel regularly count the nitrogen oxide emissions of diesel engines in use on rigs, and promptly proceed with the renewal plan of the main diesel generator set when it is found that the capacity of the equipment in use of rigs will not meet the current emission standards.

Waste Management

The Company effectively processed all types of solid waste generated in production and operation activities to reduce pollution, in accordance with the laws and regulations of the countries in which it operates and the international treaties. In 2021, the Company formulated the COSL Solid Waste Management Guide, which is used to guide the solid waste management of various units and to ensure the compliance and legal disposal of solid waste. The Company entered into cooperation agreements with qualified companies to recycle and process industrial waste, solid waste, domestic waste, hazardous waste, sewage oil and other waste. Offshore production sites allowed the waste to be discharged after processing at recycling facilities in accordance with the regulations. Waste that does not meet the discharge requirements shall be transported back to qualified third parties for recycling and processing.

Discharged Volume by the Company in Chinese Waters (2019-2021)

Types of discharges	Unit	2021	2020	2019
Qualified discharge of oil polluted water	Cubic	259.38	248.97	370.93
Discharge of crushed domestic waste	Tonnes	356.72	117.87	345.62
Qualified discharge of drilling slurry	Tonnes	56,111.65	48,422.03	58,757.14
Total discharge of waste	Tonnes	89,894.69	80,530.52	86,955.34
Discharge of waste for an output value	Tonnes/RMB10,000	0.05	0.03	0.03
Total discharge of hazardous waste	Tonnes	18,248.98	20,920.56	15,719.86
Discharge of hazardous waste for an output value	Tonnes/RMB10,000	0.01	0.01	0.01
Total discharge of non-hazardous waste	Tonnes	71,645.71	59,609.00	71,235.48
Discharge of non-hazardous waste for an output value	Tonnes/RMB10,000	0.04	0.03	0.03

Tackling Climate Change

Responding Actions to Climate Change

Deeply aware of the various impacts of climate change on its businesses, the Company has incorporated the response to climate change into its development plan. The Company actively implements the green and low-carbon development strategy and promotes the green and low-carbon transformation of enterprises by implementing measures such as introducing green and low-carbon technology, building and operating LNG vessels, and exploring offshore wind power generation and other measures to promote the green and low-carbon transformation of enterprises, so as to respond to the potential impact of climate change on enterprises in an active manner.

Greenhouse Gas Emission Reduction

The Company attaches close attention on greenhouse gas emissions, actively promotes the use of clean energy, and contributes to national "carbon peaking and carbon neutrality". Through the formulation of COSL 2021 Implementation Plan on Total Carbon Emission Control and COSL 14th Five-Year Plan on Carbon Reduction Action, issuance of the Notice on COSL 2021 Energy Consumption and Carbon Emission Control Targets of Various Units, the Company carries out thorough carbon emission statistics within the Company, clarifies the Company's green and low-carbon future development goals, and reduces greenhouse gas emissions from the source, production process, emission reduction and other links.

Greenhouse Gas Emissions by the Company in Chinese Waters (2019-2021)

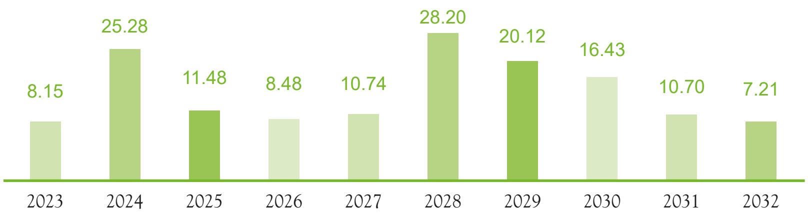
Indicator	Unit	2021	2020	2019
Carbon dioxide emissions/greenhouse gas emissions	Tonnes	1,133,346.00	1,022,833.541	1,036,502.54
Carbon dioxide/greenhouse gas emission reduction	Tonnes	35,060.00	7,469.3	4,596.33
Carbon dioxide emissions for an output value of RMB10,000	Tonnes/RMB10,000	0.46	0.44	0.41
Total direct greenhouse gas emissions	Tonnes	1,115,057.00	–	–
Total indirect greenhouse gas emissions	Tonnes	18,289.00	–	–

Promote multiple thermal fluid efficiency technology and reduce greenhouse gas emissions

Case

In 2021, the Production Division of COSL focused on promoting the on-site implementation of multiple thermal fluid (water, nitrogen, carbon dioxide) throughput and efficiency technology, which was implemented in 5 wells in Jinxian1-1 and Nanbao35-2 oil field, reducing carbon dioxide emissions by 575 tonnes.

Forecast of backfill gas quantity of CO_2 in the coming 10-year (10,000 Tonnes/Year)



Ecological Protection

Prevention of Oil Leakage

In response to oil leakages which may occur in the course of production and operation, the Company has developed strong and effective measures and procedures for preventing oil leakage. All operation units strengthened the management and control of oil leakage risks by carrying out safety inspections before drilling into oil and gas reservoirs, regular maintenance of oil spill prevention equipment, and oil spill emergency drills from time to time. In 2021, no oil leakage occurred.

Prevention of Groundwater Pollution

The Company attaches great importance to the protection of groundwater. It consistently invested in the research and development of new technologies and processes in an active manner which are applied in on-site operations to reduce pollution on groundwater in the process of oil exploration and development.

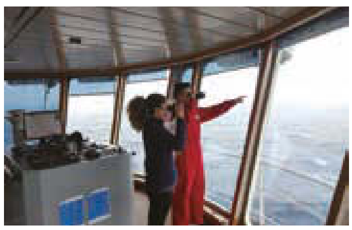
Conservation of biological diversity

The Company abides by animal protection laws around the world, values the conservation of biodiversity, carefully analyses the possible impact of its work on marine organisms, and takes preventive measures to reduce their effect, and eliminates or greatly reduces its negative impacts on biodiversity and ecosystems and preserves healthy environments for marine organisms wherever possible. In 2021, 4 staffs in the Geophysical Division of COSL obtained the MMO (Marine Mammal Observers) certificate certified by U.K. JNCC (Joint Nature Conservation Committee).

Comply with local laws and regulations and protect biodiversity

Case

While HYSY720 of the Geophysical Division of COSL operating in the South Atlantic Ocean, it actively communicated and coordinated with MMO (Marine Mammal Observers) and PAM (Passive Acoustic Monitoring Systems) operators sent by IBAMA (Ministry of Environmental Protection of Brazil) to record and map the occurrence location and time of mammals in the work area, and to make operation plans based on accurate occurrence location of mammals and time observed, so as to avoid mammals occurrence peak periods and high-risk areas for exploration and survey operations.

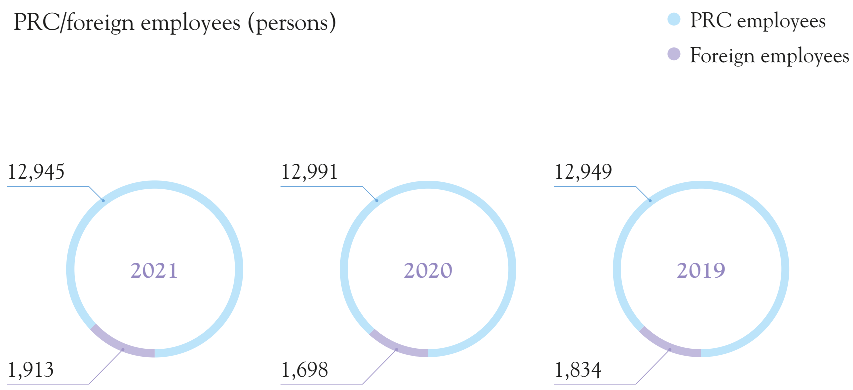


Staff Caring

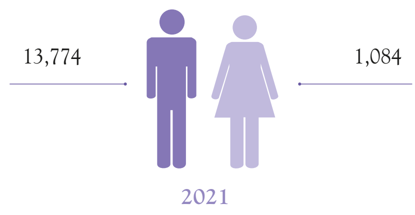
Employee Rights | Staff Development

Localisation and Diversification | Employee Care

PRC/foreign employees (persons)



Male/female employees (persons)



Indicator	2021	2020	2019
Number of new employees during the reporting period (persons)	328	329	137
Percentage of Chinese female employees (%)	7.3	7.9	8.0
Social insurance coverage (%)	100	100	100
Percentage of labour contracts signed (%)	100	100	100
Proportion of female employees in management positions (%)	18.3	20.2	21.3
Proportion of ethnic minority employees (%)	2.8	2.6	

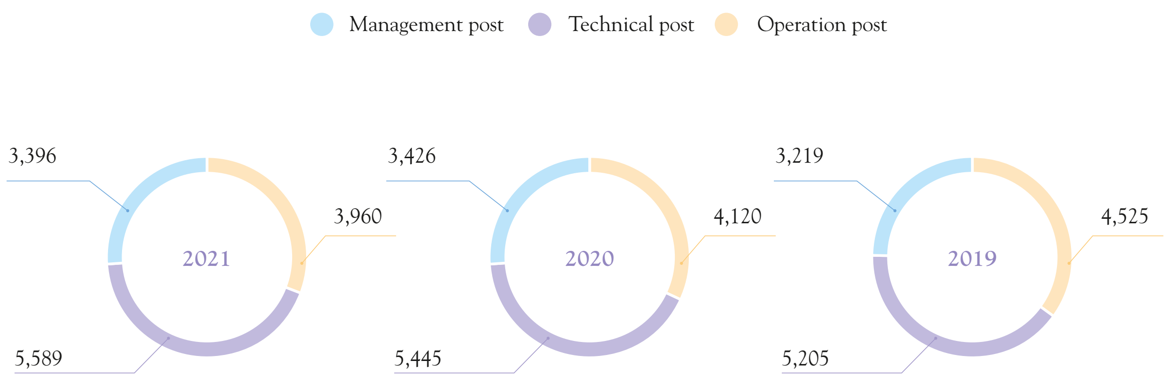
PRC Employees by Qualification (2019-2021) (persons)

Academic qualification	2021	2020	2019
Doctor	38	36	35
Master	929	846	725
Bachelor	6,075	6,013	5,920
Below	5,903	6,096	6,269

PRC Employees by Age (2019-2021) (persons)

Age	2021	2020	2019
30 or under	1,600	1,858	2,043
31-40	6,653	6,647	6,623
41-50	2,888	2,788	2,664
Over 51	1,804	1,698	1,619

PRC Employees by Position (2019-2021) (persons)



PRC Employees Turnover Rate by Gender (2019-2021) (%)

Gender	2021	2020	2019
Male	97.2	95.4	97.6
Female	2.8	4.6	2.4

PRC Employees Turnover Rate by Age (2019-2021) (%)

Age	2021	2020	2019
30 or under	35.9	45	49.5
31-40	51.0	43.1	45.3
41-50	6.2	4.6	2.8
Over 51	6.9	7.3	2.4

PRC Employees Turnover Rate by Areas (2019-2021) (%)

Areas	2021	2020	2019
Chinese	100	100	100
Non-Chinese	0	0	0

Employee Rights

Employment Policy

As a "people-oriented" organisation, the Company values talent development, and protects their legal rights and interests. The Company builds a smooth career path, and has established an open and fair work environment for employees, enabling all outstanding employees to fully enjoy the Company's development results, and helping employees realize their own value.

The Company adheres to the equal employment principle and strictly abides by the "Labour Law of the PRC", the "Labour Contract Law of the PRC", and all relevant laws, rules and regulations of countries related to the Company's business. The Company's labour contracts are founded on the principles of "Legality, Equality, Voluntary, Consensus, Honesty and Trust". We treat all employees fairly and equally in adhering to the equal and non-discriminatory employment policy, regardless of nationality, race, gender, religion and cultural background. Child labour is resolutely prohibited, as are all forms of forced and compulsory labour. We also implement the national "Special Labour Protection Regulations for Female Workers" in a strict manner to ensure that female employees have equal remuneration, benefits and career development opportunities.

Compensation and Welfare

The Company strictly complies with domestic and local laws and policies on employee compensation and social security by operating a competitive compensation & welfare and fair performance appraisal system; makes contributions to basic social insurance and housing funds for employees; implements an enterprise annuity system and provides a supplementary medical insurance system for employees and their children, personal accident insurance and safety liability insurance; and provides employees with a range of benefits, including health checks, paid vacations, assistance to those with difficulties or severe diseases, offering multilevel and all-rounded protection to its staff, in an effort to address their concerns and consistently enhance their sense of fulfillment and happiness.

Employee Involvement

The Company has established and improved the employee congress system, convened the employee congress, considered the "Three Implementation Plans for Institutional Reform" and other rules and regulations and reform plans involving the interests of workers, to protect employees' right to know, participate, express and supervise. At the same time, it has built a technical personnel training system, formed a guarantee mechanism for cultivating the spirit of craftsmen to work together to solve management problems, give full play to the positive role of employees in enhancing the efficiency of operation and management, and improve the Company's market competitiveness.

Workers' congress

Staff Development

Broadening the Channels of Development

The Company deeply implemented the concept that "talent is the first resource", and combined with the Action Plan for the "3+1" Project of Cadres and Talents Cultivation of CNOOC, relied on the construction of the employee ability assurance system, focused on the core competence of employees, and systematically built a multi-dimensional talent training system covering management, technology, skills, and internationalization, strengthened talent pipeline development and special ability improvement. The Company strives to build a good talent training system that has close-loop and can be improved with sustainability, and is committed to empowering both the enterprise and the employees, creating a "new engine" for building an international first-class energy service company with Chinese characteristics.

Meanwhile, by establishing position promotion sequences and exceptional promotion channels and other means for employees, the Company has set talent career development path in place to ensure that personnel have vertical and horizontal mobility, actively create an engaging atmosphere, and continue to contribute to human resource efficiency. In 2021, a total of 2,685 employees were promoted, providing strong support for the Company's high-quality development.

Internship

Technical Personnel → Junior engineers → Mid-level engineers → Senior engineers → Sophisticated engineers → Chief engineer → Technical experts

Management personnel → Clerks → Supervisors → Senior supervisors → Department managers → Deputy general managers → General managers

Skilled personnel → Junior engineers → Mid-level engineers → Senior engineers → Techicians → Senior techicians → Skills experts

Vocational training

Combining the development status and employee training requirements, the Company has increased investment in talent development by conducting extensive skill training and skill competitions, to encourage employees to learn, upgrade their skills, and improve their quality, and to enhance their competitiveness and overall business capabilities in all respects.

Key training programs and results in 2021

- In the year, 7,951 online and offline training programs were completed, and 1.96 million person-times were trained.
- Established the first batch of internal part-time lecturers and trained 7 lecturers of "The spirit of petroleum is passed down from generation to generation".
- Completion of the training of newly appointed cadres directly under the Party Committee in 2021, and 32 newly appointed cadres directly under the Party Committee participated in the training.
- Completion of the orientation training for new employee of the Company in 2021, and 323 new employees participated in the training.
- Hold the technical expert class training of the Company in 2021, and 32 two-level experts and technical personnel of the CNOOC participated in the training.
- Completion of the first batch of digital talent selection, testing and training of the Company, and 47 personnel participated in the training.
- In terms of training well control professionals, it has obtained the qualification from IWCF on training and certification, and trained 19 international well control lecturers.
- In 2021, 26 international well control training sessions were held, and a total of 233 people were certified.

Statistics on employee training

Item	2021	2020
Percentage of male trained staff (%)	93.0	93.0
Percentage of female trained staff (%)	7.0	7.0
Percentage of trained staff in operation positions (%)	32.9	29.3
Percentage of trained staff in technical positions (%)	42.4	50.4
Percentage of trained staff in management positions (%)	24.7	20.3
Average training time for male employees (hours)	187.8	155.5
Average training time for female employees (hours)	176.1	79.9
Average training time for staff in operation positions (hours)	183.5	173.1
Average training time for staff in technical positions (hours)	197.3	195.4
Average training time for staff in management positions (hours)	227.0	118.5

Vocational training of COSL

HSE

- Safety culture
- Safe management system
- Accident investigation
- Risk management
- Major projects
- HSSE management
- Emergency management
- Work permit
- Occupational health
- Risk analysis
- STOP culture
- Limited space
- Gas examination
- Fall protection
- Locking and listing
- Electrical safety
- Hoisting safety

Technologies

- Drilling technology
- Well completion technology
- Cementing technology
- Drilling fluid technology
- Logging skills
- Directional drilling technology

Skills

- Drilling skills
- Well completion skills
- Cementing technology
- Machine operation skills
- Electrical operation skills
- Turbine operation skills

Management

- Marketing
- Financial management
- Basic-level leadership
- Strategic reservation of personnel
- National manager training

Language

- English
- Spanish

Focus on the construction of basic resources, and arrange "faculty-based" training

Case

In order to explore training methods that meet users' needs and create a good ecological environment for talents from the vertical to the end and horizontally to the edge, in 2021, COSL established a course matrix for operation and management positions based on job competency, and developed 450 online courses covering 193 types of positions at headquarters, taking into account the needs and shortcomings of each department. At the same time, it has established a training course system resource base based on the core courses of each professional section of the Company, and sort out 106 professional modules and 2,178 professional courses based on job sequence. The course resources established by the first batch of system will be the "basic" and "compulsory" courses for the key employees of the Company, and will be the first to be stationed in COSL's "Cloud Courses" which is running online at the same time.

Training class for technical experts in 2021

Case

To enhance the strategic height and innovative thinking of technical experts and technical backbones at both levels, and to provide solid talent support for the Company's high-quality development, the Company held a training course for technical experts of COSL in 2021, with 32 people trained. The training was guided by the Action Plan for the "3+1" Project of Cadres and Talents Cultivation of CNOOC, and combined with the current situation of the Company's technical development and the positioning of technical experts. A total of 8 offline courses and 7 online courses were set up, covering Xi Jinping's socialist thought with Chinese characteristics in the new era, the development trend of the world energy industry, scientists spirit, exploration in the era of big data, digital application and other related knowledge.

Mexico Company conducts "Cross-Cultural" training

Case

In order to actively explore the international development of the Company and increase mutual understanding and mutual trust, Mexico Company organized the fourth "Cross-Cultural" training activities, with the theme of "Hello world, here is China", using the online training method, through video, PPT, interactive quiz form to share the splendid civilization of China for more than 5,000 years. The training was warmly welcomed by the Chinese and Mexican employees, with nearly 100 participants.

Middle East Company conducts confidential knowledge education training

Case

In order to strengthen the overseas confidentiality work and continuously and effectively enhance the confidentiality awareness of the overseas staff, Middle East Company organized the education and training on confidentiality knowledge. A total of 25 people from Middle East Company and Saudi Drilling Company attended the training. The training explained the basic knowledge of state secrets and commercial secrets, the principles of secrecy work, the secrecy code, and the implementation rules of the Middle East Company on secrecy management. Through this training, the participants further recognized the importance of confidentiality work and the severity of the situation of overseas confidentiality, and clarified the responsibilities and obligations of individuals in the work of confidentiality, as well as the disciplinary and legal responsibilities for violation of confidentiality laws and regulations.

Localisation and Diversification

The Company has always adhered to the internationalization strategy and the scale of its overseas market has been growing year by year, with business expanding to more than 40 countries and regions in six regions: Asia Pacific, Middle East, America, Europe, Africa and Far East. The Company actively promotes the localization and diversity of employees, strictly abides by the labor policies and laws of the countries where it is located, adheres to the employment policy of equality, freedom and anti-discrimination, and advocates that employees of different cultural backgrounds respect each other's religious beliefs, customs and traditions, as well as the rights and interests of employees. In 2021, the Company had 1,913 foreign employees.

The Company had 1,913 foreign employees

Local Employees in Overseas Offices（2019-2021）

Indicator	Unit	2021	2020	2019
Number of local employees recruited by the Company	Persons	1,913	1,698	1,834
Percentage of local employees	%	69	69	70

Employee Care

Helping employees in financial difficulty

The Company attaches great importance to helping employees in difficulty and carries out employee care through major illness assistance, disability assistance, hardship assistance and sickness care. In 2021, the Company helped a total of 1,100 employees in difficulty and donated RMB2,887,000, and established a package mechanism with 104 new employees from Tibetan and difficult areas to ensure that new employees are recruited, retained and used.

Cumulative number of employees assisted in difficulty 1,100 person-times

Donations 2.887 million

Balancing work and life

The Company regards its employees as its most important asset and continues to implement the "Guidelines for the Construction of "Small Homes for Workers at Sea", strengthen the care and concern of employees, build local youth homes and youth service stations, organize various activities to enrich the lives of employees, cultivate their sentiments and continuously improve the cohesion and centripetal force of employees.




Contribution to the Society

Fight COVID-19 | Rural Revitalization | Marine Salvage
Voluntary Service | Social Responsibility Overseas

Fighting COVID-19

In 2021, the world continues to be under the COVID-19 Pandemic with accelerated virus mutation, the global epidemic prevention and control situation is still serious and complex. China is facing the increasing risk of defense external input. In the normalized stage of epidemic prevention and control, COSL will strictly follow the overall strategy of "external prevention of importation and internal prevention of rebound", adhere to the principle of "scientific prevention and control, precise prevention and control", timely tracks the development of the epidemic situation at home and abroad, dynamically adjusts the epidemic prevention and control policy, and has formulated scientific and effective prevention and control measures to protect the lives and health of all employees of the Company. In 2021, the Company invested RMB72.3076 million to fight against the COVID-19 Pandemic.

Strengthen the system security

Since the epidemic, the Company has organized 76 meetings of the leadership group, 65 special meetings of the leadership office and 71 special overseas epidemic meetings to convey and implement the national epidemic prevention and control decisions and the spirit of the meetings of the epidemic prevention and control leadership group of the Group, and has issued the "Guidelines for Prevention and Control of the COVID-19 Epidemic in China in Autumn and Winter of COSL" and "Normalized Overseas Epidemic Prevention and Control Work Plan of COSL (Version 2)" and other work plans and requirements to promote the prevention and control of domestic and overseas epidemics.

Scientific vaccination

In May 2021, the Company formulated the "Implementation Plan for the Vaccination of COVID-19 of COSL", and each unit overcame the problems of large number of staff, wide distribution and difficulties in coordination at sea to promote vaccination comprehensively. As of 30 July 2021, except for those who are contraindicated to receive vaccination, all 23,157 domestic employees had been vaccinated; as of 2 November 2021, all 1,123 overseas employees had been vaccinated.

COVID-19 vaccination

Strengthen overseas inspections

Facing the severe situation of overseas epidemic prevention and control, the Company classifies and controls the personnel working in overseas land offices and offshore facilities, and implements relative isolation between closed and non-closed personnel, Chinese and foreign personnel, and management and operation personnel in accordance with the principle of "grading, stratification, zoning, posting and time division", staggered work and peak activities to reduce overlap. The Company strengthened shift control on entry and exit and inspection of overseas epidemics to ensure that all epidemic prevention measures can be effectively implemented, and at the same time solved the problems faced by overseas units in epidemic prevention and control and public security at the first time.

Strengthen epidemic prevention and control management

Reinforcing emergency management

In order to effectively respond to and deal with the possible outbreak of the COVID-19 Pandemic, ensure that control measures can be taken in a timely manner, control the spread of the epidemic, effectively isolate and treat sick employees, prevent cross-infection, and effectively protect the physical and mental health of employees, the Company continues to optimize the emergency response to epidemic prevention and control. According to the plan, each unit regularly conducts emergency drills or desktop deductions, and conducts full-process emergency drills for possible suspected or confirmed cases to maintain the normal production and living order of the Company.

Rural Revitalization

2021 marks the starting year of effective connection of consolidating and expanding the results of poverty alleviation with achieving rural revitalization. On the basis of major national victories in poverty alleviation, COSL continued to be guided by the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. In accordance with the unified deployment of CNOOC, COSL attached close attention on the goals, fulfilled their duties and responsibilities, made precise efforts, made full use of existing funds and complied with relevant policies of CNOOC. COSL made continuous efforts in quality improvement and upgrade of hope primary schools as well as consumption assistance, actively explored new ideas and models of educational assistance, and strived to consolidate and expand the results of poverty alleviation to effectively connect with rural revitalisation. In 2021, the Company invested RMB21.6053 million in rural revitalization, and all kinds of assistance works were carried out in an orderly manner.

Optimisating management systems

COSL actively accorded with the requirements of the national development policy of the 14th five-year Plan, consolidated the working procedures, revised and improved the Company's "Charity and Public Welfare Management Policy" in accordance with the new idea of rural revitalization of CNOOC and on the basis of the original Articles of the Charity and Public Welfare Work Committee, and set up the Company's Charity and Public Welfare Work Committee and office, established a quarterly report system, and co-ordinated the work of charitable public welfare.

Total assistance funds

21.6053 million

Carrying out assistance projects

At the beginning of 2021, COSL made a donation plan for the whole year in advance, and promoted various projects in an all-round way according to the plan. During the year, a total of 14 donations were carried out, with a total of RMB21.6053 million in assistance funds, of which RMB20 million of fixed-point assistance funds was directly involved in rural construction.

Helping beekeepers achieve "sweet business"

Donation of cleaning vehicles to help the beauty of the countryside

Targeted assistance

According to the unified deployment of the CNOOC, COSL invested RMB20 million for the helping project in cooperation city of Gansu Province, which was used for the construction project of Mamusona well-off village, the smart campus construction project and the industrial support project of highland morel cultivation and sales. The project funds were paid in March 2021 and are implemented by CNOOC Marine Environment and Ecology Protection Foundation.

Since 2019, the Company has sent three cadres to carry out poverty alleviation work in Luxi Village, Longtou Town, Potou District, Zhanjiang City, Guangdong Province, helping the local community achieving "Without Two Worries and With Three Guarantees" and realizing the goal of "Eight Possessions " and contributing to the revitalization of the countryside.

Local Support

According to the requirements of the Notice on Further Promoting "One Nation Is One Family" Activities by State-owned, Private Enterprises and Individual Industrial and Commercial Households (Lun Min Qin Ban Fa [2021] No.3), COSL Xinjiang Branch built close relationships with three families in Uzunbulak village, and carried out "One Nation Is One Family" activity. COSL will carry out visit every two months, sending necessities such as rice, flour, oil to the targeted families, purchasing vegetable seeds, chicken seedlings for villagers, helping them develop vegetable planting and poultry breeding, and donating some ethnic musical instruments and sports products to the village to enrich the villagers' cultural life. The Company was awarded the honorary title of "Model Collective for National Unity and Progress" by the Party Committee of Luntai County on November 29.

Visits to villagers' homes

Help villagers pick small white apricot

Educational Assistance

Educational donation activities

In 2021, the Company carried out a total of 12 donations in educational assistance, with an investment of RMB1.695 million, which has been fully implemented to help improve educational infrastructure and local teaching standards.

Carried out book donation initiative activity of "Charity Books for Student in Hope Primary School", and sorted out and transported more than 6,000 charity books collected to Hope Primary School in Yunnan.

Visited Hope Primary School in Dianping Village, Hubei and carried out "International Children's Day" pre-festival activities and charitable donation activities, and signed a construction aid project agreement, with an assistance fund amounting to RMB334,500.

The "Red Scarf to the Party" primary school students' essay and painting competition was held in 4 CNOOC COSL Hope Primary Schools in Hainan. A total of 173 students and 12 excellent teachers won prizes, with an assistance fund amounting to RMB50,000.

Visited 2 CNOOC COSL Hope Primary Schools in Dali Prefecture, Yunnan Province, and jointly carried out a theme Party day of "One Hundred Years of Glory, Childlike Innocence to the Party" with the Dali Prefecture Communist Youth League Committee, donating cultural and sports facilities, with an assistance fund amounting to RMB11,000.

Purchasing equipment for the new teaching building of Xunkou Hope Primary School, Hebei Province to improve the school teaching condition with an amount of RMB87,800.

Donating 10 sets of air conditioning equipment and 1 teaching grand piano to Tianjin Experimental Binhai High School with an mount of approximately RMB100,000.

The project of renovating the teaching facilities of 3 CNOOC COSL Hope Primary Schools in Hainan province amounted to RMB500,000.

The post-earthquake facility repair and renovation project was carried out at Hope Primary School in Taiping Village, Yunnan Province, with an amount of RMB200,000.

A scholarship of RMB100,000 has been set up in 3 CNOOC COSL Hope Primary Schools in Hainan province to support students from poor households.

Donation activities in Hope Primary School in Dianping Village, Hubei

Activities in Hope Primary Schools in Hainan

Theme Party day activities in Hope Primary Schools in Yunnan

Cloud volunteer teaching activity

COSL Shenzhen Branch, together with Ping An and CYDF, launched the volunteer activity of "Cloud Volunteer Teaching" of Yunnan COSL Hope Primary School. Through the construction of an online teaching platform, recruiting volunteer teachers among staff volunteers and college students in the area and the integration of online live broadcasting and recording, COSL adopted an innovative way to introduce more high-quality teaching resources into the teaching classroom of Yunnan COSL Hope Primary School, effectively solving the practical difficulties such as insufficient teachers and lack of educational resources in rural schools, and helping rural revitalization.

On May 13, 2021, COSL held a summary and commendation meeting for poverty-alleviation and rural revitalization mobilization and deployment, and COSL cadres Cui Lijun, Yu Yongjie, Zhang Zhihong, and Chen Hongxiang, a village-based cadre of Luxi Village, won the Advanced Individual Award, and 24 others won the commemorative award.

Poverty-alleviation is not the end, but the starting point of a new life and a new struggle. COSL will continue to take Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era as the guide, strictly implement the "four non-picking" requirements, unremittingly grasp the implementation of each work, realize the effective connection between consolidating and expanding the achievements of poverty-alleviation and rural revitalization, and forge ahead towards the realization of the second centenary goal with an indomitable attitude of struggle!

Marine Salvage

When performing production duties, the offshore operation unit of the Company also took the initiative to assume social responsibility and be active to participate in marine salvage operations, which has been recognized by multiple parties. In 2021, the Company participated in maritime rescue or assistance work for 16 times in total, dispatched 17 vessels, took part in 11 marine salvage operations, rescued 128 persons and received 6 commendations or praises from government departments.

Participation in maritime rescue work in 2021 (for example)

Binhai 285 successfully rescued a construction vessel "Sheng Song Gong 11" which was trapped in the ice area	The seismic vessel "Oriental Pearl" successfully rescued two people who fell into the water
HYSY601 successfully rescued a fishing boat in distress with 14 people on board	HYSY689 successfully towed a floating fishing boat out of the mining area
HYSY655 rescued 18 people from Typhoon In-Fa	HYSY655 transferred sick sailors under Typhoon Chanthu
Under the emergency situation, HYSY675 towed a construction vessel "Blue Ocean 300" which was out of control in wind and waves and more than 70 people on board	NH222 successfully rescued and transferred 3 seriously injured sailors
Guo Hai Min He successfully rescued 4 fishermen in distress	Dong Fang Hua Chen 6 successfully rescued 5 people in distress

Voluntary Service

Since the establishment of the "Blue Power" volunteer team in 2014, COSL has planned and carried out voluntary services for 8 years in a row, consistently expanding the scope of voluntary services and contributing to the construction of a harmonious society.

Voluntary tree planting activities

Garbage cleaning activities

Tomb sweeping activities for martyrs

Hairdressing services to the public

Social Responsibility Overseas

In participating in the Belt and Road Construction, COSL adheres to common development with local communities, actively performs overseas responsibilities, enhances mutual understanding and trust, and builds a better home.

COSL Mexico Company has carried out charity activities for five consecutive years

Case

In April 2021, when the traditional Children's Day in Mexico was approaching, a group of 5 public service volunteers of COSL Mexico Company visited the children in SAN Pedro Pescado Orphanage in Carmen. This was the fifth consecutive year that the Mexican Company went to the orphanage to carry out social welfare activities "Love Warms Children' Hearts" since 2017.

The Mexican Company has been operating the "Love Warms Children's Hearts" activity for five consecutive years to fulfill corporate social responsibility in a way recognized by most local people and win the respect of local people and government. It has worked hard to overcome the impact of the epidemic, and on the premise of doing well epidemic prevention, has continued to strengthen connections with local people and social organizations, contributing positive efforts to expand the brand influence of COSL.

COSL Iraq Company promotes vaccination of all employees

Case

In the face of the still severe epidemic prevention and control situation, COSL Iraq Company responded calmly and firmly to organize all local employees to be vaccinated as soon as possible and build a full immune barrier by establishing ideas that vaccination against COVID-19 is the most effective, safe and economical way to prevent and control COVID-19.

The Company worked hard to secure local vaccine resources and invited medical staff to the Company camp for vaccination. In less than one month, 495 local employees were vaccinated, realizing 100% vaccination coverage rate of the local employees of the Iraqi Company and the contractors, which greatly alleviated the epidemic prevention pressure on the site. At the same time, it demonstrated China's responsibility as a responsible major country to work with the Iraqi people to help each other in times of difficulties.

Sustainable Development Management

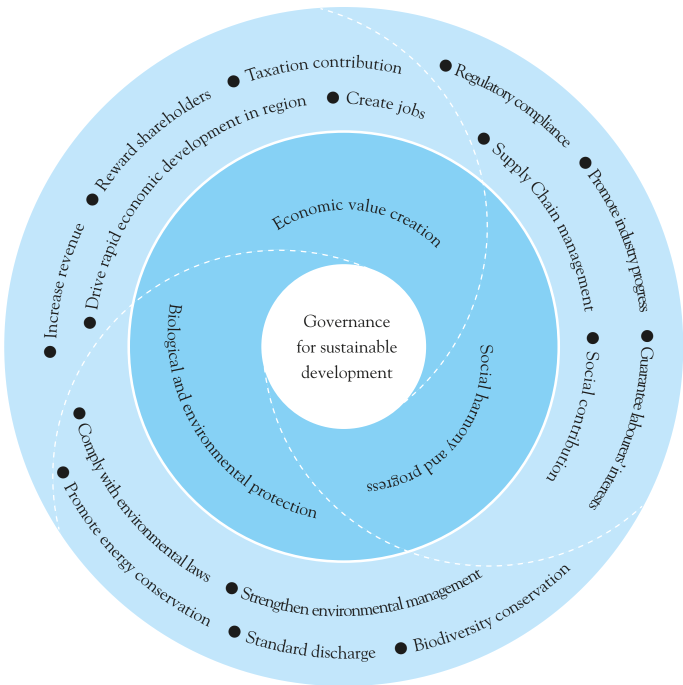
Sustainable Development Governance

Sustainability risk management

The Board attaches great importance to the risks arising in the process of sustainable development, and has established a risk management committee, which meets regularly for risk identification and assessment. Relevant departments are responsible for managing risks in finance, legal issues, antifraud, safe production, environmental protection, overseas public security, etc., which are integrated into day-to-day production and operation management to form a routine system of risk assessment, reporting, response and monitoring.

Sustainable development management system

The Company continues to optimize its sustainable development management and incorporated its sustainable philosophy of “Always Do Better” into the enterprise development strategy and daily operations. The Company appoints a specific department to prepare and publish sustainability reports and carry out sustainable development training and exchanges. All departments and business units participate in promoting systematic and standardized management of sustainable development, combining its functions and responsibilities to achieve combined governance for sustainable development and business management.



Analysis of Material Issues

The Company actively uses questionnaire surveys to identify, evaluate and screen sustainable development issues, and has determined issues that are of high concern to the Company and stakeholders. Disclosures and responses focusing on these are made in the report.

Strengthening party building	Sustainable development management	Risk management	Compliance	Anti-fraud initiatives
Quality management and quality services	Technological innovations	Safe production and occupational health	Response to climate change	Energy saving and emissions reduction
Conservation of biological diversity	Supply chain management	Protection of employee rights	Career development	Staff caring
Fight against COVID-19	Rural revitalization	Marine salvage	Voluntary services	Social responsibility overseas

Communication with Stakeholders

The Company attaches great importance to communication with stakeholders, and adopts their relevant demands as the Company's objectives and incorporates them into plans and proposals for sustainable development. Through a variety of channels and platforms, the Company maintains ongoing communications on new developments of its capabilities and on its performance in meeting the reasonable expectations and demands of all parties.

Stakeholders	Concerns	Responses and measures
Regulatory authorities and government	Implementing macroeconomic policy Operation in compliance with law Paying taxation in accordance with the law	Promoting laws and regulations Paying taxation in accordance with the law Accepting supervision and evaluation Visiting reporting and filing
Employees	Protection of rights Career development Health and safety Employee participation Employee care	Equal employment policies Optimisation of pay and benefits Four-level training Respecting diversity Occupational health and safety management Employee representatives meetings Cultural and recreational activities Employee care
Shareholders	Improving corporate governance Value creation Guarding against operational risks Information disclosure	Regular reports General meetings Daily communication Publishing annual reports and sustainability reports
Clients	Provision of safe, high quality and efficient services Security of customer information Improvement of customer satisfaction	Development of quality management system Continuous innovation Providing professional solutions Visits and communications Protecting customer information Comprehensive improvement of work standards
Suppliers and contractors	Compliance with business ethics and laws and regulations Establish long-term partnerships Mutual benefit and win-win development	Business discussions and technology exchange Negotiation of contracts and daily exchange Electronic management platform
Financial institutions	Operating conditions Operational risks Corporate governance	Special sessions Information disclosure
Media	Fulfillment of sustainable development Corporate performance Major events, activities and initiatives	Information disclosure Multi-channel communication
Charity and non-governmental organisations	Maintaining close contact and information sharing Participation in social activities	Active participation in social welfare Information disclosure
Community and the public	Improving communication and exchange Carrying out social contribution activities Supporting public welfare	Rural revitalization Fight COVID-19 Marine salvage Promoting employment Supporting education Community care Volunteering services
Environment	Compliance with environmental laws and regulations Environmental protection Conserving energy and reducing emissions	Establishment of environment management system Conduct environmental training and awareness Clean production Conservation of biological diversity Practicing environmental charity

Prospects

Facing with a new development stage, COSL will adhere to sustainable development, continue to improve our corporate governance, optimize sustainable development governance, promote the organic integration of sustainable development governance with enterprise operation and management, unswervingly fulfill social responsibilities, and increase our competitive levels in terms of corporate social responsibility.

We will adhere to innovation-driven development, increase investment in scientific research, speed up the commercialization of R&D achievements; implement total quality management to create maximum value for customers, and work together with partners for win-win results. We will improve the safety and environmental protection work, enhance the safety management system and emergency response capabilities; pursue green and low-carbon development, promote energy conservation, emissions and carbon reduction, and contribute to China's dual-carbon objective. We will adhere to development strategy of talent strengthening, and protect the rights and interests of employees; broaden career development channels, promote work-life balance, and enhance employee cohesion and happiness. We will adhere to give back to the society, consolidate the results of poverty alleviation, and proceed with rural revitalization; continue to prevent and control COVID-19 to safeguard the physical and mental health of employees; continue to promote public welfare activities such as marine salvage and voluntary services to perform responsibilities forwardly; advance the "Belt and Road Initiative", fulfill overseas social responsibilities, and establish a wonderful homeland.

Directors, Supervisors, Senior Management and Employees

1. CHANGE IN SHAREHOLDING AND REMUNERATIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Unit: Shares

Name	Position (Note)	Gender	Age	Commencement date of term	Expiry date of term	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the related party of the Company
Zhao Shunqiang	Chairman Executive Director CEO Former President	Male	53	2021-4-28 2020-10-21 2021-4-28 2020-8-26	2023-10-20 2021-4-28					150.63	No
Yu Feng	Executive Director Vice president	Male	57	2021-12-28 2017-1	2024-12-27					130.63	No
Xu Yingbo	Team Leader of the Discipline Inspection Commission	Male	48	2020-7-29						126.41	No
Liu Xiaogang	Vice President	Male	43	2021-8-25						53.96	No
Lu Tao	Vice President	Male	53	2020-7-29						125.46	No
Xiong Min	Vice President	Male	45	2020-12-18						128.44	No
Yang Dexing	Vice President	Male	41	2020-12-18						128.19	No
Chong Xiaojie	CFO	Female	45	2021-5-11						84.28	No
Wong Kwai Huen, Albert	Independent Non-executive Director	Male	70	2016-5-31	2022-5-29					40.00	No
Lin Boqiang	Independent Non-executive Director	Male	64	2020-5-28	2023-5-27					40.00	No
Chiu Lai Kuen, Susanna	Independent Non-executive Director	Female	62	2021-6-1	2024-5-31					23.33	No
Wu Wenlai	Non-executive Director	Male	59	2021-12-28	2024-12-27					–	Yes
Liu Zongzhao	Non-executive Director	Male	56	2021-12-28	2024-12-27					–	Yes
Peng Wen	Chairman of the Supervisory Committee	Male	52	2020-10-21	2023-10-20					–	Yes
Cheng Xinsheng	Independent Supervisor	Male	59	2015-6-2	2024-12-27					8.00	No
Zhao Bi	Employee Supervisor	Male	40	2019-7-30	2022-7-29					105.24	No
Sun Weizhou	Joint Company Secretary	Male	50	2022-1-21						–	No

Name	Position (Note)	Gender	Age	Commencement date of term	Expiry date of term	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the related party of the Company
Qi Meisheng	Former Chairman Former Executive Director Former CEO	Male	53	2018-3-28 2016-7-22 2020-8-26	2021-4-28 2021-12-28 2021-4-28					33.14	Yes
Fong Chung, Mark	Former Independent Non-executive Director	Male	70	2015-6-2	2021-6-1					16.67	No
Xu Yugao	Former Non-executive Director	Male	52	2020-12-11	2021-12-28					–	Yes
Zhao Baoshun	Former Non-executive Director	Male	59	2020-12-11	2021-12-28					–	Yes
Zheng Yonggang	Former CFO	Male	48	2018-2-28	2021-5-10	5,200	5,200	0	Nil	27.76	Yes
Wu Yanyan	Former Company Secretary	Female	42	2019-8-22	2021-10-28					69.23	Yes
Total	/	/	/	/	/	5,200	5,200	/	/	1,291.37	/

Notes: 1. The total remuneration of the above directors, supervisors and senior management was the remuneration before tax of the directors, supervisors and senior management of the Company obtained from the Company during the reporting period.

2. Details of the changes are set out in "Changes of Directors, Supervisors and Senior Management" of "Directors, Supervisors, Senior Management and Employees" of the annual report.

BOARD OF DIRECTORS:

Zhao Shunqiang

Mr. Zhao Shunqiang, Chinese, born in 1968, Chairman, Executive Director and CEO of COSL, senior engineer, graduated from China University of Petroleum (East China) with bachelor degree of drilling engineering in 1990 and was granted EMBA of CEIBS in 2008. From July 1990 to November 2001, Mr. Zhao successively served as drilling foreman, staff member of operating department and senior team leader of China Offshore Oil Northern Drilling Company; from November 2001 to October 2002, he successively served as Vice President of China Offshore Oil International Engineering Company and manager of Bohai No. 9 Rig of China Offshore Oil Northern Drilling Company; from October 2002 to August 2004, he served as Vice GM of Tianjin Branch of COSL; from August 2004 to November 2004, he served as Director of Drilling Technology Institute (Tanggu) of COSL IPM Division; from November 2004 to December 2005, he served as GM of Tianjin Branch of COSL; from December 2005 to April 2012, he served as GM of the Production Optimization Division of COSL, while he also served as the Dean of Production Optimization Research Institute from January 2011 to April 2012; from April 2012 to March 2018, he served as the Vice GM of CNOOC International Limited; from March 2018 to August 2020, he served as President of CNOOC Uganda Limited; from August 2020 to April 2021, he has served as President of COSL. Since October 2020, he has served as an Executive Director of COSL. He has been served as Chairman and CEO of COSL since April 2021. Mr. Zhao has over 30 years of experience in the oil and natural gas industry.

Yu Feng

Mr. Yu Feng, Chinese, born in 1964, is an Executive Director, Deputy Party Secretary, Vice President and Chairman of Labour Union of COSL. He graduated from East China Petroleum Institute in 1987 with a Bachelor degree in mining geophysics and obtained his MBA from Tsinghua University in 2003. Mr. Yu served as an assistant engineer of the electronic computing center in Shengli Oilfield from July 1987 to January 1990 and an assistant engineer of Logging Company of CNOOC from January 1990 to May 1991. He served as an engineer of Xinjiang branch of Logging Company of CNOOC from May 1991 to August 1992. He also served as a sales engineer of Xinjiang branch of Logging Company of CNOOC from August 1992 to May 1994 and a marketing engineer of Zhanjiang branch of Logging Company of CNOOC from May 1994 to August 1995. He was a deputy manager of the marketing development department of Logging Company of CNOOC from August 1995 to August 1996 and a manager of the marketing development department of Logging Company of CNOOC from August 1996 to December 2000. Mr. Yu served as a general manager assistant (in charge of the finance and accounting department) of Logging Company of CNOOC from December 2000 to December 2001 and a general manager of the marketing department of COSL from December 2001 to September 2002. He also served as a vice general manager of the Well Tech of COSL from September 2002 to March 2006 and a general manager of the Well Tech of COSL from March 2006 to January 2016. From January 2016 to January 2017, he served as a marketing director of COSL. Since January 2017, he has been a Vice President of COSL. From June 2017 to September 2020, he has also served as a safety director of COSL. From July 2020, he served as Deputy Party Secretary, Vice President and Chairman of Labour Union of COSL. He has been served as an Executive Director of COSL since December 2021.

Wong Kwai Huen, Albert

Mr. Wong Kwai Huen, Albert, China (Hong Kong) by nationality, born in 1951, BBS, JP., is an Independent Non-Executive Director of COSL. Mr. Wong holds a Bachelor of arts degree from The Chinese University of Hong Kong and a Bachelor of laws degree from the University of London. Mr. Wong is currently the Independent Non-Executive Director of Vinda International Holdings Limited, Hua Hong Semiconductor Limited and NWS Holdings Limited. He had been the managing partner of the China region for 15 years in two international law firms. Prior to that, he worked for the Lands Department, Department of Justice and Legislative Council of the Hong Kong SAR Government for 10 years in total. Mr. Wong was respectively appointed as committee member of the Hong Kong International Airport Authority, Hospital Authority and the Competition Committee during the period from 2011 to 2018. He was the former chairman of Hong Kong International Arbitration Centre, and is presently the chairman of Hong Kong Board of Review (Inland Revenue Ordinance), the former chairman of Hong Kong Copyright Tribunal, the Director of The Hong Kong Mortgage Corporation Limited, former president of the Law Society of Hong Kong and Inter-Pacific Bar Association. Mr. Wong holds the posts of honorary lecturer, external examiner and professor in the University of Hong Kong, The Chinese University of Hong Kong, City University of Hong Kong and Hong Kong Shue Yan University. Mr. Wang served as principal of Hong Kong branch of Fried, Frank, Harris, Shriver & Jacobson LLP from 2015 to May 2021, and principal of Huen Wong & Co. since June 2021, and Independent Non-Executive Director of COSL since May 2016.

Lin Boqiang

Mr. Lin Boqiang, American, born in 1957, is an Independent Non-Executive Director of COSL. Mr. Lin has a Ph.D in economics from the University of California, United States of America. Mr. Lin was the economist (energy) of Asian Development Bank. He is currently a "Changjiang Scholar" distinguished professor of School of Management of Xiamen University, dean of China Institute for Studies in Energy Policy and a doctoral tutor of Xiamen University. Mr. Lin is the chief editor of Energy Economics, an international energy economics journal. Meanwhile, Mr. Lin is a member of the National Energy Consultation Committee under the National Energy Commission, a member of the Energy Price Consultation Committee under the National Development and Reform Commission, a special economic analyst for China Xinhua News Agency, a special observer of China National Radio, an executive member of the Energy Leader Committee of the World Economic Forum based in Davos. From May 2014 to June 2020, Mr. Lin served as an Independent Non-Executive Director of PetroChina Company Limited. Since May 2020, Mr. Lin has served as an Independent Non-Executive Director of COSL.

Chiu Lai Kuen, Susanna

Ms. Chiu Lai Kuen, Susanna, China (Hong Kong) by nationality, born in 1960, MH, JP., an Independent Non-Executive Director of COSL, graduated from the University of Sheffield (United Kingdom) with First-Class Honours in Economics, and obtained an EMBA degree in business administration from the Chinese University of Hong Kong. Ms. Chiu is a Hong Kong certified public accountant, a Chinese certified public accountant, a qualified Chartered Accountant from England and a Certified Information System Auditor. She is a current member of the Chinese People's Political Consultative Conference (CPPCC) of Shanghai, an expert on government accounting standards at the Ministry of Finance, a director of the China Overseas Friendship Association, an executive member of the Guangdong Women's Federation, and current Council Treasurer of the Education University of Hong Kong. Ms. Chiu served as the president of the Information Systems Audit and Control Association (China Hong Kong Chapter) from 2001 to 2006. She served as the President of the Hong Kong Institute of Certified Public Accountants in 2013. She has been a member of Women's Commission under the Hong Kong Government since January 2017. She has also served as a member of the Equal Opportunities Commission and the Energy Advisory Committee respectively from 2009 to 2018. Ms. Chiu was awarded the Medal of Honour by the Hong Kong Government in 2013, the "Outstanding Women Professionals" Award in 2014, the "Distinguished Alumni" Award from the University of Sheffield (United Kingdom), and the "Outstanding Business Woman" by Hong Kong Commercial Daily in 2017. Ms. Chiu was awarded the "Justice of Peace" by the Hong Kong Government in 2017 and the "Justice of Peace NT" in 2018.

From 2006 to 2019, Ms. Chiu successively served as Senior Vice President, Eastern China Chief Representative, and Consultant under the Fung Group (a Hong Kong listed company). From 2000 to 2005, she served as the Chief Operating Officer of DVN (Holdings) Limited (currently known as Frontier Services Group Limited, stock code: 0500), a company listed on the Hong Kong Stock Exchange. Before 2000, she served as senior project manager (Greater China) of Caltex Hong Kong Ltd. Ms. Chiu served as an independent non-executive director of Huijing Holdings Company Limited (stock code: 9968), Huali University Group Limited (stock code: 1756) and Kato (Hong Kong) Holdings Limited (stock code: 2189), which are listed on the Hong Kong Stock Exchange. She also served as an independent non-executive director of Songz Automobile Air Conditioning Co., Ltd. (stock code: 002454), a Shenzhen A-share listed company. Since 2018, she has served as an independent non-executive director of Nanyang Commercial Bank Limited. She has been an executive director of Bonjour Holdings Limited since December 2020 and an Independent Non-Executive Director of COSL since June 2021.

Wu Wenlai

Mr. Wu Wenlai, Chinese, born in 1962, is a Non-Executive Director of COSL, a professor-level senior engineer graduating from Changchun Institute of Geology with a major in geological and mineral surveys in the Geology Department in September 1984. He received his Doctorate of Science in solid geophysics from the Institute of Geology and Geophysics, Chinese Academy of Sciences in July 2008. From September 1984 to July 1988, he served as an assistant engineer in Shanxi Institute of Metallurgical Geology. From July 1988 to June 1992, he served as a geologist and deputy director in the second exploration division of Bohai Oil Research Institute. From June 1992 to October 1999, he successively served as a deputy director and director of the geological laboratory, a chief of the scientific research and production management department, and a deputy chief geologist in the Bohai Oil Research Institute. From October 1999 to September 2009, he successively served as the dean, deputy director, deputy secretary to the Communist Party Committee, secretary to the Disciplinary Committee, and chairman of the Labor Union in the Bohai Research Institute of CNOOC Research Center, as well as a deputy director in the Beijing Research Center of CNOOC China Limited. From September 2009 to December 2011, he successively served as a director of the ideological and political work department and the news center, and a director of the news office, as well as a president in Offshore Oil Press of China National Offshore Oil Corporation. From December 2011 to March 2013, he served as a director of the ideological and political work department (news office) of China National Offshore Oil Corporation and a president in Offshore Oil Press. From March 2013 to February 2018, he served as a general manager and a secretary to the Communist Party Committee in China United Coalbed Methane Corporation Limited, and a general manager of the Unconventional Oil and Gas Branch of CNOOC (China) Co., Ltd.. From February 2018 to January 2021, he served as a chairman and a secretary to the Communist Party Committee in CNOOC Gas and Power Group Co., Limited. Since January 2021, he has been engaged in special work. He has been a Non-Executive Director of COSL since December 2021.

Liu Zongzhao

Mr. Liu Zongzhao, Chinese, born in 1965, is a Non-Executive Director of COSL, a professor-level senior engineer graduated from Southwest Petroleum Institute with a major in Oil Production Engineering in the Oil and Gas Field Development Department in July 1989. He obtained a master's degree in Petroleum and Natural Gas Engineering from the School of Petroleum and Natural Gas Engineering, University of Petroleum in July 2003. From July 1989 to September 1997, Mr. Liu successively served as an intern operator, the director and then the head of the Research Institute of the Oil Exploration Company of CNOOC Bohai Corporation. From September 1997 to April 2001, he successively served as the deputy director and the director of the Oil Production Technology Research Institute of CNOOC Bohai Corporation. From April 2001 to January 2005, he successively served as the deputy manager, general manager and secretary to party branch of the Oil Production Engineering Technical Service Company of CNOOC Bohai Corporation. From January 2005 to July 2008, he served as the general manager of the Oil Production Technology Service Branch of CNOOC Base Group Ltd. From July 2008 to November 2012, he served as the general manager of the Oil Production Technology Service Branch of CNOOC Energy Technology & Services Limited. From November 2012 to March 2013, he served as the assistant to the general manager of CNOOC Energy Technology & Services Limited and the general manager of the Oil Production Technology Service Branch. From March 2013 to March 2021, he successively served as the deputy general manager of China United Coalbed Methane Corporation Limited and the deputy general manager of the Unconventional Oil and Gas Branch of CNOOC (China) Co., Ltd. Since March 2021, Mr. Liu has been a full-time director of CNOOC. He has been a Non-Executive Director of COSL since December 2021.

BOARD OF SUPERVISORS:

Peng Wen

Mr. Peng Wen, Chinese, born in November 1969, is the Chairman of the Supervisory Committee of COSL, a senior accountant. He graduated from the Economics Department of Xiangtan Mining Institute in July 1991, majoring in accounting, studied by correspondence in China University of Mining and Technology with a Bachelor of Management in Accounting from September 2000 to July 2003, and studied part-time in China University of Mining and Technology from February 2004 to January 2008 and obtained an undergraduate degree in Law. From July 1991 to April 1999, Mr. Peng served successively as cashier, accountant of the geological exploration department, accountant of financial department of special construction basic engineering head company, financial accounting of social insurance coordinating office and vice section chief and chief staff member of financial fund department in DaTun Coal Electricity Company. From April 1999 to April 2006, he successively served as chief of the finance department of Kongzhuang Mine, chief accountant and general legal counsel of Construction and Installation Engineering Company of DaTun Coal Electricity (Group) Co., Ltd. From April 2006 to September 2007, he served as vice GM and chief accountant of Hunan Ordnance Industry Group Co., Ltd. From September 2007 to April 2013, he served as chief accountant of China United Coalbed Methane Corporation Ltd. From April 2013 to February 2016, he served as chief accountant of China United Coalbed Methane Corporation Ltd. and chief accountant of the unconventional oil and gas branch of CNOOC (China) Co., Ltd. From February 2016 to February 2017, he served as the vice president of CNOOC International Financial Leasing Limited. From February 2017 to June 2020, he served as the vice president of CNOOC International Financial Leasing Limited, and the vice GM of CNOOC Investment Holding Co., Ltd. Since June 2020, he has been a full-time supervisor of CNOOC. He is currently the Chairman of Supervisory Committee of Offshore Oil Engineering Co., Ltd., CNOOC Research Institute Co. Ltd., China United Coalbed Methane Corporation Ltd. and CNOOC Hainan Energy Co., Ltd. Since October 2020, Mr. Peng has served as the Chairman of Supervisory Committee of COSL.

Cheng Xinsheng

Mr. Cheng Xinsheng, Chinese, born in 1963, is an Independent Supervisor of COSL. Mr. Cheng obtained his Bachelor degree and Master degree from the School of Economics of Nankai University and Doctoral degree from Tianjin University of Finance and Economics in Management, and he holds the independent director qualification of China. Mr. Cheng was a lecturer and an associate professor of the Accounting Department of Nankai University in March 1993, and passed the PRC Certified Public Accountants examination in 1994 and became a member of The Chinese Institute of Certified Public Accountants. He promoted to the Head of the Audit Teaching and Research Offices of the Accounting Department of Nankai University from September 1995 to August 2001. He engaged in the research on corporate governance when he was stationing in the post-doctoral business administration offices of Nankai University from September 2001. Since September 2002, Mr. Cheng has been acting as the Head of Corporate Governance Evaluation Study Offices of the Research Institute of China Corporate Governance of Nankai University. Since December 2005, Mr. Cheng has been acting as a professor and a doctoral supervisor of Nankai University. Mr. Cheng was an Independent Non-Executive Director of Offshore Oil Engineering Co, Ltd., a company listed on the Shanghai Stock Exchange. Mr. Cheng is an Independent Supervisor of COSL since June 2015.

Zhao Bi

Mr. Zhao Bi, Chinese, born in 1981, is an Employee Representative Supervisor of COSL, administrative officer, and graduated from the Jianghan Petroleum Institute with a Bachelor degree in 2003. From July 2003 to December 2004, he served at the position of internship, Driller and Well Workover Supervisor at COSL IPM Division SZ36-1/QK17-2 project team. From December 2004 to April 2006, he served at the position of salary management of Human Resources department of COSL Product Manufacturing Division. From April 2006 to June 2011, he served at the position of human resource allocation of Human Resources department of COSL Drilling. From June 2011 to January 2014, he served at the position of C&B Officer of Human Resources department of COSL Drilling Division. From January 2014 to January 2017, he served as the manager of CAIM of COSL Drilling Division. From January 2017 to November 2017, he temporarily acted as the deputy general manager of Human Resources department of COSL. From November 2017 to August 2019, he served as the deputy general manager of Human Resources department of COSL. From August 2019 to June 2021, he served as the manager of the Human Resources department of COSL; from June 2021 to February 2022, he served as the director of the Development Strategy Research Institute; since February 2022, he served as the director of the Planning and Development Research Center. Since July 2019, he has served as Employee Representative Supervisor of COSL. (Formerly known as: Zhao Baobao).

SENIOR MANAGEMENT:

Zhao Shunqiang

Mr. Zhao Shunqiang, please refer to the section of Board of Directors.

Yu Feng

Mr. Yu Feng, please refer to the section of Board of Directors.

Xu Yingbo

Mr. Xu Yingbo, Chinese, born in 1973, is the Team Leader of the Discipline Inspection Commission, senior engineer. He graduated from the China University of Petroleum (East China) with major in production process automation and obtained a Bachelor's degree in engineering, and later was granted a master's degree in project management from the China University of Petroleum (Beijing). From July 1997 to November 2002, Mr. Xu served as instrument engineer, instrument chief operator, and equipment supervisor at the South China Sea Western Petroleum Production Company. From November 2002 to January 2007, he served as equipment supervisor and FPSO director assistant of CNOOC Energy Development Oil Production Service Company. From January 2007 to July 2007, he served as FPSO Director of CNOOC Shenzhen Branch Xijiang 23-1 Oilfield. From July 2007 to April 2009, he served as Director of CNOOC Shenzhen Branch Xijiang 23-1 Oilfield. From April 2009 to December 2010, he served as Production Director of CNOOC Shenzhen Branch Self-operated Oilfield; From December 2010 to January 2013, he served as Production Manager of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From January 2013 to December 2014, he served as the Vice Manager of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From December 2014 to October 2016, he served as Vice Manager, Deputy Party Secretary and Secretary of the Disciplinary Committee of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From October 2016 to September 2017, he served as Manager of the Supervision Department of the Eastern South China Sea Petroleum Administration. From September 2017 to December 2018, he served as Deputy Leader of the Discipline Inspection Group of the Party Team in CNOOC Shenzhen branch. From December 2018 to February 2020, he served as Deputy Leader of the Party Inspection Team of CNOOC. Since February 2020, Mr. Xu has served as Team Leader of the Discipline Inspection Commission.

Liu Xiaogang

Mr. Liu Xiaogang, Chinese, born in 1978, Vice President of COSL, professor-level senior engineer, graduated from the Petroleum Engineering Department of China University of Petroleum (East China) with a major in oil engineering and obtained a Bachelor's degree in 2002, and then obtained a master's degree from Southwest Petroleum University with major in oil and gas engineering. From July 2002 to July 2006, he served as a probational supervisor and deputy supervisor of Supervision Technology Branch of CNOOC Energy Technology & Services Limited. From July 2006 to April 2009, he served as operation manager of Drilling Division of Tianjin Branch of CNOOC China Limited. From April 2009 to October 2011, he served as drilling and completion director of Drilling Division of Tianjin Branch of CNOOC China Limited. From October 2011 to April 2014, he served as drilling operation manager of Drilling and Completion Division of Tianjin Branch of CNOOC China Limited. From April 2014 to December 2017, he served as deputy general manager of Engineering Technology Operation Center and manager of Production Coordination Department of Bohai Petroleum Administration Bureau (Tianjin Branch of CNOOC China Limited). From December 2017 to March 2020, he served as general manager of Engineering Technology Operation Center and Party Secretary of Bohai Petroleum Administration Bureau (Tianjin Branch of CNOOC China Limited). From March 2020 to June 2021, he served as chief engineer (Drilling and Completion) of CNOOC's Drilling and Completion Office. Since August 2021, he served as Vice President of COSL.

Lu Tao

Mr. Lu Tao, Chinese, born in 1969, Vice President of COSL, is a professor-level senior engineer. He graduated from the University of Electronic Science and Technology of China with major in electromagnetic field and microwave technology and a master's degree in 1993, and later was granted a doctorate degree in measurement technology and instrumentation from the University of Electronic Science and Technology of China. From April 1993 to July 1993, Mr. Lu served as research engineer at the Research Institute of China National Offshore Oil Logging Corporation, and from July 1993 to October 1993, he had an intern at Xinjiang Branch of China National Offshore Oil Logging Corporation. From October 1993 to January 2002, he served as research engineer at the Research Institute of China National Offshore Oil Logging Corporation. From January 2002 to September 2002, he served as Vice Chief Engineer of the Technology Development Center of COSL Logging Division. From September 2002 to December 2004, he served as the Vice Chief Engineer of the Electromechanical Equipment Institute of COSL R&D Center. From December 2004 to April 2006, he served as the Director of the Electromechanical Equipment Institute of the COSL Technical Center. From April 2006 to January 2010, he served as the Chief Engineer of the COSL Technical Center. From January 2010 to May 2010, he served as Deputy Director of COSL Technical Center. From June 2010 to June 2016, he served as Vice General Manager of COSL Well Tech Division. From June 2016 to November 2017, he served as General Manager of COSL Well Tech Division. From November 2017 to August 2019, he served as General Manager and Deputy Party Secretary of COSL Well Tech Division. From August 2019 to November 2019, he served as General Manager and Deputy Party Secretary (responsible for the work of the Party Committee) of COSL Well Tech Division. From November 2019 to August 2020, he served as General Manager and Party Secretary of COSL Well Tech Division. Since July 2020, he served as Vice President, and concurrently served as General Legal Counsel of COSL from July 2020 to July 2021.

Xiong Min

Mr. Xiong Min, Chinese, born in 1976, Vice President and General Legal Counsel of COSL, is a senior engineer. Mr. Xiong graduated from China University of Petroleum in 1996 with major in oil engineering and obtained a Bachelor's degree, and then obtained a Master degree from the University of Science and Technology Beijing with major in vehicle engineering (mining machine). From July 1996 to January 1998, he was a junior engineer at Huanxiling Oil Production Plant in Liaohe Oilfield. From January 1998 to October 2001, he served as a junior engineer at Research Institute of Drilling and Production Technology of Liaohe Oilfield. From October 2001 to March 2004, he studied for Master's degree majored in University of Science and Technology Beijing with major in vehicle engineering (mining machinery). From March 2004 to April 2005, he served as Sales Engineer at Lincom Pty Ltd. From April 2005 to April 2007, he was the project manager of Tanggu Base, Cementing Center, COSL Well Tech Division. From April 2007 to February 2012, he served as Technology Supervisor and Manager of Cementing Operation Company, Tanggu Base, COSL Oilfield Chemicals Division. From February 2012 to November 2014, he was Vice Manager and Manager of Indonesia Base of COSL Oilfield Chemicals Division. From November 2014 to August 2016, he was Manager of Indonesia Operation Company of COSL Oilfield Chemicals Division. From August 2016 to September 2017, he served as Vice General Manager of COSL Oilfield Chemicals Division. From September 2017 to August 2021, he served as General Manager of Malaysian joint venture of COSL. From January 2019 to August 2021 he concurrently served as General Manager of COSL Drilling Pan Pacific (Malaysia) Company (CDPPM). Since December 2020, he served as Vice President of COSL. He has also concurrently served as General Legal Counsel since July 2021.

Yang Dexing

Mr. Yang Dexing, Chinese, born in 1980, Vice President and Safety Director of COSL, is senior engineer. Mr. Yang graduated from China University of Petroleum (East China) with a major in oil engineering and obtained a Bachelor's degree in 2003, and then obtained a Master's degree from China University of Petroleum (East China) with major in oil and gas field Development, and a Master's degree from University of Stavanger in Norway with major in industrial economics. From July 2003 to November 2007, he served as learning foreman and drilling team leader of Bohai 10 in Tanggu Base of COSL Drilling Division. From November 2007 to September 2008, he served as Senior Team Leader of HYSY 931 at Tanggu Operation Company of COSL Drilling Division. From September 2008 to July 2012, he served as the Senior Team Leader and Platform Manager of Bohai 4 at Tanggu Operation Company of COSL Drilling Division. From July 2012 to August 2013, he was an off-production training student for the Master of industrial economics at University of Stavanger in Norway. From August 2012 to July 2014, he obtained a Master's degree in industrial economics from University of Stavanger. From August 2013 to May 2014, he served as COSLGIFT Platform Manager at Tanggu Operation Company of COSL Drilling Division. From May 2014 to October 2014, he was Manager of Human Resources Department of COSL Drilling Division. From October 2014 to February 2016, he was Manager of Operational Safety and Environmental Protection Department of COSL Drilling Division. From February 2016 to April 2017, he served as President of PT. COSL DRILLING INDO of COSL Drilling Division. From April 2017 to June 2018, he served as Vice Manager of the Quality and Safety Department of COSL. Since June 2018, he was Manager of the Quality and Safety Department of COSL. Since December 2020, he served as Vice President of COSL. Since February 2021, he concurrently served as Safety Director of COSL.

Chong Xiaojie

Ms. Chong Xiaojie, Chinese, born in 1977, CFO of COSL, is a senior accountant with master's degree. Ms. Chong graduated from the Shaanxi Institute of Economic Management Specialty with a major in international trade in 1998, and then obtained a master's degree from Central University of Finance and Economics with major in business administration in 2009. From July 1998 to December 2001, she served as a cashier and asset manager of Planning and Finance Department of Logging Corporation. From December 2001 to December 2002, she served as a budget manager of Finance Department of International Engineering Company of China Oilfield Services Limited. From December 2002 to August 2007, she successively held positions in COSL Finance Department for the external financial report and disclosure and overseas financial planning. From August 2007 to August 2010, she served as Manager of Planning and Finance Department of COSL Technology Center. From August 2010 to February 2012, she served as Manager of Planning and Finance Department of COSL Well Tech Division. From February 2012 to January 2016, she served as Planning Budget Manager of COSL Planning and Treasury Department. From January 2016 to December 2017, she served as Deputy General Manager of COSL Oilfield Chemicals Division. From December 2017 to July 2019, she served as Manager of COSL Planning and Treasury Department. From July 2019 to August 2021, she has been Manager of COSL Planning and Finance Department. Since May 2021, she has served as CFO of COSL.

Sun Weizhou

Mr. Sun Weizhou, Chinese, born in November 1971, Secretary of the Board (Joint Company Secretary) of COSL, is an engineer. From 1988 to 2014, he successively studied in petroleum geology at North China Petroleum Technical School, English at Tianjin Foreign Studies University, business administration in the School of Continuing Education at Yangtze University and business administration at China Europe International Business School. He obtained a bachelor's degree and a master's degree in business administration in 2008 and 2014, respectively. Mr. Sun obtained a registered qualification certificate of PRC enterprise legal adviser in October 2008. Mr. Sun joined Bohai Petroleum Geological Services Company in July 1992, responsible for mudlogging. From June 1995 to December 2001, he successively served as a mud logger, data engineer and unit manager of China France Bohai Geoservices. From December 2001 to December 2002, he served as a foreign affairs officer of China Oilfield Services Limited. From December 2002 to April 2006, he successively served as the secretary of the Administration Department, the person in charge of the business unit of Kazakhstan Office, the supervisor of the business unit of Malaysia Office of COSL. From April 2006 to December 2007, he served as the contract and risk control manager of the Legal Affairs Department of COSL. From December 2007 to November 2009, he served as the manager of contract review/legal affairs of joint venture of the Legal Affairs Department of COSL. From November 2009 to November 2011, he served as the general manager of the Legal Affairs Department of COSL. From November 2011 to January 2015, he served as the general manager of the Strategic Studies and Development Department of COSL. From January 2015 to December 2021, he served as the deputy general manager of COSL-Expro Testing Services (Tianjin) Company Ltd. Since December 2021, he has served as the Party Secretary and the general manager of the Production Optimization Division of COSL. He has been the Secretary of the Board (Joint Company Secretary) of COSL since January 2022.

JOINT COMPANY SECRETARY:

Mr. Sun Weizhou is one of the Joint Company Secretaries of the Company and was appointed in January 2022. For the biography of Mr. Sun Weizhou, please refer to the section headed “SENIOR MANAGEMENT”.

Ms. Ng Sau Mei was appointed as one of the Joint Company Secretaries of the Company in January 2022. Ms. Ng is a director of the Listing Services Department of TMF Hong Kong Limited, an international corporate services provider. Ms. Ng has over 20 years of professional experience in the company secretarial industry. Ms. Ng holds a bachelor’s degree in laws from City University of Hong Kong and a master’s degree in laws from University of London in the United Kingdom, and is a fellow member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute in the United Kingdom.

The directors, supervisors and senior management resigned during 2021 and as at the date of preparation of this report:

Mr. Qi Meisheng, Chinese, born in 1968, former Chairman, Executive Director and CEO of COSL, resigned as Chairman, CEO and a member of the Nomination Committee of the Board of COSL on 28 April 2021. He resigned from the position of Executive Director of COSL on 28 December 2021.

Mr. Zheng Yonggang, Chinese, born in 1973, former CFO of COSL, resigned as CFO of COSL on 10 May 2021.

Mr. Fong Chung, Mark, China (Hong Kong) by nationality, born in 1951, former Independent Non-Executive Director of COSL, resigned as Independent Non-Executive Director of COSL on 1 June 2021.

Ms. Wu Yanyan, Chinese, born in 1979, former Secretary of the Board (Company Secretary) of COSL, resigned as Secretary of the Board (Company Secretary) of COSL on 28 October 2021.

Mr. Xu Yugao, Chinese, born in 1969, former Non-Executive Director of COSL, resigned as a Non-Executive Director of COSL on 28 December 2021.

Mr. Zhao Baoshun, Chinese, born in 1963, former Non-Executive Director of COSL, resigned as a Non-Executive Director of COSL on 28 December 2021.

2. SHARE OPTION INCENTIVES FOR DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

□ Applicable √ Not applicable

3. POSITIONS OF CURRENT AND RESIGNED DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(1) Positions in the Shareholder Company

√ Applicable ☐ Not applicable

Name	Name of shareholder company	Position	Starting date of term of office	Expiry date of term of office
Wu Wenlai	CNOOC	Special work	January 2021	Until now
Liu Zongzhao	CNOOC	Full-time Director	March 2021	Until now
Peng Wen	CNOOC	Full-time supervisor	June 2020	Until now
Xu Yugao	CNOOC	General Manager of International Cooperation Department	June 2020	May 2021
	CNOOC	Vice Chief Legal Counsel	May 2021	Until now
Zhao Baoshun	CNOOC	Deputy Director of Community Union Working Department	June 2020	August 2021
	CNOOC	Full-time External Director	August 2021	Until now
Zheng Yonggang	CNOOC	Vice General Manager of Audit Department	May 2021	Until now

Please refer to the biography for details of positions in the shareholder company.

(2) Positions in Other Units

√ Applicable ☐ Not applicable

Name	Name of other company	Position	Starting date of term of office	Expiry date of term of office
Wong Kwai Huen, Albert	Fried, Frank, Harris, Shriver & Jacobson LLP	Principal of Hong Kong Branch	2015	May 2021
	Huen Wong & Co.	Principal	June 2021	Unitl now
Lin Boqiang	Xiamen University	Professor	June 2006	Until now
Chiu Lai Kuen, Susanna	Bonjour Holdings Limited	Executive Director	December 2020	Until Now
	Nanyang Commercial Bank Limited	Independent Non-Executive Director	2018	Until Now
Peng Wen	Offshore Oil Engineering Co., Ltd.	Chairman of Supervisory Committee	December 2020	Until now
Cheng Xinsheng	Nankai University	Professor	December 2005	Until now
Fong Chung, Mark	Grant Thornton Hong Kong Limited	Honorary advisor	2014	Until now
	Macau Legend Development Limited	Independent Non-Executive Director	June 2013	November 2020
Zhao Baoshun	China BlueChemical Limited	Non-Executive Director	December 2021	Until now

Please refer to the biography for details of positions in other units.

4. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

√ Applicable ☐ Not applicable

Decision-making procedures of remuneration of Directors, Supervisors and Senior Management	Remunerations of Directors and Supervisors are subject to shareholders' approval at the general meetings, while the remuneration of Senior Management shall be determined by the Board.
Reference for determining remuneration of Directors, Supervisors and Senior Management	Depends mainly on the duties and responsibilities of Directors, Supervisors and Senior Management and the results of the Company.
Actual remuneration payable to Directors, Supervisors and Senior Management	RMB12,913.7 thousand
Total actual remuneration of Directors, Supervisors and Senior Management at the end of the reporting period	RMB12,913.7 thousand

5. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Changes in Directors

(1) On 1 June 2021, the Company convened the 2020 AGM, at which Mr. Fong Chung, Mark, an Independent Non-Executive Director, resigned for expiration of six years. The AGM considered and approved the appointment of Ms. Chiu Lai Kuen, Susanna as an Independent Non-Executive Director of the Company to fill in the vacancy to be left open by the resignation of Mr. Fong Chung, Mark for a term of three year starting from the date when the resolution was passed at the AGM and Ms. Chiu also serves as Chairman of the Audit Committee of the Company and a member of the Remuneration and Assessment Committee of the Company.

(2) On 25 August 2021, the Board received the written resignation from Mr. Zhao Baoshun, a Non-Executive Director of the Company, who resigned from the position of Non-Executive Director of the Company due to the adjustment of his work arrangement. His resignation would be effective when new Non-Executive Director is elected by the shareholders of the Company at the EGM. On 28 December 2021, the Company convened the 2021 First EGM. The EGM considered and approved the appointment of Mr. Liu Zongzhao as a Non-Executive Director of the Company for a term of three years, starting from the date when the resolution was passed at the 2021 First EGM.

(3) On 28 October 2021, the Board received the written resignation from Mr. Qi Meisheng, an Executive Director of the Company, who resigned from the position of Executive Director of the Company due to the adjustment of his work arrangement, with effect from the date when new Executive Director is elected by the shareholders of the Company at the EGM. On 28 December 2021, the Company convened the 2021 First EGM. The EGM considered and approved the appointment of Mr. Yu Feng as an Executive Director of the Company for a term of three years, starting from the date when the resolution was passed at the 2021 First EGM.

(4) On 28 October 2021, the Board received the written resignation from Mr. Xu Yugao, a Non-Executive Director of the Company. The resignation of Mr. Xu Yugao as a Non-Executive Director of the Company and a member of Remuneration and Assessment Committee of the Board was due to the adjustment of his work arrangement, with effect from the date when a new Non-Executive Director is appointed by the shareholders of the Company at the EGM. On 28 December 2021, the Company convened the 2021 First EGM. The EGM considered and approved the appointment of Mr. Wu Wenlai as a Non-Executive Director of the Company for a term of three years, starting from the date when the resolution was passed at the 2021 First EGM. Mr. Wu Wenlai also serves as a member of Remuneration and Assessment Committee of the Board.

2. Changes of Supervisors

(1) On 28 December 2021, the Company convened the 2021 First EGM. The EGM considered and approved the re-appointment of Mr. Cheng Xinsheng as a Supervisor (Independent Supervisor) of the Company for a term of three years, starting from the date when the resolution was passed at the 2021 First EGM.

3. Changes of Senior Management

(1) On 28 April 2021, Mr. Qi Meisheng resigned as the Chairman and the Chief Executive Officer of the Company and the member of Nomination Committee of the Board due to the adjustment of his work arrangement, with effect from 28 April 2021.

(2) On 28 April 2021, the Board appointed Mr. Zhao Shunqiang to replace Mr. Qi Meisheng as the Chairman and the Chief Executive Officer of the Company and the member of Nomination Committee of the Board, with effect from 28 April 2021. At the same time, Mr. Zhao Shunqiang resigned as the President of the Company on 28 April 2021. The Chief Executive Officer of the Company is the chief executive and reports to the Board.

(3) On 10 May 2021, Mr. Zheng Yonggang resigned as the CFO of the Company due to the adjustment of his work arrangement, with effect from 10 May 2021. The Board appointed Ms. Chong Xiaojie as the CFO of the Company, with effect from 11 May 2021.

(4) On 25 August 2021, Mr. Liu Xiaogang was appointed as the Vice President of the Company, with effect from 25 August 2021.

(5) On 28 October 2021, Ms. Wu Yanyan resigned as the Company Secretary of the Company, with effect from 28 October 2021. On 21 January 2022, the Company convened the 2022 first meeting of the Board, appointed Mr. Sun Weizhou as the Board Secretary and Joint Company Secretary and appointed Ms. Ng Sau Mei as the Joint Company Secretary, with effect from 21 January 2022. For details, please refer to the announcement of the Company dated 21 January 2022.

6. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(1) Employees

Number of in-service employees of the Company	12,937
Number of in-service employees of the major subsidiaries	1,913
Total number of in-service employees	14,850
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	100

Composition of professions

Type of profession	Number of employees in the profession
Operation management	3,709
Professional skill	6,338
Skill operation	4,803
Total	14,850

Educational level

Type of educational level	Number of Employees (Headcount)
Master degree or above	1,007
Bachelor degree	6,680
College graduates	3,337
Below college graduates	3,826
Total	14,850

(2) Remuneration Policy

The Company strictly complies with domestic and business operating countries' laws and policies on labour remuneration and established competitive remuneration system and performance appraisal system. The Company pays the basic social insurance and housing fund for employees, implements enterprise annuity system, supplementary medical insurance system, and provides personal accident insurance and corporate supplementary pension insurance and a number of welfare including health check, paid vacation, helping and assisting those with difficulties or major diseases and etc., taking efforts to address the worries of employees, so as to provide reliable and multi-layered protection for employees.

During the reporting period, the Company do not have share option scheme.

(3) Training Programme

Training programme and development of the Company are closely related to the strategy of Employees' career development of the Company. Based on the five-year development plan, the Company established a dimensional demand-oriented training model with layers and differentiation, which enhanced the training capability, highly promoted the internal teaching team's construction, gradually improved the training system, fulfilled the requirement of the Company's business development and built our core competitiveness.

Report of the Directors

The Directors present the report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the year ended 31 December 2021.

DIRECTOR'S WORK

The particulars of work of the Directors of the Company and their special committees during the year are set out in the section headed "Corporate Governance Report" of this annual report.

PRINCIPAL ACTIVITIES

The Company is principally engaged in the provision of oilfield services including drilling services, well services, marine support services and geophysical acquisition and surveying services. The principal activities of the subsidiaries comprise provision of drilling, well workover and logging services. There were no significant changes in the nature of the Group's principal activities during the year. The review of the operating result of the Company during the reporting period and the future development outlook of the Company is set out in the section headed "Management Discussion and Analysis" of this annual report.

RISKS AND MEASURES

1. Major Potential Risks

During the production and operation process, the Company will take various measures to try to avoid various operational risks, but it is not possible to completely exclude the occurrence of the following types of risks and uncertain factors in the actual production and operation process.

(1) Market competition risk. Affected by the Pandemic, especially the Omicron, the uncertainty in global economy still continues. Meanwhile, oil and gas companies seek to achieve the promised emission reduction targets, and may focus more on portfolio transformation and decarbonization during the new investment cycle. In the short-term, energy service market is still facing greater operating pressure, so the Company is also exposed to market competition risks.

(2) Health, safety and environmental risk. As an offshore oilfield service company, the Company's production environment is mainly in the ocean. As the environmental protection supervision of domestic and overseas local government agencies is becoming increasingly strict, the Company's investment in environmental protection is expected to increase accordingly. At the same time, as the offshore oil industry, the inherent high-risk attributes of the industry are superimposed by possible natural disasters, harsh marine weather and other factors, thus health, safety and environmental protection incidents are more likely to occur. The Company expects that the workload will remain at a high level. With the addition of new staff and new equipment, factors such as staff cooperation and man-machine running-in will bring challenges to safe production. The current overseas Pandemic situation is complex and severe, which has certain impact on the Company's overseas project operation.

(3) Domestic and overseas business expansion and operational risks. The Company operates in different countries and regions and has more exchanges with the local governments, enterprises and personnel. Due to the influence of various geopolitical, economic, religious, humanistic, policy changes, technological change, information network security, legal and regulatory environment, and other factors in the countries where it operates, including political instability, unstable fiscal and tax policies, barriers to entry, contract breach, tax disputes, legal disputes, trade secret dispute or disclosure, technical equipment and information capacity cannot meet the competition demand, etc., may increase the risk of the Company's domestic and overseas business development and operations.

(4) Exchange rate risk. Due to the Company's holding of US dollar debt and conducting business in multiple countries and regions overseas, which involves income and expenditure activities in multiple currencies, fluctuations in the exchange rate of Renminbi against relevant foreign currencies and exchange between currencies will affect the Company's operating costs. The Company controls the exchange rate risk by conducting regular research and analysis of exchange rate trends and reducing exchange risk exposure.

(5) Risk of impairment of assets. According to the requirements of accounting standards, the Company should perform impairment testing on the assets that may have signs of impairment on the balance sheet date. With the operating uncertainty brought by oil prices and industry fluctuations, the Company may experience various impairment risks including impairment of fixed assets caused by the recoverable amount of some fixed assets is less than its book value.

(6) Accounts receivable recovery risk. When expanding overseas markets, the Company may face some high-risk customers as well as small and medium-sized customers cooperated for the first time. If the customers do not abide by the contract to pay on time, or if the small and medium-sized customers are unable to pay all operation payment due to poor management, it will lead to overdue accounts receivable or bad debt, increase the Company's collection costs and even cause capital losses, which will adversely affect operating cash flow.

(7) Human resource risk. The macro environment, industry development, customer demand and the promotion of the Company's strategy requires timely adjustments to the Company's human resource structure and staff ability, which may periodically give rise to risks such as shortage of scientific and technological personnel, shortage or surplus of labor, lack of staff capacity, technical support service to project as well as contractor management.

2. **Risk Management Measures**

With the directors of the Board as the core, the Company has established a comprehensive risk management organization system. The sound comprehensive risk management organization structure provides an important organizational guarantee for risk prevention and control. The Company has formulated comprehensive risk management systems including "Comprehensive Risk Management Measures", "Management of Reports on Major Business Risk Events", "Management Measures for Response to Major Business Risk Events", which improved the reporting mechanism and working system of reporting and response that connects departments at all levels with horizontal coordination. The Company continued to improve the risk management mechanism of "rating, stratification, classification", firmly established all employees' risk management awareness, actively carried out special investigation and control of major risks, improved risk identification and early warning capabilities, and enhanced coordinated management and control of risk, established and improved a comprehensive risk emergency preparedness and response system, continuously improved emergency response capabilities and the ability to deal with it, and constantly improved the operating effectiveness of the risk management and control mechanism. We systematically inspected the operation of the risk research and judgment mechanism, decision-making risk assessment mechanism, risk prevention and control coordination mechanism, and risk prevention and control responsibility mechanism, continued to improve our ability and level of prevention and resolution of major risks.

RESULTS AND DIVIDENDS

The Group's performance prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2021 and the statement of financial position of the Group at that date are set out in the financial statements of this annual report on pages 151 to 156.

The directors 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)) in respect of the year to shareholders who are entitled to dividends. The total dividend amounts to RMB715,738,800 (of which: final dividend of RMB95,431,840, special dividend of RMB620,306,960). This recommendation has been incorporated as proposed dividends within the retained profits section of the consolidated statement of financial position. The total dividend amounts to approximately RMB715,738,800 (tax inclusive). Further details of this accounting treatment are set out in the Note 15 to financial statements in this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2021 are set out in Note 22 to the financial statements in this annual report.

GEARING RATIO

The details of gearing ratio of the Group as at 31 December 2021 are set out in Note 48 to the financial statements in this annual report.

SHARE CAPITAL

During the reporting period, there was no changes in the share capital of the Company.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association or the Company Law of the PRC which would oblige the Company to offer new shares in proportion to the existing shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

Neither the Company nor its subsidiaries purchased, redeemed or sold any of its listing securities during this year.

BONDS

In 2016, the Company successfully issued corporate bonds with an aggregate amount of RMB10 billion by two tranches. The first tranche of the bonds was issued on 26 May 2016, with the actual issue size of RMB5 billion. The first tranche of the corporate bonds comprises two types: corporate bonds type I has a term of 3 years and has an actual issue size of RMB2 billion with final coupon rate of 3.14%; corporate bonds type II has a term of 10 years and has an actual issue size of RMB3 billion with final coupon rate of 4.10%.

The second tranche of the bonds was issued on 21 October 2016, with the actual issue size of RMB5 billion. The second tranche of the corporate bonds comprises two types: corporate bonds type I has an issue size of RMB2.1 billion and has a term of 5 years with an option for the issuer to adjust the coupon rate and the investors' option to sell back at the end of the third year and final coupon rate of 3.08%; corporate bonds type II has an issue size of RMB2.9 billion and has a term of 7 years with an option for the issuer to adjust the coupon rate and the investors' option to sell back at the end of the fifth year and final coupon rate of 3.35%.

The above two tranches of bonds were traded on the SSE on 29 June 2016 and 3 November 2016 respectively. The proceeds from the issuance of bonds would be used according to the agreed use in the prospectus and are proposed to fully repay the Company's debts and replenish working capital after deducting the issuance expenses. As at 31 December 2021, accumulated expenditures of two tranches of bonds amounted to RMB9,985,425,000.00. The proceeds were utilized in full.

In 2019, the principal and interest of type I of the first tranche of the corporate bonds have been fully paid. On 24 October 2019, part of type I of second tranche of the corporate bonds was sold back, with a resale amount of RMB1,998.1 million. The resale amount was released on 24 October 2019. On 25 October 2021, the principal and interest of type I of the second tranche of the corporate bonds have been fully paid, and such bonds have been fully repaid.

On 25 August 2021, the Company disclosed the Coupon Rate Adjustment Announcement, and exercised the coupon rate option to adjust the coupon rate of type II of second tranche of the corporate bonds to 2.90%. On 25 October 2021, part of type II of second tranche of the corporate bonds was sold back, with a resale amount of RMB2.171 billion. The resale amount was released on 25 October 2021.

The details of bonds issued by the Company during the reporting period are set out in Note 39 to the financial statements in this annual report.

PLACING OF H SHARES

On 15 January 2014, the Company completed the placing of an aggregate of 276,272,000 H shares, representing approximately 5.79% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 15.25% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 4,495,320,000 shares to 4,771,592,000 shares. The total number of issued H shares increased from 1,534,852,000 H shares to 1,811,124,000 H shares. For further details, please refer to the Company's announcements dated 7 January 2014 and 15 January 2014, respectively. The net proceeds from the placing amounted to approximately HK$5,819,392,302.91 (after deduction of the commissions and estimated expense) and used for general corporate purposes. The proceeds from the placing shares would be used according to the agreed use in the placing agreement. Approximately US$401,348.19 was not yet utilized as at 31 December 2021. The above balance of raised funds will continue to be used for general corporate purposes and in a timely manner.

SUMMARY OF FINANCIAL INFORMATION

A summary of the published results, and the assets and liabilities of the Group for the last five years in accordance with HKFRSs is set out below:

Unit: RMB'000

	2021	2020	2019	2018	2017
Revenue, net of sales surtaxes	**29,168,479**	28,925,315	31,075,838	21,886,628	17,458,554
Other income	**557,411**	438,024	352,136	284,090	324,056
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	**(4,503,772)**	(4,335,730)	(4,372,838)	(4,262,776)	(4,488,936)
Depreciation of right-of-use assets	**(363,007)**	(480,380)	(589,264)	–	–
Employee compensation costs	**(6,030,276)**	(4,897,099)	(5,807,994)	(5,026,085)	(4,031,973)
Repair and maintenance costs	**(479,014)**	(435,878)	(691,334)	(523,764)	(364,063)
Consumption of supplies, materials, fuel, services and others	**(6,572,746)**	(6,290,190)	(6,933,202)	(4,954,252)	(3,069,432)
Subcontracting expenses	**(5,643,164)**	(4,768,526)	(5,943,860)	(3,578,949)	(2,367,934)
Lease expenses	**(1,318,482)**	(1,224,265)	(1,287,702)	(1,126,191)	(594,735)
Other operating expenses	**(1,246,982)**	(1,333,746)	(1,348,745)	(1,516,863)	(1,309,038)
Impairment of property, plant and equipment	**(2,011,343)**	(1,447,834)	(241,485)	(122,962)	(4,942)
Impairment losses under expected credit loss model, net of reversal	**(15,758)**	(7,778)	(316,324)	(415,364)	(83,602)
Total operating expenses	**(28,184,544)**	(25,221,426)	(27,532,748)	(21,527,206)	(16,314,655)
Profit from operations	**1,541,346**	4,141,913	3,895,226	643,512	1,467,955
Exchange (loss)/gain, net	**(165,389)**	(403,839)	111,871	358,647	(388,092)
Finance costs	**(831,257)**	(924,485)	(1,118,797)	(1,082,501)	(1,100,941)
Interest income	**123,932**	69,644	67,522	107,552	99,575
Investment income	**44,550**	116,175	218,214	164,730	187,545
Gains/(losses) arising from financial assets at fair value through profit or loss	**62,740**	26,572	(38,829)	49,441	–
Share of profits of an associate and joint ventures, net of tax	**372,996**	364,917	320,452	184,288	106,867
Other gains and losses	**(59,368)**	(12,157)	16,515	280,660	(30,644)
Profit before tax	**1,089,550**	3,378,740	3,472,174	706,329	342,265
Income tax expense	**(767,500)**	(660,424)	(944,159)	(617,657)	(261,350)
Profit for the year	**322,050**	2,718,316	2,528,015	88,672	80,915

ASSETS AND LIABILITIES

Unit: RMB'000

	2021	2020	2019	2018	2017
Total assets	73,311,708	75,942,308	76,101,838	74,687,004	73,941,296
Total liabilities	35,095,378	37,253,500	39,191,561	40,009,598	39,253,811

PROPERTY, PLANT AND EQUIPMENT

The details of the movements in property, plant and equipment of the Group are set out in Note 17 to the financial statements in this annual report.

DIVIDEND

The Company's dividend policy is: Dividend shall be determined by the Board of Directors of the Company according to overall financial condition of the Company, which includes but not limited to factors such as revenue and profits, capital requirements and surplus and expectations for the Company. In ensuring the normal operation of the Company and continuous development, and as long as the profit for the relevant year and accumulated retained profits remain positive, the annual dividend level shall not be lower than 20% of the total net profit for the year. The specific payout amount shall be finally approved by the shareholders in a general meeting.

The formulation and implementation of the Company's dividend policy are in compliance with the Company's Articles of Association and the resolution of the General Meeting. The distribution criterion and proportion are accurate and clear; and the related decision-making procedures and mechanism are thorough and complied. During the process of formulating and implementing the dividend policy, independent directors have fully performed and expressed their opinions and have fully taken into consideration the minority shareholders' opinions and requirements; and the legal rights of minority shareholders have been fully protected.

In 2021, based on a net profit of RMB322,049,496 achieved by the Group (of which net profit attributable to the owners of the Company amounted to RMB313,175,553) plus the retained profits of RMB19,119,878,393 as at the beginning of the year and deducted the dividend of 2020 of RMB811,170,640 declared and paid in 2021, the total undistributed profit would be RMB18,621,883,306 at the end of 2021. The Group 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)) on the basis that the total share capital was 4,771,592,000 shares as at 31 December 2021. The total dividend amounts to RMB715,738,800 (of which: final dividend of RMB95,431,840, special dividend of RMB620,306,960) and the balance of retained profits of RMB17,906,144,506 will be carried forward to the following years.

According to the Company Law and the Articles of Association of the Company, the accumulated statutory common reserve fund of the Company for 2020 has reached more than 50% of the registered capital of the Company, and no further provision of such fund is required for this year.

Such distribution proposal will be proposed at the AGM 2021 of the Company for approval.

As at the year ended 31 December 2021, the Company was not aware of any shareholder had waived or agreed to waive any dividend arrangement.

Dividend of the Group in the recent three years:

Unit: RMB'000

Dividend year	Cash dividend per 10 shares (yuan) (tax inclusive)	Cash dividend (tax inclusive)	Net profit attributable to equity holders of the Company in the consolidated financial statements	Percentage of net profit attributable to equity holders of the Company in the consolidated financial statements (%)
2021	1.50	715,739	313,176	228.54
2020	1.70	811,171	2,703,187	30.01
2019	1.60	763,455	2,502,238	30.51

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totaling RMB21.705 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for approximately 88.3% of the total sales for the year and sales to the largest customer included therein accounted for approximately 84.2%. Purchases from the Group's five largest suppliers accounted for approximately 19.6% of the total purchases for the year; and purchases from the Group's largest supplier accounted for approximately 6.9% of the total purchases for the year.

The Group has provided certain oilfield services to and obtained certain services from the companies with the same ultimate holding company of the Company, details of which are set out in the section headed "Connected Transactions" below. Save as aforesaid, none of the directors of the Company or any of their associates, and to the best knowledge of the directors, none of the shareholders who own more than 5% of the Company's issued share capital, had any beneficial interest in the Group's five largest customers and five largest suppliers.

RELATIONSHIP WITH EMPLOYEES

As employees are the cornerstone of development, the Group adheres to the "people-oriented" principle in human resources management, regularly reviews employee remuneration policies, strives to address employee concerns by providing multiple benefits to them, and provide employees with reliable, multi-level protection.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

The Group strives to establish and maintain long-term strong relationships with customers, and to improve their satisfaction by fully understanding and satisfying their needs. On the supplier side, the Group's objective is to maintain a mutually beneficial partnership with all suppliers.

ASSETS MEASURED AT FAIR VALUE

The majority of the assets of the Group were measured at historical cost, except for financial assets at fair value through profit or loss and bank acceptances included in notes receivable which have been measured at fair value. Internal control and review procedures have been taken by our audit department on works of finance department. For details of fair value changes in aforesaid financial assets of the Group during the reporting period, please see Note 47 to the financial statements in this annual report.

OUTLOOK OF THE COMPANY

For details, please refer to the Business Outlook of the Company set out in the "Management Discussion and Analysis".

CHARGE ON ASSETS

As at 31 December 2021, the Group had no material charges against its assets.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no any significant contingent liabilities.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company during the reporting period and as at the date of this annual report were:

Executive Directors	Independent Non-executive Directors	Non-executive Directors	Supervisors
Zhao Shunqiang *(Chairman)*	Wong Kwai Huen, Albert	Wu Wenlai	Peng Wen *(Chairman of the Supervisory Committee)*
Yu Feng	Lin Boqiang	Liu Zongzhao	Cheng Xinsheng *(Independent Supervisor)*
	Chiu Lai Kuen, Susanna		Zhao Bi *(Employee Supervisor)*

Pursuant to the Articles of Association of the Company, upon election, all directors and supervisors shall serve the office for three years, and may be re-elected upon the expiry of such tenure.

Pursuant to the Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange, the Company had received annual confirmations of independence from Wong Kwai Huen, Albert, Lin Boqiang and Chiu Lai Kuen, Susanna and as at the date of this report, still considers them to be independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors, supervisors and the senior management of the Company are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of the annual report.

DIRECTOR AND SUPERVISORS' SERVICE CONTRACTS

The newly appointed directors and supervisors are required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the director and supervisors' remunerations for the year 2021 are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of the annual report.

The Company has not entered into service contract which the Company cannot terminate within one year or is required to pay compensation for termination (other than statutory compensation) with Directors, Supervisors who intend to be re-elected at the forthcoming annual general meeting.

PERMITTED INDEMNITY PROVISIONS

The Company renewed Directors' liability insurance in 2021 with an insured amount RMB200 million. These liability insurances included permitted indemnity provisions. Save as disclosed above, the Company did not make any permitted indemnity provisions for the year ended 31 December 2021 and had no valid permitted indemnity provisions at the time of approval of the Report of the Directors.

DIRECTORS' REMUNERATION

The remuneration of Directors and Supervisors are proposed by the Company's board of directors with reference to the duties and responsibilities of the Directors and are subject to shareholder' approval at general meetings after consideration of the Remuneration and Assessment Committee's recommendation, and the performance and results of the Group.

The Remuneration and Assessment Committee had no objection to the remuneration of Directors, Supervisors and Senior Management disclosed in the annual report.

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

During the Reporting Period, the Directors, Supervisors and related entities did not have a direct or indirect significant interest in any important contract, transaction or arrangement that is material to the business of the Group.

SIGNIFICANT CONTRACTS

The Company has entered into several agreements with CNOOC Limited, a related company, and other companies within China National Offshore Oil Corporation ("CNOOC"), other than CNOOC Limited ("CNOOC Group"), for the provision of oilfield services by the Company to CNOOC Limited and CNOOC Group, and for the provision of various services by CNOOC Group to the Company. Further details of the transactions undertaken in connection with these contracts during the year are included in Note 46 to the financial statements in this annual report.

Save as disclosed, no significant contract in relation to the Group's business to which the Company or any of its subsidiaries was a party, and in which the Directors of the Company had a material interest, whether directly or indirectly, subsisted at year end or at any time during the year.

DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 31 December 2021, none of the directors, supervisors and chief executives of the Company have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

DIRECTORS', SUPERVISORS', SENIOR MANAGEMENT'S AND OTHER PERSONS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, supervisors, chief executive and other persons or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors, supervisors, senior management and other persons to acquire such rights in any other body corporate.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES

So far as is known to any Director or Senior Management of the Company, as at 31 December 2021, the following persons have interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and The Hong Kong Stock Exchange:

Name of shareholder	Nature of interests	Number of equity shares (Share)	Approximate percentage of the interests (H) in COSL (%)
Allianz SE	Interest in controlled corporation	108,337,000 (L)	5.98 (L)

Notes:

(a) "L" means long position
(b) "S" means short position
(c) "P" means lending pool

Save as disclosed above, the directors are not aware of any other person who had an interest in the shares of the Company which shall be registered pursuant to Section 336 of the SFO.

CONNECTED TRANSACTIONS

Under the Listing Rules, connected transactions of the Company must be fully disclosed and are subject to the independent shareholders' approval, if the transaction is over a certain amount. The Company has applied to The Hong Kong Stock Exchange at the time of listing on The Hong Kong Stock Exchange for a waiver from strict compliance with the reporting, announcement and independent shareholders' approval requirements in respect of the continuing connected transactions of the Company and The Hong Kong Stock Exchange has granted a waiver in respect of such requirements for a period of three years, subject to the approval from independent shareholders with compliance to the requirements of the Listing Rules in respect of the continuing connected transactions of the Company upon expiry. During the year ended 31 December 2021, the Group had the following continuing connected transactions:

1. Master Services Framework Agreement

In 2019, the Company renewed connected transactions expired at the end of 2019.

The Company entered into a new Master Services Framework Agreement with CNOOC on 30 October 2019. Pursuant to the Master Services Framework Agreement, the Group has agreed to continue to provide the Oilfield Services to the CNOOC and its subsidiaries, and the CNOOC and its subsidiaries have agreed to continue to provide the Machinery Leasing, Equipment, Material and Utilities Services as well as the Property Services to the Group. The resolution in respect of the continuing connected transactions for the three years from 1 January 2020 to 31 December 2022 was approved by the independent shareholders of the Company at the extraordinary general meeting held on 18 December 2019. For details, please refer to the announcements of the Company dated 30 October 2019 and 18 December 2019.

CNOOC holds 50.53% of the shares in the Company, and is the controlling shareholder of the Company. As such, CNOOC is a connected person of the Company under the Hong Kong Listing Rules.

Pursuant to the Master Services Framework Agreement, the annual caps of the continuing connected transactions of the Group under the Master Services Framework Agreement for the years ended 31 December 2020, 2021 and 2022 are as follows:

	For the year ended 31 December 2020 (RMB million)	**For the year ended 31 December 2021 (RMB million)**	For the year ended 31 December 2022 (RMB million)
Annual caps			
– Provision by the Group of oilfield services to CNOOC and its subsidiaries	40,044	**52,058**	67,675
– Provision by CNOOC and its subsidiaries of machinery leasing, equipment, material and utilities services to the Group	5,397	**7,169**	9,534
– Provision by CNOOC and its subsidiaries of property services to the Group	600	**797**	1,059

2. Deposit and Settlement Agreement

The Company entered into a new Deposit and Settlement Agreement with CNOOC Finance Corporation Ltd. (hereinafter "CNOOC Finance") on 8 May 2020. Pursuant to the Deposit and Settlement Agreement, CNOOC Finance has agreed to continue to provide the Cash Depository Services as well as the Settlement Services to the Group. The Deposit and Settlement Agreement takes effect from 8 May 2020 for a term of three years and will expire on 7 May 2023.

CNOOC Finance is a non-bank financial institution which is wholly-owned by CNOOC and its associates. As such, CNOOC Finance is a connected person of the Company under the Hong Kong Listing Rules.

Pursuant to the Deposit and Settlement Agreement, the maximum daily deposit amount of the continuing connected transactions of the Group under the Deposit and Settlement Agreement for the period from 8 May 2020 to 7 May 2023 all are RMB1,200 million respectively.

During the year ended 31 December 2021, actual transaction amounts of the above-mentioned connected transactions of the Group are as follows:

a. Included in revenue

		2021 RMB'000	2020 RMB'000
i	**CNOOC Limited Group**		
	– Provision of drilling services	6,138,833	5,465,135
	– Provision of well services	13,661,807	11,858,621
	– Provision of marine support services	2,864,094	2,705,232
	– Provision of geophysical acquisition and surveying services	1,859,869	1,058,340
		24,524,603	21,087,328
ii	**CNOOC Group**		
	– Provision of drilling services	80,938	39,794
	– Provision of well services	344,295	416,537
	– Provision of marine support services	92,075	35,645
	– Provision of geophysical acquisition and surveying services	72,123	51,646
		589,431	543,622
iii	**Associates invested by CNOOC**		
	– Provision of drilling services	591	433
	– Provision of well services	8,255	10,645
	– Provision of marine support services	341	3,060
		9,187	14,138

During the current year, the revenue arising from operating leases from CNOOC Limited Group was RMB64,293,000 (2020: Nil).

b. Included in operating expenses

	2021 RMB'000	2020 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	9,213	3,877
Transportation services	1,272	3,311
Leasing of equipment	84	437
	10,569	7,625
Property services	10,019	5,989
	20,588	13,614
ii CNOOC Group		
Materials, utilities and other ancillary services	1,387,720	1,251,443
Leasing of equipment	189,118	193,948
Transportation services	69,850	18,738
Management services	29,540	44,151
Repair and maintenance services	6,540	40,359
Labour services	–	101
	1,682,768	1,548,740
Property services	145,011	85,061
	1,827,779	1,633,801
iii Associates invested by CNOOC		
Materials, utilities and other ancillary services	35,541	59,837
Leasing of equipment	–	41
Repair and maintenance services	236	–
	35,777	59,878

c. Included in interest income

	2021 RMB'000	2020 RMB'000
CNOOC Finance (a subsidiary of CNOOC)		
Interest income	21,911	17,918

Deposits in CNOOC Finance carry interests at the applicable interest rate which is determined with reference to the prevailing bank rates published by the People's Bank of China.

d. Dividend income from joint ventures

	2021 RMB'000	2020 RMB'000
Dividend income from joint ventures	244,875	215,602

e. Included in finance costs

During the current year, the finance costs on the loan from a related party are US$2,134,000 (2020: US$5,147,000), which is equivalent to approximately RMB13,772,000 (2020: RMB35,503,000).

During the current year, the finance costs on the lease liabilities due to related party are RMB15,419,000 (2020: RMB989,000).

f. Deposits

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deposits placed with CNOOC Finance	1,198,957	1,197,961

g. During the current year, the other income from CNOOC Limited Group in respect of compensation for equipment dropping into wells when rendering services are RMB1,706,000 (2020: RMB15,229,000).

h. Right-of-use assets

The Group entered into certain lease agreements with related parties and recognized right-of-use assets and lease liabilities on lease commencement. The following is addition of right-of-use assets from related parties:

	2021 RMB'000	2020 RMB'000
CNOOC Group	483,588	–

The independent shareholders of the Company have approved the connected transactions set out in items a and b above on 18 December 2019. For items c to h above, the transactions were exempted from the independent shareholders' approval requirement of the Listing Rules and was approved by the Independent Directors.

The independent non-executive directors have reviewed the above transactions and have confirmed that:

1. the transactions were entered into between the Group and the connected persons or their respective associates (where applicable) in the ordinary and usual course of business of the Group;

2. the transactions were entered into on normal commercial terms or better;

3. the transactions were executed in accordance with the relevant agreements governing such transactions, on terms that are fair and reasonable and in the interests of the shareholders as a whole; and

4. the above transactions were entered into with the annual aggregate value within the relevant annual cap of each category.

The auditors of the Company have reviewed the above connected transactions and issued a letter to the Company indicating that:

1. the above transactions were approved by the Board of the Company;

2. in case the above transactions involved provision of goods or services, they were conducted in accordance with the pricing policy of the Company;

3. the above transactions were conducted in accordance with the terms of the agreement governing such transactions; and

4. the above transactions (where applicable) did not exceed the relevant annual cap previously disclosed in the announcements of the Company.

The Directors confirmed that the Company has complied with the requirements under Chapter 14A of the Listing Rules in respect of the above connected transactions. Save as disclosed above, other related party transactions disclosed in Note 46 of the independent auditors' report in this annual report do not constitute the connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

There are relatively more connected transactions between the Company and its connected persons such as CNOOC Limited. It is due to the franchise system and development history of exploitation of offshore petroleum resources in cooperation with other enterprises which fulfill the requirements of the industrial policies in China. These connected transactions become the main source for generating business revenues of the Company and are important to the development of the Company. The actual operation situation of the Company since it has been listed is able to prove that connected transactions are indispensable to reaching the development of the Company. The contract prices of connected transactions of the Company are determined according to the public tendering or negotiation, which complies with the principles of fairness, openness and justness and is beneficial to both the development of the Company's main business and the maximization of the shareholders' interests. It is proved that conducting connected transactions is necessary and will be continued.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public at the date of this report.

AUDIT COMMITTEE

Before the field work of the auditors for annual audit, the Audit Committee of the Group reviewed the audit plan and other relevant information submitted by the auditors in accordance with the requirements under the relevant notices from CSRC, and approved the annual audit plan and work schedule formulated by the Company and auditors for annual audit and confirmed effective communications with the auditors for annual audit before and after such field work and suggested related opinion with regard to related work.

The final results of the Group have been reviewed by the Audit Committee of the Board which consists of three independent non-executive directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed audit, risk management, internal control and financial reporting matters including the review of audited 2021 annual results with the management.

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 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.

CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS

For the reporting period, the Company's compliance with the Corporate Governance Code is set out in the "Corporate Governance Report" section of this annual report. Upon specific enquiry to each and every director by the Company, the Board of Directors confirms that all members of the Board, for the reporting period, have complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

AUDITORS

These financial statements have been audited by Ernst & Young, who will retire at the forthcoming AGM at which a resolution for re-appointing Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors of the Company will be proposed.

EXECUTION OF THE INSIDER INFORMATION MANAGEMENT SYSTEM

The Company continuously worked on the regular registration of insiders. All directors and supervisors of the Company confirmed that they had not traded the Company's securities in violation of rules in the reporting period. Furthermore, pursuant to requirements of Regulatory Guidelines for Listed Companies No. 5 – Registration and Management Policies on Insiders of Listed Companies issued by the China Securities Regulatory Commission, the Company also conducted self-assessment on whether there have been share transactions by any insider of the Company other than directors and supervisors during the reporting period, and did not find any insider trading of the Company's securities in violation of rules.

ENVIRONMENTAL POLICIES AND PERFORMANCE

In 2021, the Company resolutely implemented the requirements proposed by our government in respect of comprehensively strengthening the protection of the ecological environment and deeply fighting the critical battle against pollution, upheld the basic national policy of saving resources and protecting the environment, and adhered to the green policy of "protecting the environment, saving energy and increasing efficiency and green development". In production and operation activities, the Company strictly abided by environmental protection requirements of laws, regulations, relevant standards and international conventions, and regularly evaluated the compliance with environmental rules and regulations, continued to improve the environmental protection system to ensure the Company's operation compliance. The Chairman of the Company signed the Letter of Responsibility for Ecological Civilization Construction with the principal responsible persons of various units to strengthen the "top leader" project for ecological and environmental protection and highlight the importance of ecological and environmental protection work. The Company made efforts to deal with all kinds of environmental protection work based on the special management plan of ecological and environmental protection; established an environmental protection management team with dedicated staff to enhance the performance capability of environmental protection management; carried out training regarding environmental protection management theory, skills and awareness to constantly enhance the awareness and skills of environmental protection; identified and evaluated environmental factors involved in the operation process, formulated corresponding management and control measures; carried out special environmental protection inspections, verified the implementation of systems and measures to ensure effective management and control of environmental protection risks; classified, recycled and disposed various pollutants generated from production and operation with environmental protection equipment and facilities to meet the discharge standard, and entrusted qualified organizations to treat the prohibited pollutants after collection. For the environmental risks in production and operation activities, the Company and all production and operation units formulated emergency plan for environmental emergencies and filed with relevant government authorities. They made emergency response plans in respect of potential emergencies such as oil leakage, and organized emergency response drills regularly to continuously enhance the Company's emergency response and employees' on-site handling ability. The Company persisted in promoting the integration of ecological civilization construction with the Company's production and operation, laying a solid foundation for the Company's high-quality development of ecological and environmental protection.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company insists to govern the Company according to laws, strictly follows laws and regulations of the countries where it has operation, and implements industry standards, and provides qualified and highly effective professional services to clients in a sustainable way. Through implementation of systematic management, the Company practically complies with the safety production, environmental protection laws and regulations, strives for safety production, environment protection, clean production and energy saving, protects the safety and health of staff, and protect the environment from being harmed, continues to improve the quality, health, safety and environmental management level.

MANAGEMENT CONTRACTS

No contracts concerning management or administration of the whole or any substantial part of the business of the Company were entered into or existed during the reporting period.

EQUITY-LINKED AGREEMENTS

As at 31 December 2021, the Company did not enter into any equity-linked agreement.

BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS, DIRECTORS AND SUPERVISORS

There is no substantial competition between the Company and CNOOC (including CNOOC's subsidiaries), the controlling shareholder of the Company. On 27 September 2002, CNOOC and the Company entered into a Non-competition Agreement, pursuant to which CNOOC has undertaken that there is no competition between CNOOC and the Company, and CNOOC will take various measures to avoid new competition.

During the Reporting Period, none of the Directors, Supervisors of the Company and their associates directly or indirectly competed with the business of the Company or had an interest in a business that may constitute competition.

OTHER DISCLOSURE

An analysis of the Company's performance using key financial performance indicators is set out in the section headed "Management Discussion and Analysis" in this annual report; particulars of important events affecting the Company that have occurred since the end of the reporting period can be found in the section headed "Significant Events" in this annual report. In addition, discussions on the Company's environmental policies and performance and permitted indemnity provisions provided by the Company to its Directors are included in the sections headed "Sustainability Report" and "Corporate Governance Report" of the report. These discussions form part of this Directors' Report.

On behalf of the Board
Zhao Shunqiang
Chairman
24 March 2022

Supervisory Committee Report

The Supervisory Committee of the Company for the year 2021 has diligently performed its responsibilities in accordance with the requirements of the Company Law of the People's Republic of China (hereafter referred to as the "Company Law"), Articles of Association of China Oilfield Services Limited (hereafter referred to as the "Articles of Association") and the Rules of Procedure for the Supervisory Committee, supervised and examined the procedures for decision making, the operating situation according to the law, financial reports disclosure and the construction and operation of the internal control system of the Company, and provided necessary protection for the legal benefits of the shareholders, the Company and the staff.

In 2021, five Supervisory Committee's meetings were convened. Members of the Supervisory Committee attended the general meetings, Board meetings and special Committee Meetings of the Company and the important management meetings of the Company. The Supervisory Committee kept abreast of the issues of the Company daily production and operating activities, and carried out the supervision and inspection on compliance and risk control from procedures to content.

During the reporting period, the operation of the Supervisory Committee and its opinions on the Company's supervision and inspection are as follows:

I. CHANGES OF MEMBERS OF THE SUPERVISORY COMMITTEE DURING THE REPORTING PERIOD

On 28 December 2021, the Company held its first EGM of 2021, which reviewed and approved the proposal of electing Mr. Cheng Xinsheng as the Company's independent supervisor.

During the reporting period, Mr. Peng Wen served as the Chairman of the Supervisory Committee, Mr. Cheng Xinsheng as the independent supervisor, and Mr. Zhao Bi as the employee representative supervisor.

II. OPERATION OF THE SUPERVISORY COMMITTEE

1) Five Supervisory Committee meetings were held on the same days and sometime after the Board meetings which the Supervisors had attended. The meetings mainly reviewed the compliance in respect of procedures for calling Board meetings and board resolutions, and also expressed review opinion in relation to the regular report approved by the Board.

2) Members of the Supervisory Committee also attended meetings of the special committees under the Board of Directors and listened to the matters in respect of the financial reports, the operation of internal control system prepared by the management of the Company and the establishment and the assessment of Key Performance Indicators on the management, and listened to a special report in relation to the operation, major financial matters and the nomination of the candidates for Directors and Senior Management of the Company.

3) The Supervisory Committee had given its professional review advice in respect of the 2020 Annual Report, the first quarterly report for the year 2021, the 2021 Interim Report and the third quarterly report for the year 2021 in compliance with the regulatory requirements of A shares.

4) The Supervisory Committee reviewed the operation of internal control system and risk management by the Company and made certain recommendation for improvement.

5) All members of the Supervisory Committee attended all of the five Board meetings of 2021 of the Company. Supervisors Cheng Xinsheng and Zhao Bi attended 2020 AGM, 2021 First A Share Class Meeting, 2021 First H Share Class Meeting and 2021 First EGM. Supervisor Peng Wen did not attend the aforesaid shareholder meetings due to other business reasons.

6) In June, the supervisors of the Company participated in the "Special Training on State-owned Listed Companies" organized by China Association for Public Companies. In December, the supervisors of the Company participated in the "Training on Corporate Governance of Listed Companies" organized by Tianjin Association for Public Companies.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

(1) The Company's Operating Situation According to the Law

After supervising and examining the performance of duties by the Board of Directors of the Company and Senior Management, and the construction and operation of internal control system, the Supervisory Committee was of the opinion that the procedures for calling the General Meeting and Board meetings, agendas and the relevant resolutions made by the Company during the reporting period were in compliance with relevant requirements of the laws, regulations and the Articles of Association. Directors and Senior Management of the Company have not been found violating any relevant laws, regulations or the Articles of Association when performing duties of the Company and have not been found behaving in such a way that would damage the interests of the Company and the shareholders.

(2) Financial Operation of the Company

The Supervisory Committee has supervised and examined the financial management system, the operation and major financial matters of the Company by participating in the Board meetings and the meetings of the Audit Committee under the Board of Directors and has reviewed relevant financial information of the Company. After such examination, the Supervisory Committee was of the opinion that the Company was in strict compliance with the financial laws and regulations and the financial system. The financial management system of the Company was healthy and effective, the accounting treatment are consistent while the financial statements were true and reliable. Based on the China Standards on Auditing, Ernst & Young Hua Ming LLP has audited the financial statements of the Company and has issued standard unqualified audit opinions on the financial statements. The Supervisory Committee considered the financial statements were objective and fairly reflected the financial position and the results of operation of the Company.

(3) Related Party Transactions

During the reporting period, all the related party transactions entered between the Company and CNOOC and its affiliates had complied with all the relevant requirements of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange and those transactions were necessary for the production and operation of the Company and were at fair terms and in the interests of the Company and its shareholders as a whole.

(4) Management Situation and Internal Control of the Company

The Supervisory Committee is of the opinion that during the reporting period and under the effective management and control of the Board and the management, the Company has continuously improved its internal control systems, enhanced the risk management capability to ensured regulated and steady operation of the Company. The Supervisory Committee is of the view that the Assessment Report of Internal Control of the Company was comprehensive, objective and matched the actual situations of the Company.

(5) The Performance of Responsibilities of Directors and Senior Management

The Supervisory Committee was of the view that the Board of Directors of the Company, both collectively and individually, have earnestly performed their duties with integrity and diligence, and each Director has earnestly understood the operating situation of the Company and thoroughly discussed the Company's affairs before making decisions. Facing with the influence of multiple factors such as the continuing impact of the global COVID-19 outbreak, international oil and gas industry fluctuations and the accelerated transformation of the energy industry, the management of the Company has actively coped with and striven to overcome the above influence, continued to optimize production and operation, performed their duties according to their terms of reference and implemented the decisions of the Board in a scientific way.

(6) Execution of the Insiders' Information Management System

The Board of Supervisors is of the opinion that, during the reporting period, the Company can perform the insiders' information management strictly in accordance with laws and regulations and relevant systems of the Company, and the Supervisory Committee did not recognize any insider trading which prejudice the interests of the Company and shareholders by Directors, Supervisors and Senior Management of the Company as well as the related insiders.

(7) External Guarantee

By attending the General Meetings, Board Meetings and special Committee Meetings, the Board of Supervisors is of the opinion that, during the reporting period, provision of guarantee by the Company to subsidiaries of the Company is in accordance with the requirements under laws and regulations and the Articles of Association of the Company, which has been under necessary approval procedure and the Company has disclosed related information to comply with the requirements. The accumulated and current provisions of external guarantee by the Company were true.

(8) Other Information

By participating in the annual assessment on the management of the Company, the Supervisory Committee is of the opinion that the annual assessment on the management is conducted by the Board of the Company in strict compliance with the Articles of Association and procedures approved at the general meetings and the Supervisory Committee has no disagreement over the result of the assessment.

IV. WORK PLAN OF THE SUPERVISORY COMMITTEE IN 2022

In 2022, the Supervisory Committee of the Company will continue to strictly abide by the relevant provisions of the Company Law, Articles of Association of the Company and the Rules of Procedures of the Supervisory Committee. In the spirit of being highly responsible to all Shareholders and the Employees of the Company, the Supervisory Committee will diligently perform its supervisory duties. We will continue to exercise effective supervision and review over production and operation and the decision-making procedure and content of major matters of the Company by attending General Meetings and Board meetings of the Company and participating in major meetings of the Company, so as to review various proposals of the Supervisory Committee. Continue to strengthen the effectiveness of supervision and inspection, regularly check the Company's financial information and status and internal control, keep attention and supervision on the performance of Directors and Senior Management of the Company, and ensure that the Company's operating activities are fully in compliance with laws and regulations. Further enhance the professional skills and ability to perform duties of the Supervisors Committee by participating in professional training and the study of relevant laws and regulations, in order to better safeguard the legitimate rights and interests of the Company and Shareholders.

For and on behalf
of the Supervisory Committee
Peng Wen
Chairman of the Supervisory Committee
24 March 2022

(I) SIGNIFICANT RELATED PARTY TRANSACTIONS

Further details on related party transactions are given in Note 46 to the financial statements of this annual report.

(II) GUARANTEE

Unit: RMB'000

External guarantee provided by the Company (excluding guarantee to subsidiaries)

Guarantor	Relationship between the guarantor and the Company	Guaranteed party	Guaranteed amount	Date of the guarantee (date of execution of the agreement)	Starting date of the guarantee	Expiry date of the guarantee	Type of guarantee	Collateral (if any)	Whether the guarantee is performed or not	Whether the guarantee is overdue	Overdue amount of the guarantee	The situation of counter guarantee	Whether it is a guarantee provided to related parties	Associated Relationship
COSL	Headquarter of the Company	Oceancare Corporation Sdn Bhd	157,289.62	2018-9-18	2020-3-22	2021-6-21	Joint liability guarantees	–	Yes	No	0	Nil	No	Other
COSL	Headquarter of the Company	Oceancare Corporation Sdn Bhd	6,573.69	2021-12-6	2021-12-6	2022-6-29	Joint liability guarantees	–	No	No	0	Nil	No	Other

Total amount of guarantee occurred during the reporting period (excluding guarantee to subsidiaries)	163,863.31
Total balance of guarantee as at the end of the reporting period (A) (excluding guarantee to subsidiaries)	6,573.69
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the reporting period	31,640,534.01
Total balance of guarantee provided by the Company to its subsidiaries at the end of the reporting period (B)	29,677,821.57
Total guarantee provided by the Company (including guarantee to subsidiaries)	
Total amount of guarantee (A+B)	29,684,395.26
Total amount of guarantee as a percentage of the Group's net assets (%)	77.67
Including:	
Amount of guarantee provided to shareholders, the actual controller and its related parties (C)	0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	28,606,703.97
The excess of total amount of guarantee over 50% of the net assets (E)	10,576,230.36
Total amount of the three guarantees above (C+D+E)	39,182,934.33
Unexpired guarantee may be jointly and severally liable	N/A

Guarantee details	(1) Guarantee provided by the Company to subsidiaries includes the guarantee to its subsidiaries in favour of US$1 billion bond issued by a subsidiary in 2012, US$500 million medium-term notes issued by a subsidiary in 2015, and US$800 million notes issued by a subsidiary in 2020. (2) Subject parties with gearing ratio over 70% under debt guarantee are wholly-owned subsidiaries of the Company. (3) On 24 March 2021 and 1 June 2021, the first meeting of the Board of the Company in 2021 and the 2020 AGM considered and approved the "Proposal on Providing Guarantee to Subsidiaries and External Third Parties of the Company" respectively.

(III) ENGAGEMENT AND DISMISSAL OF AUDITORS OF THE COMPANY

Unit: RMB million

	Previously engaged by	**Currently appointed**
Name of domestic audit firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Ernst & Young Hua Ming LLP
Remuneration of domestic audit firm	–	–
The service period of domestic audit firm	8 years	1 year
Name of international audit firm	Deloitte Touche Tohmatsu	Ernst & Young
Remuneration of international audit firm	–	–
The service period of international audit firm	8 years	1 year
Remuneration of domestic and international audit firm	15.37	11.91

	Name	**Remuneration**
Audit of internal control by audit firm	Ernst & Young Hua Ming LLP	Note: Remuneration of internal control audit was included in remuneration of domestic and international audit firm

Note: On 1 June 2021, the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2021 respectively was approved at the 2020 AGM.

Independent Auditor's Report

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永会计师事务所
香港鲗鱼涌英皇道979号
太古坊一座27楼

Tel电话: +852 2846 9888
Fax传真: +852 2868 4432
ey.com

TO THE SHAREHOLDERS OF CHINA OILFIELD SERVICES LIMITED

(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of China Oilfield Services Limited (the "Company") and its subsidiaries (the "Group") set out on pages 151 to 260, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
As at 31 December 2021, the carrying amount of property, plant and equipment of the Group, including drilling rigs, module rigs and vessels, was RMB43,256,158,000, which was material to the consolidated financial statements. Due to 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 day rates and utilisation rates of the Group's several large-scale equipment are at low levels, and there were impairment indicators for certain drilling rigs, module rigs and vessels. Management performed impairment assessment accordingly by determining the recoverable amount of the relevant cash-generating units based on higher of value-in-use calculation or fair value less cost of disposal according to appraisal report. The assessment of their value-in-use and fair value less costs of disposal was complex and involved significant judgement by management, subjective assumptions and estimation uncertainty, including the future utilisation rates, day rates, discount rates and the demand in future international oilfield service market. As a result of the impairment assessment, the management provided impairment losses of RMB2,011,343,000 during the year ended 31 December 2021. The Group's disclosures about the impairment of property, plant and equipment are included in Note 3.2 "Significant accounting policies", Note 4 "Significant accounting judgements and estimates" and Note 17 "Property, plant and equipment" to the consolidated financial statements.	We understood and evaluated the key controls over the impairment assessment of property, plant and equipment, and tested the design and operating effectiveness of these key controls. Among other audit procedures performed, we understood and evaluated management assessment of impairment indicators, reviewed the underlying data used by the management and tested the arithmetic accuracy of the impairment assessment. We also evaluated the significant assumptions used in the calculations, including the future utilisation rates, day rates, discount rates and the demand in future international oilfield service market by comparing them to historical operation data and external industry outlook reports. In addition, we involved our valuation specialists to assist us with assessing the valuation methodologies and the assumptions used, including the discount rates. We also assessed the adequacy of the Group's relevant disclosures included in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter

Impairment assessment of accounts receivable

As at 31 December 2021, the Group's accounts receivable net of expected credit loss of RMB10,005,432,000 were assessed for expected credit losses individually, which were material to the consolidated financial statements.

Management assessed impairment of accounts receivable for significant balances and insignificant balances with specific risks for expected credit losses individually.

The assessment of accounts receivable for expected credit losses individually was complex and significant estimation and judgement were required in determining the expected credit losses by management. In assessing the expected credit losses for above account receivables, the management has considered the specific factors, such as the historical loss experience, the creditworthiness of the debtors, the ageing of the balances and the forward-looking information.

The Group's disclosures about the impairment assessment of account receivables are included in Note 3.2 "Significant accounting policies", Note 4 "Significant accounting judgements and estimates" and Note 26 "Accounts receivable" to the consolidated financial statements.

How our audit addressed the key audit matter

We understood and evaluated the key controls over the impairment assessment of accounts receivables, and tested the design and operating effectiveness of these key controls.

Among other audit procedures performed, we tested the arithmetic accuracy of the provision matrix prepared by the management to calculate the expected credit losses, evaluated underlying data used in the management's assessment of loss allowance, including the historical settlement patterns of the customers, credit ratings of customers, ageing of the balances and the forward-looking information. We compared the historical settlement patterns of the customers with ageing report and tested repayment histories by vouching a sample of items to relevant underlying documentation. We compared credit ratings of customers to external credit rating report and evaluated whether the estimated loss rates were adjusted based on forward-looking information.

We also assessed the adequacy of the Group's relevant disclosures included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Ming Yik.

Ernst & Young
Certified Public Accountants
Hong Kong

24 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	6	**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	7	**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	8	**(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	8	**(1,318,482)**	(1,224,265)
Other operating expenses		**(1,246,982)**	(1,333,746)
Impairment of property, plant and equipment	17	**(2,011,343)**	(1,447,834)
Impairment losses under expected credit loss model, net of reversal	10	**(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	9	**(831,257)**	(924,485)
Interest income		**123,932**	69,644
Investment income	8	**44,550**	116,175
Gains arising from financial assets at fair value through profit or loss	8	**62,740**	26,572
Share of profits of an associate and joint ventures, net of tax	23	**372,996**	364,917
Other gains and losses, net	8	**(59,368)**	(12,157)
PROFIT BEFORE TAX	8	**1,089,550**	3,378,740
Income tax expense	14	**(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)	16	**6.56 cents**	56.65 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 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	*17*	**43,256,158**	46,918,930
Right-of-use assets	*18*	**972,897**	767,186
Goodwill	*19*	**–**	–
Other intangible assets	*20*	**86,129**	75,509
MultiClient library	*21*	**287,706**	253,840
Investments in an associate and joint ventures	*23*	**1,247,283**	1,102,008
Contract costs	*32*	**204,038**	184,545
Financial assets at fair value through profit or loss	*28*	**–**	–
Other non-current assets	*33*	**1,800,837**	158,760
Deferred tax assets	*36*	**174,956**	158,780
Total non-current assets		**48,030,004**	49,619,558
CURRENT ASSETS			
Inventories	*24*	**2,598,330**	2,246,758
Prepayments, deposits and other receivables	*25*	**356,062**	259,239
Accounts receivable	*26*	**10,511,674**	10,212,212
Notes receivable	*27*	**29,259**	10,050
Receivables at fair value through other comprehensive income	*29*	**9,862**	3,010
Financial assets at fair value through profit or loss	*28*	**5,703,728**	5,539,402
Debt instrument at amortised cost	*30*	**–**	1,000,416
Contract assets	*31*	**90,997**	320,397
Contract costs	*32*	**26,523**	18,514
Other current assets	*33*	**841,983**	125,351
Pledged deposits	*34*	**11,479**	3,659
Time deposits	*34*	**95,418**	–
Cash and cash equivalents	*34*	**5,006,389**	6,583,742
Total current assets		**25,281,704**	26,322,750
CURRENT LIABILITIES			
Trade and other payables	*35*	**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	*37*	**2,232,061**	2,284,336
Interest-bearing bank borrowings	*38*	**18,285**	18,291
Long-term bonds	*39*	**8,122,706**	3,265,377
Lease liabilities	*40*	**342,013**	224,285
Contract liabilities	*41*	**545,113**	388,144
Other current liabilities	*33*	**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

Consolidated Statement of Financial Position (Continued)

31 December 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*36*	**38,670**	24,906
Interest-bearing bank borrowings	*38*	**180,239**	191,146
Long-term bonds	*39*	**11,980,462**	19,455,678
Lease liabilities	*40*	**568,080**	366,303
Contract liabilities	*41*	**31,487**	61,057
Deferred income	*42*	**235,852**	278,486
Other non-current liabilities	*33*	**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	*43*	**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

Zhao Shunqiang
Director

Yu Feng
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the Company										
	Issued capital RMB'000	Capital reserve* RMB'000	Statutory reserve funds* RMB'000	Special reserve RMB'000	Remeasurement of defined benefit pension plan* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2019	4,771,592	12,366,274	2,508,656	–	(16,202)	(92,479)	16,432,895	763,455	36,734,191	176,086	36,910,277
Profit for the year	–	–	–	–	–	–	2,703,187	–	2,703,187	15,129	2,718,316
Other comprehensive income for the year, net of income tax	–	–	–	–	–	(163,993)	–	–	(163,993)	(12,337)	(176,330)
Total comprehensive income for the year	–	–	–	–	–	(163,993)	2,703,187	–	2,539,194	2,792	2,541,986
Appropriation of safety fund	–	–	–	38,503	–	–	–	–	38,503	–	38,503
Utilisation of safety fund	–	–	–	(38,503)	–	–	–	–	(38,503)	–	(38,503)
Termination of a defined benefit pension plan (note 13)	–	–	–	–	16,202	–	(16,202)	–	–	–	–
Final 2019 dividend paid (note 15)	–	–	–	–	–	–	–	(763,455)	(763,455)	–	(763,455)
Proposed final 2020 dividend (note 15)	–	–	–	–	–	–	(811,171)	811,171	–	–	–
At 31 December 2020	4,771,592	12,366,274	2,508,656	–	–	(256,472)	18,308,709	811,171	38,509,930	178,878	38,688,808
Profit for the year	–	–	–	–	–	–	313,176	–	313,176	8,874	322,050
Other comprehensive income for the year, net of income tax	–	–	–	–	–	20,896	–	–	20,896	(4,253)	16,643
Total comprehensive income for the year	–	–	–	–	–	20,896	313,176	–	334,072	4,621	338,693
Appropriation of safety fund	–	–	–	56,428	–	–	–	–	56,428	–	56,428
Utilisation of safety fund	–	–	–	(56,428)	–	–	–	–	(56,428)	–	(56,428)
Final 2020 dividend paid (note 15)	–	–	–	–	–	–	–	(811,171)	(811,171)	–	(811,171)
Proposed final 2021 dividend (note 15)	–	–	–	–	–	–	(715,739)	715,739	–	–	–
At 31 December 2021	4,771,592	12,366,274	2,508,656	–	–	(235,576)	17,906,146	715,739	38,032,831	183,499	38,216,330

* These reserve accounts comprise the consolidated reserves of approximately RMB33,261,239,000 (2020: RMB33,738,338,000) in the consolidated statement of financial position as at 31 December 2021.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*45*	**8,010,756**	8,631,647
Taxes paid:			
Mainland China corporate income tax paid		**(347,908)**	(937,345)
Overseas income taxes paid		**(244,601)**	(155,382)
Net cash flows from operating activities		**7,418,247**	7,538,920
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other intangible assets		**(3,686,696)**	(4,145,678)
Investment in MultiClient library		**(61,267)**	(10,634)
Government grant received		**5,610**	6,327
Purchase of floating rate investments in corporate wealth management products, monetary funds, debt instrument and time deposits		**(10,695,380)**	(9,000,000)
Proceeds on disposal/maturity of floating rate investments in corporate wealth management products and monetary funds		**9,445,886**	9,628,277
Proceeds from disposal of property, plant and equipment		**22,812**	8,087
Investment in an associate		**(20,800)**	(83,200)
Interest received		**67,359**	69,641
Dividends received from joint ventures		**198,808**	215,602
Deposits paid for acquisition of property, plant and equipment		**(4,014)**	(25,588)
Net cash flows used in investing activities		**(4,727,682)**	(3,337,166)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of long-term bonds		**–**	5,613,680
Repayment of bank loans		**(18,200)**	(605,996)
Repayment of long-term bonds		**(2,273,282)**	(3,502,850)
Repayment of lease liabilities		**(287,714)**	(545,407)
Dividends paid		**(811,171)**	(763,455)
Interest paid		**(805,778)**	(923,025)
Net cash flows used in financing activities		**(4,196,145)**	(727,053)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,505,580)**	3,474,701
Cash and cash equivalents at the beginning of year		**6,583,742**	3,363,589
Effect of foreign exchange rate changes, net		**(71,773)**	(254,548)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,006,389**	6,583,742
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	*34*	**5,113,286**	6,587,401
Less: Pledged deposits	*34*	**(11,479)**	(3,659)
Time deposits	*34*	**(95,418)**	–
Cash and cash equivalents as stated in the consolidated statement of cash flows	*34*	**5,006,389**	6,583,742

Notes to Consolidated Financial Statements

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)*

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

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

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. Additional information about the transition and the associated risks is disclosed in note 48 to the financial statements.

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

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.

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

2.2 New and amendments to HKFRSs in issue but not yet effective (continued)

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.

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

2.2 New and amendments to HKFRSs in issue but not yet effective (continued)

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. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the HKSE (the "Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in their entirety, which are described as follows:

(a) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

(b) Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

(c) Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Group. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein and represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions and goodwill

Optional concentration test

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

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair value at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Business combinations, other than business combinations under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to initially measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in the consolidated statement of profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in consolidated statement of profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in the consolidated statement of profit or loss as a gain on bargain purchase.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Business combinations or asset acquisitions and goodwill (continued)

Business combinations (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December of every year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combinations involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and the consolidated statement of comprehensive income include the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Adjustments are made to bring into line any dissimilar accounting policies that may exist. Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Unrealised gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in the consolidated statement of profit or loss in the period in which the investment is acquired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Interests in joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

Where a group entity undertakes its activities under joint operations, the Group as a joint operator recognised in relation to its interest in a joint operation:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 *Financial Instruments* ("HKFRS 9"). In contrast, an accounts receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, expect for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Revenue recognised over time: measurement of progress towards complete satisfaction of a performance obligation using the output method

The progress towards complete satisfaction of a performance obligation is measured based on the output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depicts most of the Group's performance in transferring control of goods or services detailed in note 6.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Existence of a significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract. As almost all of the Group's contracts provide for a credit period of less than one year after the transfer of the associated goods or services, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Contract costs

Incremental costs of obtaining a contract

Incremental costs of obtaining a contract are those costs that the Group incurs to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

The Group recognises such costs as an asset if it expects to recover these costs. The asset so recognised is subsequently amortised to the consolidated statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its drilling services and marine support services. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant Standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15"), the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with the applicable standards. Then, any impairment loss for assets capitalised as contract costs is recognised to the extent that the carrying amount exceeds the remaining amount of consideration that the Group expects to receive in exchange for the related goods or services less the costs which relate directly to providing those goods or services and have not been recognised as an expense. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of the underlying assets that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term. During the current year, there was no lease of low-value assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applies the practical expedient.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from the commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term as follows:

Leasehold lands	50 years
Buildings	2-24 years
Plant and machinery	3 to 5 years
Motor vehicles	2 to 5 years

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as an expense in the period in which the event or condition that triggers the payment occurs. As the lease payments of certain leases of drilling rigs which the Group has entered into were determined by utilisation days and day rates, the Group recognised these variable lease payments as an expense during the current year when the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability, based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from the lease component on the basis of their relative stand-alone selling prices.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

For a transfer that satisfies the requirements as a sale, the Group as a seller-lessee measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset and recognises any gain or loss that relates to the rights transferred to the buyer-lessor only.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange on the last day of the previous month of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the consolidated statement of profit or loss, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the foreign operation.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions (unless exchange rate fluctuations make it inappropriate to use the exchange rate, the spot exchange rate on the date of the transaction is used for translation).

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income, relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Foreign currencies (continued)

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the average exchange rates for the year at which the cash flow occurs (unless exchange rate fluctuations make it inappropriate to use the exchange rate, the spot exchange rate on the date of the cash flow is used for translation).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, an appropriate capitalisation rate will be applied to the expenditure on the individual assets.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is credited to a deferred income account and is released to the consolidated statement of profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan at a below-market rate of interests is treated as a government grant and is measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Employee benefits

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, social insurance premiums, housing accumulation fund etc.) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Defined contribution plan

The Group's employees in Mainland China are required to participate in a central pension plan operated by local municipal governments. The Group is required to contribute 14% to 16% (2020: 14% to 16%) of its payroll costs to the central pension plan. The contributions are charged to consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension plan.

Defined benefits plan

For the defined benefit pension plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which it occurs. Remeasurement recognised in other comprehensive income is reflected immediately in the reserve of "Remeasurement of defined benefit pension plan" and will not be reclassified to consolidated statement of profit or loss. Past service cost is recognised in consolidated statement of profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset.

Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in consolidated statement of profit or loss in the line item of employee compensation costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

Discretionary contributions made by employees or third parties reduce service cost upon payment of these contributions to the plan.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Employee benefits (continued)

Defined benefits plan (continued)

When the formal terms of the plan specify that there will be contributions from employees or third parties, the accounting depends on whether the contributions are linked to services as follows:

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset.

- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related services are rendered.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside the consolidated statement of profit or loss is recognised outside the consolidated statement of profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Certain of the Group’s drilling rigs are owned by the Company’s wholly owned Bermuda (for tax purpose, domiciled in Singapore) and Singapore subsidiaries. Due to the changing demands of the offshore drilling markets and the ability to redeploy the Group’s offshore units, such units will not reside in a location long enough to give rise to future tax consequences in that location. As a result, no deferred tax asset has been recognised in these circumstances. Should the Group’s expectations change regarding the length of time an offshore drilling unit will be used in a given location, and tax laws and regulations in the future operating jurisdictions, the Group would adjust deferred tax accordingly.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Income tax (continued)

Deferred tax assets are generally recognised for all deductible temporary differences, and the carry forward of unused tax credits and any unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Income tax (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and deferred tax liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities when they relate to income taxes levied to the same taxable entity by the same taxation authority.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Vessels (including vessel components)	10 to 20 years
Drilling rigs (including drilling rig components)	5 to 30 years
Machinery and equipment	5 to 10 years
Motor vehicles	5 years
Buildings	20 to 30 years

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Property, plant and equipment and depreciation (continued)

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the consolidated statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents drilling rigs, vessels and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

The intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The intangible assets with finite useful lives are amortised on a straight-line basis over the following periods:

Trademark	10 years
Management system	10 years
Software	3 to 5 years
Contract value	Contract period

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Research and development costs

All research costs are charged to the consolidated statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in the consolidated statement of profit or loss in the period in which it is incurred.

MultiClient library consists of seismic data surveys which are licensed to customers on a non-exclusive basis. All costs directly incurred in acquiring, processing and otherwise completing seismic surveys are capitalised into the MultiClient library. MultiClient library is amortised on a straight-line basis over 4 years.

Impairment of tangible, intangible assets other than goodwill and contract costs

At the end of each reporting period, the Group reviews the carrying amounts of its assets (other than inventories, financial assets and goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. The recoverable amounts of tangible and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is an indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Impairment of tangible, intangible assets other than goodwill and contract costs (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced to below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in the consolidated statement of profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in the consolidated statement of profit or loss.

Inventories

Inventories primarily consist of materials and supplies used for the repairs and maintenance of plant and equipment and daily operations. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. The materials and supplies are capitalised to plant and equipment when used for renewals or betterments of plant and equipment or recognised as expenses when used for daily operations.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent assets are not recognised, but are disclosed when an inflow of economic benefits is probable. When the realisation of income is virtually certain, the related asset is not a contingent asset and is recognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligation exceed the economic benefits expected to be received from the contract.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has a significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Dividends

Final and/or interim dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL") are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the consolidated statement of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's cash and cash equivalents, pledged deposits, accounts receivable, notes receivable, certain other receivables, other current assets – deposits paid for monetary funds, debt instrument at amortised cost, which meet the above conditions are subsequently measured at amortised cost.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group's bank acceptance notes receivable included in receivables at fair value through other comprehensive income are subsequently measured at FVTOCI.

All other financial assets are subsequently measured at FVTPL.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and financial assets classified as FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Financial assets classified as at FVTOCI

Subsequent changes in the carrying amounts for financial assets classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in the consolidated statement of profit or loss. All other changes in the carrying amount of these financial assets are recognised in other comprehensive income ("OCI") and accumulated in the reserve. Impairment allowance is recognised in the consolidated statement of profit or loss with a corresponding adjustment to OCI without reducing the carrying amounts of these financial assets. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the "Gains/(losses) arising from financial assets at fair value through profit or loss" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under the expected credit loss ("ECL") model on financial assets (including cash and cash equivalents, pledged deposits, accounts receivable, certain notes receivable, receivables at fair value through other comprehensive income, certain other receivables, other current assets – deposits paid for monetary funds, a debt instrument at amortised cost), a lease receivable, contract assets and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECLs for accounts its receivable, lease receivable and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and insignificant balances with specific risks, which have sufficient past due data and forward-looking information for the ECL assessment. For the rest of the assets, the ECL are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. For example, the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the consolidated statement of profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable and certain other receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL (continued)

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The Group has measured ECL at the individual instrument level for most of its relevant financial assets, lease receivable and contract assets. Besides, there are insignificant balances where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;
- Type of debtors and economic circumstances facing; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure that the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial assets through a loss allowance account, except for financial assets at FVTOCI for which the loss allowance is recognised in OCI and accumulated in the reserve without reducing the carrying amount of financial assets at FVTOCI. Such amount represents the changes in the reserve in relation to accumulated loss allowance.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derecognition of financial assets (continued)

On derecognition of an investment in a financial assets classified as at FVTOCI, the cumulative gain or loss previously accumulated in is reclassified to the consolidated statement of profit or loss.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in the consolidated statement of profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. All of the Group's financial liabilities including trade and other payables, notes payable, a loan from a related party, interest-bearing bank borrowings and long-term bonds are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in the consolidated statement of profit or loss at the date of modification.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about those assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful life and impairment of property, plant and equipment

The estimated useful life of property, plant and equipment is based on the historical experience of the actual useful life of property, plant and equipment with similar characteristics and functions. If the useful life of these property, plant and equipment is less than previously estimated, the Group will accelerate the related depreciation or dispose of idle or obsolete property, plant and equipment. This requires management to use past experience in estimating the appropriate useful life.

Where there exists an indication of impairment of an asset, the Group performs the impairment test in relation to the asset (or cash-generating unit ("CGU") to which the asset belongs). An impairment loss is recognised only if the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing the impairment loss of property, plant and equipment, management would consider all relevant factors with reasonable and supportable assumptions as well as the latest development and various relevant factors in respect of the underlying drilling rig of the respective drilling service contract to make significant accounting estimations. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal. This requires management to make assumptions about the future cash flows and discount rate and hence they are subject to uncertainty.

Due to 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 day rates and utilization rates of some large-scale equipments of the Company are at low levels and there are indicators of impairment. Management is of the view that certain impairment indicators exist. The provision for impairment of property, plant and equipment recognised during the current year was RMB2,011,343,000 (2020: RMB1,447,834,000). As at 31 December 2021 the carrying amount of property, plant and equipment was RMB43,256,158,000 (2020: RMB46,918,930,000). Further details are given in note 17.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision of ECL for accounts receivable

Management determines the credit losses of the accounts receivable based on the expected credit loss model. Significant judgements and estimations involved include:

For expected credit losses assessed individually, the recoverable amounts of the accounts receivable are determined by management based on the historical settlement patterns of the customers, management's judgement about credit risk changes and forward-looking information. For expected credit losses assessed using the provision matrix, management is required to determine the credit loss rate based on the Group's historical default rates that are representative of the economic condition the accounts receivable are exposed to, which is then duly adjusted by the relevant forward-looking information. These involve estimation uncertainty and significant judgement.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable is disclosed in notes 26 and 48.

Deferred tax assets

Deferred tax assets are generally recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognised on the tax loss of RMB7,228,779,000 (2020: RMB7,375,319,000) and deductible temporary differences of RMB4,154,317,000 at 31 December 2021 (2020: RMB2,771,710,000). Further details are contained in note 36. In cases where there are actual future profits or the actual future profits generated are more than expected, or the effective tax rate is changed, a material recognition or change of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which such recognition or change takes place.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations (including those applicable to tax credits) and the amount and timing of future taxable income. Given the wide range of international business relationships and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on best estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the Group's experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise in a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Management judgement is required to determine the applicable tax rates in the further periods, based on the various tax laws, regulations, treaties and level of operations in jurisdictions of operation, future tax planning strategies and the forecast made on the Company's continuing compliance with the High-New Technical Enterprise ("HNTE") criteria. In cases where the actual tax rates are less than expected, a material reversal of deferred tax assets may arise and will be recognised in the consolidated statement of profit or loss in the period in which such a reversal takes place.

5. 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.

5. OPERATING SEGMENT INFORMATION (continued)

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

5. OPERATING SEGMENT INFORMATION (continued)

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.

5. OPERATING SEGMENT INFORMATION (continued)

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 RMB'000**	**North Sea RMB'000**	**Others RMB'000**	**Total 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 RMB'000	North Sea RMB'000	Others RMB'000	Total 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, details of the segments with such revenue are given in note 46(A)

6. REVENUE

	2021 RMB'000	2020 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 RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Total RMB'000
Geographical markets					
Domestic	6,957,663	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

6. REVENUE (continued)

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

	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	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.

	For the year ended 31 December 2021				
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	**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**

6. REVENUE (continued)

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

	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.

6. REVENUE (continued)

(B) Performance obligations for contracts with customers (continued)

(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

6. REVENUE (continued)

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

	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.

7. 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 42).

8. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 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.

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2021 RMB'000	2020 RMB'000
Interest on bank borrowings	**2,899**	10,106
Interest on a loan from a related party	**13,772**	35,503
Interest on long-term bonds	**766,020**	808,705
Interest on lease liabilities	**34,878**	33,813
Total interests	**817,569**	888,127
Other finance costs:		
Others	**13,688**	36,358
	831,257	924,485

10. IMPAIRMENT LOSSES OF ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Impairment losses recognised/(reversed) on:		
Accounts receivable	**14,961**	10,311
Other receivables	**797**	(2,533)
	15,758	7,778

Details of impairment assessment for the year ended 31 December 2021 are set out in note 48.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and the CO, is as follows:

	2021 RMB'000	2020 RMB'000
Fees	**1,280**	1,280
Other emoluments:		
Basic salaries, allowances and benefits in kind	**1,173**	1,133
Bonuses (Note)	**2,569**	1,881
Pension scheme contributions	**453**	247
	4,195	3,261
	5,475	4,541

Note: Certain directors and supervisors of the Company are entitled to bonus payments which are determined based on the duties and responsibilities of the directors and supervisors, as well as the operating results of the Group.

(a) Independent non-executive directors and independent supervisors

The fees paid/payable to independent non-executive directors and independent supervisors of the Company during the year are as follows:

	2021 RMB'000	2020 RMB'000
Independent non-executive directors:		
Fong Chung, Mark(1)	**167**	400
Wong Kwai Huen, Albert	**400**	400
Lin Boqiang(2)	**400**	233
Chiu Lai Kuen, Susanna(1)	**233**	–
Law Hong Ping, Lawrence(2)	**–**	167
	1,200	1,200
Independent supervisor:		
Cheng Xinsheng(3)	**80**	80
	1,280	1,280

Notes:

(1) Chiu Lai Kuen, Susanna was appointed as independent non-executive director and Fong Chung, Mark resigned on 1 June 2021.

(2) Lin Boqiang was appointed as independent non-executive director and Law Hong Ping, Lawrence resigned on 28 May 2020.

(3) Cheng Xinsheng was appointed as the independent supervisor on 28 December 2021.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors and independent supervisors (continued)

The independent non-executive directors' and independent supervisor's emoluments shown above were for their services as directors and supervisor of the Company.

There were no other emoluments payable to the independent non-executive directors and the independent supervisor during the year (2020: Nil).

(b) Executive directors, non-executive directors, supervisors and the chief executive

2021	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors and chief executive officer:				
Zhao Shunqiang(1)	409	952	145	1,506
Qi Meisheng(1)	161	120	50	331
	570	1,072	195	1,837
Executive director and vice president:				
Yu Feng(2)	384	791	131	1,306
Non-executive directors:				
Wu Wenlai(3)	–	–	–	–
Liu Zongzhao(3)	–	–	–	–
Supervisors:				
Peng Wen*	–	–	–	–
Zhao Bi	219	706	127	1,052
	219	706	127	1,052
TOTAL	1,173	2,569	453	4,195

Notes:

(1) Qi Meisheng resigned as the chief executive officer on 28 April 2021 and resigned as an executive director on 28 December 2021. Zhao Shunqiang was appointed as the chairman and chief executive officer and resigned as the president on 28 April 2021.

(2) Yu Feng was appointed as an executive director on 28 December 2021.

(3) Wu Wenlai and Liu Zongzhao were appointed as non-executive directors on 28 December 2021.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (continued)

2020	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors and chief executives officer				
Qi Meisheng(1)	488	860	96	1,444
Cao Shujie(1)	287	180	51	518
	775	1,040	147	1,962
Executive director and president:				
Zhao Shunqiang(2)	119	208	22	349
Non-executive directors:				
Xu Yugao(3)*	–	–	–	–
Zhao Baoshun(3)*	–	–	–	–
Meng Jun(3)*	–	–	–	–
Zhang Wukui(3)*	–	–	–	–
Supervisors:				
Peng Wen(4)*	–	–	–	–
Zhao Bi	239	633	78	950
Wu Hanming(4)*	–	–	–	–
	239	633	78	950
Total	1,133	1,881	247	3,261

Notes:

(1) Cao Shujie resigned as the chief executive officer on 29 June 2020 and resigned as the executive director on 21 October 2020. Qi Meisheng was appointed as the chief executive officer on 26 August 2020.

(2) Zhao Shunqiang was appointed as the president on 26 August 2020 and appointed as the executive director on 21 October 2020.

(3) Meng Jun and Zhang Wukui resigned as non-executive director and Xu Yugao and Zhao Baoshun were appointed as non-executive directors on 11 December 2020.

(4) Peng Wen was appointed as chairman of the supervisory committee and Wu Hanming resigned on 21 October 2020.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

There was no arrangement under which a director or a supervisor or the chief executive waived or agreed to waive any remuneration during both years.

* In addition to the directors' remuneration disclosed above, certain Directors and supervisors are not paid directly by the Company but receive remuneration from CNOOC, the ultimate holding company of the Company, in respect of their service to the larger group which includes the Group. No apportionment has been made as the qualifying services provided by these Directors to the Group are incidental to their responsibilities to the larger group.

Notes to Consolidated Financial Statements (Continued)

31 DECEMBER 2021

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year do not include any directors, supervisors and the chief executive (2020: Nil), details of whose remuneration are set out in note 11. Details of the remuneration of the five (2020: Five) non-director, non-supervisor, and non-chief executive highest paid employees for the year are as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries, allowances and benefits in kind	8,318	10,043
Bonuses	4,152	3,597
Pension scheme contributions	60	318
	12,530	13,958

The number of non-director, non-supervisor, and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2021	 2020
HK$1,000,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$3,000,000	3	3
HK$3,000,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$5,000,000	–	1
HK$5,000,001 to HK$6,000,000	1	–
	5	5

13. PENSIONS AND THE DEFINED BENEFIT PLAN

All the Group's full-time employees in Mainland China are covered by a government-regulated pension scheme, and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension in the PRC at rates ranging from 14% to 16% (2020: 14% to 16%) of the employees' basic salaries. The related pension costs are expensed as incurred.

The retirement expenses of the Group are as follows:

	2021 RMB'000	2020 RMB'000
Contributions to the PRC government-regulated pension scheme	407,909	207,059
Contributions to overseas subsidiaries' pension schemes	41,873	31,960
	449,782	239,019

At 31 December 2021, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2020: Nil).

14. 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%

14. INCOME TAX EXPENSE (continued)

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

	2021 RMB'000	2020 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 RMB'000	%	2020 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.

15. DIVIDENDS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Proposed dividend – RMB0.15 per ordinary share calculation (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%.

16. 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 RMB'000	2020 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share calculation (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.

17. 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

17. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2020	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 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).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

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 day rate 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 and module 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 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.

18. RIGHT-OF-USE ASSETS

31 December 2021	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2021							
Cost	320,779	246,390	415,013	6,384	204,458	235,512	1,428,536
Accumulated depreciation and impairment	(135,042)	(205,616)	(197,813)	(3,185)	(89,352)	(30,342)	(661,350)
Carrying amount	185,737	40,774	217,200	3,199	115,106	205,170	767,186
Carrying amount							
At 1 January 2021	185,737	40,774	217,200	3,199	115,106	205,170	767,186
Additions	–	502,592	54,369	707	178,072	–	735,740
Depreciation charge	(59,562)	(111,244)	(99,261)	(2,873)	(87,068)	(2,999)	(363,007)
Lease modification	(49,857)	(97,484)	(10,354)	–	2,681	–	(155,014)
Exchange realignment	–	(5,493)	(2,746)	(5)	(1,999)	(1,765)	(12,008)
At 31 December 2021	76,318	329,145	159,208	1,028	206,792	200,406	972,897
At 31 December 2021							
Cost	236,822	466,573	272,846	7,068	341,914	233,747	1,558,970
Accumulated depreciation and impairment	(160,504)	(137,428)	(113,638)	(6,040)	(135,122)	(33,341)	(586,073)
Carrying amount	76,318	329,145	159,208	1,028	206,792	200,406	972,897

31 December 2020	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2020							
Cost	320,779	689,916	364,076	2,034	197,349	240,850	1,815,004
Accumulated depreciation and impairment	(67,521)	(404,707)	(71,939)	(624)	(42,230)	(27,343)	(614,364)
Carrying amount	253,258	285,209	292,137	1,410	155,119	213,507	1,200,640
Carrying amount							
At 1 January 2020	253,258	285,209	292,137	1,410	155,119	213,507	1,200,640
Additions	–	71,965	62,123	4,434	23,774	–	162,296
Depreciation charge	(67,521)	(221,069)	(128,362)	(2,610)	(57,819)	(2,999)	(480,380)
Lease modification	–	(91,816)	(2,619)	(11)	279	–	(94,167)
Exchange realignment	–	(3,515)	(6,079)	(24)	(6,247)	(5,338)	(21,203)
At 31 December 2020	185,737	40,774	217,200	3,199	115,106	205,170	767,186
At 31 December 2020							
Cost	320,779	246,390	415,013	6,384	204,458	235,512	1,428,536
Accumulated depreciation and impairment	(135,042)	(205,616)	(197,813)	(3,185)	(89,352)	(30,342)	(661,350)
Carrying amount	185,737	40,774	217,200	3,199	115,106	205,170	767,186

18. RIGHT-OF-USE ASSETS (continued)

	31 December 2021 RMB'000	31 December 2020 RMB'000
Expense related to short-term leases	**681,869**	647,000
Variable lease payments not included in the measurement of lease liabilities	**636,613**	577,265
Total cash outflow for leases	**1,523,999**	1,657,232

For both years, the Group leases various vessels, drilling rigs, machinery and equipment, buildings and motor vehicles for its operations. Lease contracts are entered into for fixed terms of 1 to 24 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold lands for operating purposes and has obtained the land use right certifications. The upfront payments for such leasehold lands were classified as right-of-use assets upon application of HKFRS 16.

The Group regularly enters into short-term leases for vessels, drilling rigs, machinery and equipment, buildings and motor vehicles. As at 31 December 2021, the portfolio of short-term leases was similar to the portfolio of the short-term leases disclosed in note 8.

Variable lease payments

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

Extension and termination options

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

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2021, there was no such triggering event.

19. 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	–

20. OTHER INTANGIBLE ASSETS

31 December 2021	Trademark RMB'000	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2021	38	75,471	–	75,509
Additions	–	42,081	–	42,081
Amortisation provided during the year	(38)	(31,349)	–	(31,387)
Exchange realignment	–	(74)	–	(74)
At 31 December 2021	–	86,129	–	86,129
At 31 December 2021				
Cost	411	677,779	114,737	792,927
Accumulated amortisation	(411)	(591,650)	(114,737)	(706,798)
Carrying amount	–	86,129	–	86,129

20. OTHER INTANGIBLE ASSETS (continued)

31 December 2020	Trademark RMB'000	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2020	79	62,056	–	62,135
Additions	–	41,636	–	41,636
Amortisation provided during the year	(41)	(27,966)	–	(28,007)
Exchange realignment	–	(255)	–	(255)
At 31 December 2020	38	75,471	–	75,509
At 31 December 2020				
Cost	411	635,772	117,422	753,605
Accumulated amortisation	(373)	(560,301)	(117,422)	(678,096)
Carrying amount	38	75,471	–	75,509

21. 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. 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.

22. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 2021	2020	Principal activities
COSL Chemicals (Tianjin), Ltd. (a)	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	100%	100%	Manufacture and marketing of drilling fluids
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	100%	100%	Provision of oil and gas exploration services
COSL-Hong Kong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	100%	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	100%	100%	Provision of drilling services
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	100%	100%	Provision of drilling services
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	100%	100%	Provision of oil and gas exploration services
COSL Prospector Pte. Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	100%	100%	Provision of drilling services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	NOK1,541,328,656	100%	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	100%	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	100%	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	100%	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS") (b)	Indonesia 27 July 2010	Indonesia	US$250,000	49%	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	100%	100%	Provision of oilfield services and related activities

22. PARTICULARS OF SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at the end of the reporting period are set out below: (continued)

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group		Principal activities
				2021	2020	
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	100%	100%	Bond issuance
COSL Deepwater Technology Co. Ltd. (a)	Shenzhen, PRC 12 September 2013	PRC	RMB 470,000,000	100%	100%	Provision of geophysical and surveying services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	96%	96%	Provision of drilling services
COSL Hainan Ltd. (a)	Haikou, PRC 6 December 2019	PRC	RMB200,000,000	100%	100%	Provision of oil and gas exploration services
COSL Hainan Technical Services Ltd. (a)	Chengmai, PRC 12 May 2020	PRC	RMB1,000,000,000	100%	100%	Provision of oil and gas exploration services
Hainan Deep Drilling Ltd. (a)	Haikou, PRC 12 March 2021	PRC	RMB10,000,000	100%	–	Provision of drilling services

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

(b) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the years ended 31 December 2021 and 31 December 2020 respectively.

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

The following subsidiaries had outstanding issued long-term bonds amounting to RMB14,756,955,000 at the end of the year:

	Held by third parties RMB'000
COSL Finance (BVI) Limited	6,442,557
COSL Singapore Capital Ltd.	8,314,398
	14,756,955

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cost of investments in an associate	**104,000**	83,200
Cost of investments in joint ventures	**149,201**	149,201
Share of post-acquisition profits and losses, and other comprehensive income, net of dividends received	**994,082**	869,607
Carrying amount	**1,247,283**	1,102,008

Particulars of all associates and joint ventures are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2021	Percentage of Ownership interest 2020	Principal activities
China Offshore Fugro Geosolutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50%**	50%	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd.	US$6,650,000	Tianjin, PRC 30 November 1983	**50%**	50%	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50%**	50%	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60%**	60%	Provision of drilling fluids services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50%**	50%	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD ("PBS-COSL") (b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49%**	49%	Provision of drilling services
COSL (Malaysia) SDN.BHD. ("COSL Malaysia") (c)	Ringgit Malaysia 350,000	Malaysia 31 July 2017	**49%**	49%	Provision of drilling services
Well Technology Company Ltd.	RMB 260,000,000	Foshan, PRC 24 July 2020	**40%**	40%	Provision of well technology services

CNOOC-OTIS Well Completion Services Ltd. initiated liquidation process on 1 February 2020 and the liquidation was completed on 20 December 2021 based on the board resolution passed on 26 December 2019.

23. INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (continued)

Notes:

(a) The Group has 60% of the equity interests in Magcobar, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of Magcobar, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of this entity. In the opinion of the Directors, the Group does not have control over Magcobar and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, Magcobar has been accounted for in the Group's consolidated financial statements using the equity method.

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

(c) The Group has 49% of equity interests in COSL Malaysia, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of COSL Malaysia, majority voting rights are required for decisions on directing the relevant activities of this entity. The board of directors of COSL Malaysia shall comprise five directors whereby the Group shall appoint two directors and the other sole investor shall appoint three directors, while the chairman of COSL Malaysia shall be appointed by the Group and the chairman has the right to veto any major decisions. As a result, unanimous consent by the Group and the other investor are required for decisions on directing the relevant activities of COSL Malaysia. In the opinion of the Directors, the Group does not have control over COSL Malaysia and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, COSL Malaysia has been accounted for in the Group's consolidated financial statements using the equity method. As at 31 December 2021, the Group has not injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

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

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

The aggregate financial information in respect of the Group's associates and joint ventures is set out below and none of the associates and joint ventures is individually material.

	2021 RMB'000	2020 RMB'000
The Group's share of profit	**372,996**	364,917
The Group's share of other comprehensive income	**2,893**	(12,112)
The Group's share of total comprehensive income	**375,889**	352,805

24. INVENTORIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Raw materials	**2,176,845**	1,989,620
Goods in transit	**321,532**	168,489
Work in progress	**66,678**	69,009
Consumables and others	**33,275**	19,640
	2,598,330	2,246,758

The Group wrote down RMB10,644,000 (2020: RMB30,318,000) and reversed write-down of RMB5,366,000 (2020: RMB8,337,000) during the year, both of which were recorded in other operating expenses.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2021 RMB'000	31 December 2020 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 RMB'000	31 December 2020 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

26. ACCOUNTS RECEIVABLE

	31 December 2021 RMB'000	31 December 2020 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 RMB'000	31 December 2020 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.

As at December 31, 2021, the carrying amount of accounts receivable for which the Group assessed expected credit losses individually was RMB12,640,729,000, the amount of credit losses provided was RMB2,635,297,000, and the net amount of accounts receivable was RMB10,005,432,000. The carrying amount of accounts receivable for which the Group assessed expected credit losses based on shared credit risk characteristics was RMB567,737,000, the amount of credit losses provided was RMB61,495,000, and the net amount of accounts receivable was RMB506,242,000.

Details of impairment assessment of accounts receivable for the year ended 31 December 2021 are set out in note 48.

27. 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.

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Current assets:		
Investments in floating rate corporate wealth management products	**4,403,632**	2,539,196
Investments in monetary funds	**1,300,096**	3,000,206
Non-current asset:		
Unlisted equity investment	**–**	–
	5,703,728	5,539,402

29. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2021 RMB'000	31 December 2020 RMB'000
Bank acceptance notes receivable	**9,862**	3,010

The bank acceptance notes are received from customers in the Group's ordinary course of business. As part of the liquidity management, the Group has endorsed certain bank acceptance notes receivable to banks or suppliers before the maturity date. The Group has transferred substantially all the risks and rewards of ownership relating to these bank acceptance notes endorsed, and derecognised the full carrying amounts of the bank acceptance notes receivable. Such bank acceptance notes receivable are held by the Group within a business model whose objective is achieved by both selling the notes receivable and collecting contractual cash flows. Accordingly, these bank acceptance notes receivable are subsequently measured at FVTOCI. Details of fair value of notes receivable at FVTOCI are set out in note 47.

The Group provided no impairment against the balance after due consideration of the banks' low credit risk.

30. DEBT INSTRUMENT AT AMORTISED COST

The prior year's balance represented a debt instrument invested by the Group, carrying annual interest at a rate of 3.8%, the Group was to hold the instrument until maturity and therefore measured it at amortised cost. The debt instrument matured on 27 December 2021.

31. CONTRACT ASSETS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract assets – current	**90,997**	320,397

The contract assets relate to the Group's rights to consideration for drilling services completed and not billed because the rights are conditioned on customers' acceptance of the work. The contract assets are transferred to accounts receivable when the rights become unconditional. The Directors assessed and provided no impairment against the contract assets after due consideration of the customers' credit quality.

32. CONTRACT COSTS

	31 December 2021 RMB'000	31 December 2020 RMB'000
Mobilisation (Note)	**230,561**	203,059
Current	**26,523**	18,514
Non-current	**204,038**	184,545
	230,561	203,059

Note: Certain direct and incremental costs incurred for initial mobilisation are costs of fulfilling a contract and are recoverable. These recoverable costs are capitalised and amortised ratably to the consolidated statement of profit or loss as services are rendered over the initial term of the related contracts.

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

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deposits paid for monetary funds (Note (a))	600,000	–
Value-added tax recoverable	–	35,173
Value-added tax to be deducted and prepaid	241,983	90,178
Other current assets	841,983	125,351
Output value-added tax to be recognised	(431,385)	(314,191)
Provision due within one year (Note (b))	(63,060)	–
Other current liabilities	(494,445)	(314,191)
Certificate of deposit (Note (c))	1,556,535	–
Lease receivable	4,617	–
Value-added tax recoverable	156,127	130,545
Deposits paid for the acquisition of property, plant and equipment	4,014	25,588
Income tax recoverable	11,574	2,627
Land deposit	67,970	–
Other non-current assets	1,800,837	158,760
Provision (Note(b))	(51,861)	–
Other non-current liabilities	(51,861)	–

Notes:

(a) As at 31 December 2021, the Company contributed to the purchase of monetary funds and the shares of the fund were included in other current assets as the fund company had not yet recognized the shares. The fund shares were recognized by the fund company on 4 January 2022.

(b) CNA, a subsidiary of the Company, signed the long-term drilling service contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company recognises the estimated loss of the contract as a liability.

(c) As at 31 December 2021, the Group held a certificate of deposit with a maturity of over 1 year and a par value of RMB1,500,000,000. The certificate of deposit can be withdrawn or sold before maturity.

34. 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 (Note 46)	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

34. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND TIME DEPOSITS (continued)

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.

35. 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

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

36. DEFERRED TAXATION (continued)

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 RMB'000	Recognised in profit or loss RMB'000	Exchange realignment RMB'000	Balance at 31 December 2020 and 1 January 2021 RMB'000	Recognised in profit or loss RMB'000	Exchange realignment RMB'000	Balance at 31 December 2021 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.

36. DEFERRED TAXATION (continued)

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.

37. 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(note 46).

38. 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

39. 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.

39. LONG-TERM BONDS (continued)

Notes: (continued)

(b) (continued)

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.

40. LEASE LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Carrying amount at 1 January	**590,588**	1,145,346
New leases	**735,740**	162,296
Accretion of interest recognised during the year	**34,878**	33,813
Payments	**(322,592)**	(576,472)
Leases modification	**(116,750)**	(167,999)
Exchange realignment	**(11,771)**	(6,396)
Carrying amount at 31 December	**910,093**	590,588
Analysed into:		
Current portion	**342,013**	224,285
Non-current portion	**568,080**	366,303
	910,093	590,588

The weighted average incremental borrowing rates applied to lease liabilities range from 2.35% to 4.39% (2020: from 2.79% to 4.39%).

The Group leases its drilling rigs under financial lease arrangements. At 31 December 2021, the undiscounted lease payments receivable by the Group in future periods under non-cancellable financial leases with its tenants are as follows:

	2021 RMB'000	2020 RMB'000
Within one year	**52,876**	–
After one year but within two years	**4,636**	–
	57,512	–

The amount recognised in profit or loss in relation to leases is as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest on lease liabilities	**34,878**	33,813
Depreciation charge of right-of-use assets	**363,007**	480,380
Expense relating to short-term leases	**681,869**	647,000
Variable payments not included in the measurement of lease liabilities	**636,613**	577,265
Total amount recognised in profit or loss	**1,716,367**	1,738,458

41. CONTRACT LIABILITIES

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contract liabilities		
Current	**545,113**	388,144
Non-current	**31,487**	61,057
	576,600	449,201

The Group's contract liabilities consist of the mobilisation fee, subsidies received from customers related to the adaptation of machinery for the provision of drilling services (the "Subsidies") and advance from customers relevant to certain operation contracts. The contract liabilities are recognised as revenues on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the liabilities relate.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	Advance from customers RMB'000	Mobilisation fee RMB'000	Subsidies RMB'000	Total RMB'000
For the year ended 31 December 2021				
Revenue recognised that was included in the contract liability balance at the beginning of the year	**221,198**	**57,688**	**7,638**	**286,524**
For the year ended 31 December 2020				
Revenue recognised that was included in the contract liability balance at the beginning of the year	211,425	60,499	51,799	323,723

42. 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 RMB'000	Government grants related to assets RMB'000	Government grants related to income RMB'000	Others RMB'000	Total 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**

43. ISSUED CAPITAL

	31 December 2021 RMB'000	31 December 2020 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

44. CONTINGENCES AND COMMITMENTS

(A) Contract performance guarantees

During the current year, the Company has issued a contract performance guarantee in respect of certain obligation service agreements entered into by the Group's cooperation partner, Oceancare Corporation Sdn Bhd ("OCSB"), in favour of a customer of OCSB (the "guaranteed party"). The total consideration of the service agreements is US$1,031,054, which is equivalent to approximately RMB6,573,691. Under the guarantee, the Company is required to make at its own cost for all outstanding contractual work for the guaranteed party if OCSB fail to perform under the said service obligations.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Guarantee for other entities	**6,574**	163,862

The Group has not recognised liabilities for the above guarantee because the Directors consider that the possibility of an outflow of resources embodying economic benefits is remote.

(B) Capital commitments

The Group had the following capital commitments, principally for the construction and purchases of property, plant and equipment at the end of the reporting period:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for	**1,230,736**	1,477,742

At the end of the reporting period, the Group's share of joint ventures' own capital commitments was insignificant.

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,089,550**	3,378,740
Adjustments for:			
Finance costs	*9*	**817,569**	888,127
Interest income		**(123,932)**	(69,644)
Investment income	*8*	**(44,550)**	(116,175)
Gain arising from financial assets at FVTPL	*8*	**(62,740)**	(26,572)
Share of profits of an associate and joint ventures, net of tax	*23*	**(372,996)**	(364,917)
Exchange loss, net		**165,389**	403,839
Losses on disposal of property, plant and equipment, net	*8*	**56,413**	15,383
Losses/(gains) arising from lease modifications	*8*	**2,955**	(3,226)
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	*18*	**363,007**	480,380
Impairment losses of accounts receivable and other receivables, net of reversal	*10*	**15,758**	7,778
Provision of impairment of inventories	*8*	**5,278**	21,981
Impairment of property, plant and equipment	*17*	**2,011,343**	1,447,834
		8,426,816	10,399,258
Increase in inventories		**(372,141)**	(891,708)
Increase in accounts receivable		**(484,824)**	(47,995)
(Increase)/decrease in pledged deposits		**(7,968)**	98,007
(Increase)/decrease in notes receivable		**(19,209)**	34,195
(Increase)/decrease in prepayments, deposits and other receivables and other assets		**(61,307)**	17,686
(Increase)/decrease in receivables at fair value through other comprehensive income		**(6,852)**	37,570
Decrease/(increase) in contract assets		**229,400**	(57,802)
Increase in contract costs		**(27,501)**	(123,718)
Increase/(decrease) in trade and other payables and other liabilities, net of payables for purchases of property, plant and equipment		**101,297**	(515,289)
Increase/(decrease) in notes payable		**54,173**	(3,467)
Decrease in salary and bonus payables		**(25,261)**	(204,711)
Decrease in deferred income		**(40,833)**	(120,200)
Increase in contract liabilities		**130,045**	9,821
Increase in provision		**114,921**	–
Cash generated from operations		**8,010,756**	8,631,647

45. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2021 RMB'000	Financing cash flows (a) RMB'000	Non-cash changes: Foreign exchange movement RMB'000	Non-cash changes: Interest expenses and dividends declared RMB'000	Non-cash changes: New leases entered into and lease modified RMB'000	Other changes (b) RMB'000	31 December 2021 RMB'000
Loan from a related party (note 37)	2,284,336	(13,806)	(52,241)	13,772	–	–	2,232,061
Interest-bearing bank borrowings (note 38)	209,437	(21,104)	–	2,899	–	7,292	198,524
Long-term bonds (note 39)	22,721,055	(3,027,472)	(371,951)	766,020	–	15,516	20,103,168
Lease liabilities (note 40)	590,588	(322,592)	(11,771)	34,878	618,990	–	910,093
Dividend payable (included in trade and other payables)	–	(811,171)	–	811,171	–	–	–
Total	25,805,416	(4,196,145)	(435,963)	1,628,740	618,990	22,808	23,443,846

	1 January 2020 RMB'000	Financing cash flows (a) RMB'000	Non-cash changes: Foreign exchange movement RMB'000	Non-cash changes: Interest expenses and dividends declared RMB'000	Non-cash changes: New leases entered into and lease modified RMB'000	Other changes (b) RMB'000	31 December 2020 RMB'000
Loan from a related party (note 37)	2,443,946	(37,098)	(158,015)	35,503	–	–	2,284,336
Interest-bearing bank borrowings (note 38)	809,955	(617,941)	(298)	9,423	–	8,298	209,437
Long-term bonds (note 39)	21,738,653	1,267,913	(1,094,216)	791,951	–	16,754	22,721,055
Lease liabilities (note 40)	1,145,346	(576,472)	(6,396)	33,813	(5,703)	–	590,588
Dividend payable (included in trade and other payables)	–	(763,455)	–	763,455	–	–	–
Total	26,137,900	(727,053)	(1,258,925)	1,634,145	(5,703)	25,052	25,805,416

(a) The cash flows from a loan from a related party, interest-bearing bank borrowings and long-term bonds represented the net amount of certain proceeds and repayments in the consolidated statement of cash flows.

(b) Other changes mainly represented amortisation of an upfront fee of interest-bearing bank borrowings and expenses for issuance of long-term bonds.

46. RELATED PARTY TRANSACTIONS

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is an SOE subject to the control of the State Council of the PRC Government.

(A) Related party transactions and outstanding balances with related parties

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties.

In addition to the transactions and balances detailed elsewhere in these consolidated financial statements, the following is a summary of significant transactions carried out between the Group and (i) the CNOOC Limited Group; (ii) the CNOOC Group; (iii) the Group's joint ventures; and (iv) associates invested by CNOOC.

a. Included in revenue – gross revenue earned from provision of services to the following related parties

	2021 RMB'000	2020 RMB'000
i CNOOC Limited Group		
Provision of drilling services	**6,138,833**	5,465,135
Provision of well services	**13,661,807**	11,858,621
Provision of marine support services	**2,864,094**	2,705,232
Provision of geophysical acquisition and surveying services	**1,859,869**	1,058,340
	24,524,603	21,087,328
ii CNOOC Group		
Provision of drilling services	**80,938**	39,794
Provision of well services	**344,295**	416,537
Provision of marine support services	**92,075**	35,645
Provision of geophysical acquisition and surveying services	**72,123**	51,646
	589,431	543,622
iii Joint ventures		
Provision of well services	**12,042**	30,550
Provision of geophysical acquisition and surveying services	**2,856**	–
	14,898	30,550
iv Associates invested by CNOOC		
Provision of drilling services	**591**	433
Provision of well services	**8,255**	10,645
Provision of marine support services	**341**	3,060
	9,187	14,138

During the current year, the revenue arising from operating leases from CNOOC Limited Group was RMB64,293,000 (2020: Nil).

46. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

b. *Included in operating expenses*

	2021 RMB'000	2020 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	**9,213**	3,877
Transportation services	**1,272**	3,311
Leasing of equipment	**84**	437
	10,569	7,625
Property services	**10,019**	5,989
	20,588	13,614
ii CNOOC Group		
Materials, utilities and other ancillary services	**1,387,720**	1,251,443
Leasing of equipment	**189,118**	193,948
Transportation services	**69,850**	18,738
Management services	**29,540**	44,151
Repair and maintenance services	**6,540**	40,359
Labour services	**–**	101
	1,682,768	1,548,740
Property services	**145,011**	85,061
	1,827,779	1,633,801
iii Joint ventures		
Materials, utilities and other ancillary services	**252,165**	218,282
Leasing of equipment	**10,497**	13,786
Repair and maintenance services	**–**	27
	262,662	232,095
Property services	**350**	–
	263,012	232,095
iv Associates invested by CNOOC		
Materials, utilities and other ancillary services	**35,541**	59,837
Leasing of equipment	**–**	41
Repair and maintenance services	**236**	–
	35,777	59,878

c. *Included in interest income*

	2021 RMB'000	2020 RMB'000
CNOOC Finance (a subsidiary of CNOOC)		
Interest income	**21,911**	17,918

Deposits in CNOOC Finance carry interests at the applicable interest rate which is determined with reference to the prevailing bank rates published by the People's Bank of China.

46. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

d. *Dividend from joint ventures*

	2021 RMB'000	2020 RMB'000
Dividend from joint ventures	**244,875**	215,602

e. *Included in finance costs*

During the current year, the finance costs on the loan from a related party (note 37) were US$2,134,000 (2020: US$5,147,000), which is equivalent to approximately RMB13,772,000 (2020: RMB35,503,000).

During the current year, the finance costs on the lease liabilities due to a related party were RMB15,419,000 (2020: RMB989,000).

f. *Deposits*

	31 December 2021 RMB'000	31 December 2020 RMB'000
Deposits placed with CNOOC Finance	**1,198,957**	1,197,961

g. During the current year, the other income from CNOOC Limited Group in respect of compensation for equipment dropping into wells when rendering services was RMB1,706,000 (2020: RMB15,229,000).

h. *Right-of-use assets*

The Group entered into certain lease agreements with related parties and recognised right-of-use assets and lease liabilities on lease commencement. The following is addition of right-of-use assets from related parties:

	31 December 2021 RMB'000	31 December 2020 RMB'000
CNOOC Group	**483,588**	–

Except for items in a(iii), b(iii) and d above, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

i. *Contingencies and commitments with related parties*

The Group had the following capital commitments with related parties, principally for construction and purchases of property, plant and equipment at the end of the reporting period:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Contracted, but not provided for	**5,078**	10,659

The Group had no guarantees granted to related parties as of 31 December 2021 and 2020.

46. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

j. *Outstanding balances with related parties*

Accounts receivable

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due from CNOOC Limited Group	**7,615,573**	7,377,005
Due from CNOOC Group	**153,015**	94,406
Due from joint ventures	**1,300**	10,183
Due from associates invested by CNOOC	**7,049**	6,647
	7,776,937	7,488,241

Prepayments, deposits and other receivables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due from CNOOC Limited Group	**–**	2,650
Due from CNOOC Group	**216**	2,355
Due from joint ventures	**9,137**	2,410
Due from associates invested by CNOOC	**–**	26
	9,353	7,441
Less: Provision for impairment of other receivables	**–**	(500)
	9,353	6,941

Trade and other payables

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due to CNOOC Limited Group	**22,453**	25,280
Due to CNOOC Group	**606,397**	654,869
Due to joint ventures	**233,165**	166,059
Due to associates invested by CNOOC	**56,465**	42,553
	918,480	888,761

Loan from a related party

	31 December 2021 RMB'000	31 December 2020 RMB'000
An unsecured loan due to CNOOC Group (note 37)	**2,232,061**	2,284,336

46. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

j. *Outstanding balances with related parties (continued)*

Contract liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due to the CNOOC Limited Group	**81,488**	10,000
Due to the CNOOC Group	**352,065**	249,581
	433,553	259,581

Lease liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
Due to the CNOOC Group	**404,867**	68

The Group and the above related parties are within the CNOOC Group and the CNOOC Limited Group and are under common control (except for the joint ventures of the Group) of the same ultimate holding company.

The balances with related parties at 31 December 2021 included in accounts receivable, prepayments, deposits and other receivables, trade and other payables and contract liabilities of the Group are unsecured, interest-free, and have no fixed terms of repayment. The loan from a related party bears interest at LIBOR+0.5% per annum and is repayable on demand. Lease liabilities have fixed terms of repayment and are measured at the present value of lease payments that are unpaid using the incremental borrowing rate at the lease commencement date.

The Company entered into several agreements with the CNOOC Group and the CNOOC Limited Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

The lease expenses relating to agreements with the CNOOC Group and the CNOOC Limited Group in respect of variable lease payments determined by utilisation days and day rates as well as short-term leases are disclosed in note 46(A)b.

The Directors are of the opinion that the above transactions with related parties were conducted in the normal course of business.

46. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

k. Transactions with other SOEs in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services of vessels and drilling rigs, purchases of goods, services or property, plant and equipment in the PRC, other than the CNOOC Group and the CNOOC Limited Group, in the normal course of business on terms comparable to those with other non-SOEs. None of these transactions are material related party transactions, individually or collectively, that require separate disclosure.

In addition, the Group has certain of its cash, time deposits and certificate of deposit and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2021, as summarised below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Cash and cash equivalents	393,018	457,369
Time deposits	1,394	–
Certificate of deposit	1,556,535	–
	1,950,947	457,369
Long-term bank loans (note 38)	180,239	191,146
Current portion of long-term bank loans (note 38)	18,285	18,291
	198,524	209,437

Deposit interest rates and loan interest rates are at market rates.

	31 December 2021 RMB'000	31 December 2020 RMB'000
Finance costs	2,899	10,106

(B) Compensation of key management personnel of the Group

	31 December 2021 RMB'000	31 December 2020 RMB'000
Short-term employee benefits	10,426	7,688
Post-employment benefits	1,208	621
Total compensation paid to key management personnel	11,634	8,309

Further details of Directors', supervisors and the chief executive's emoluments are included in note 11.

47. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

	31 December 2021			
	Amortised cost RMB'000	FVTPL RMB'000	FVTOCI RMB'000	Total RMB'000
Financial assets included in deposits and other receivables (note 25)	188,746	–	–	188,746
Financial assets at FVTPL (note 28)	–	5,703,728	–	5,703,728
Receivables measured at FVTOCI (note 29)	–	–	9,862	9,862
Accounts receivable (note 26)	10,511,674	–	–	10,511,674
Notes receivable (note 27)	29,259	–	–	29,259
Pledged deposits (note 34)	11,479	–	–	11,479
Time deposits (note 34)	95,418	–	–	95,418
Cash and cash equivalents (note 34)	5,006,389	–	–	5,006,389
Certificate of deposit (note 33)	1,556,535	–	–	1,556,535
Deposits paid for monetary funds (note 33)	600,000	–	–	600,000
Lease receivable (note 33)	4,617	–	–	4,617
Total	18,004,117	5,703,728	9,862	23,717,707

	31 December 2020			
	Amortised cost RMB'000	FVTPL RMB'000	FVTOCI RMB'000	Total RMB'000
Financial assets included in deposits and other receivables (note 25)	77,496	–	–	77,496
Financial assets at FVTPL (note 28)	–	5,539,402	–	5,539,402
Receivables measured at FVTOCI (note 29)	–	–	3,010	3,010
Accounts receivable (note 26)	10,212,212	–	–	10,212,212
Notes receivable (note 27)	10,050	–	–	10,050
Pledged deposits (note 34)	3,659	–	–	3,659
Cash and cash equivalents (note 34)	6,583,742	–	–	6,583,742
Debt instrument at amortised cost (note 30)	1,000,416	–	–	1,000,416
Total	17,887,575	5,539,402	3,010	23,429,987

47. FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

Financial liabilities

	31 December 2021 RMB'000	31 December 2020 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables (note 35)	**8,738,684**	9,082,596
Notes payables	**54,173**	–
Interest-bearing bank borrowings – current portion (note 38)	**18,285**	18,291
Long-term bonds (note 39)	**8,122,706**	3,265,377
Loan from a related party (note 37)	**2,232,061**	2,284,336
Subtotal	**19,165,909**	14,650,600
Non-current		
Interest-bearing bank borrowings (note 38)	**180,239**	191,146
Long-term bonds (note 39)	**11,980,462**	19,455,678
Subtotal	**12,160,701**	19,646,824
Total	**31,326,610**	34,297,424

(b) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements are observable.

Financial assets	Fair value as at 31 December 2021 RMB'000	Fair value as at 31 December 2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL – monetary funds	**1,300,096**	3,000,206	Level 1	Quoted bid prices in an active market
Receivables at FVTOCI – notes receivable	**9,862**	3,010	Level 2	Discounted cash flows at a discount rate that reflects the credit risk of the drawee of notes at the end of the reporting period
Financial assets at FVTPL – floating rate corporate wealth management products	**4,403,632**	2,539,196	Level 3	Discounted cash flows. Future cash flows estimated based on estimated return

47. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Reconciliation of Level 3 fair value measurements is as follows:

	Financial assets at FVTPL RMB'000
At 31 December 2019	4,511,248
Purchase	5,000,000
Redemption	(7,000,000)
Change in fair value	27,948
At 31 December 2020	2,539,196
At 31 December 2020	2,539,196
Purchase	7,200,000
Redemption	(5,300,000)
Change in fair value	(35,564)
At 31 December 2021	4,403,632

The principal unobservable input used by the Group for floating rate corporate wealth management products is the exchange rate in future periods.

(c) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate to their fair values.

	Carrying amounts		**Fair values**	
	31 December 2021 RMB'000	31 December 2020 RMB'000	**31 December 2021 RMB'000**	31 December 2020 RMB'000
Financial liabilities				
Long-term bonds (note 39)	**20,103,168**	22,721,055	**20,151,324**	23,093,031

The fair value of long-term bonds issued by the Group, with fair value measurements categorised within Level 2, are determined by reference to the present value valuation technique under the income approach and by applying the prime rate as adjusted to reflect the credit risk of the issuers as key inputs.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, a loan from a related party, long-term bonds, cash and short term deposits and investments in corporate wealth management products, certificate of deposit, monetary funds and a debt instrument. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB and USD, the aforesaid currency is defined as the functional currency of the Company and some subsidiaries respectively. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has foreign currency sales, purchases, bank borrowings, a loan from a related party, long-term bonds, pledged deposits and cash and cash equivalents denominated in foreign currencies, which expose the Group to foreign currency risk. Management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

The loans for foreign operations within the Group that form part of the Group's net investment in the foreign operations are denominated in foreign currencies, other than the functional currency of the lender.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial assets		Financial liabilities	
	31 December 2021 RMB'000	31 December 2020 RMB'000	**31 December 2021 RMB'000**	31 December 2020 RMB'000
US$	**10,263,800**	16,205,692	**237,146**	680,759
Others	**774,437**	426,990	**437,811**	634,170

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values or future cash flows of monetary assets and liabilities) by using a sensitivity analysis on the change in the foreign exchange rates of the US dollar, from which the Group's foreign currency risk has mainly arisen as at 31 December 2021 and 2020. The sensitivity analysis also includes inter-company balances where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. The following table details the Group's sensitivity to a 5.0% (2020: 6.5%) appreciation or depreciation of the US dollar.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/(decrease) in profit		Increase/(decrease) in other comprehensive income	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Appreciation of US$	**123,654**	240,474	**305,887**	551,164
Depreciation of US$	**(123,654)**	(240,474)	**(305,887)**	(551,164)

Interest rate risk

The interest rate risk of the Group relates primarily to a variable-rate loan from a related party (see note 37) and certain cash and cash equivalents (see note 34). The Group currently does not have an interest rate policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on time deposits is insignificant as the fixed deposits are short-term.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates with alternative nearly risk-free rates. As listed in note 37, the Group's LIBOR loan may be subject to the interest rate benchmark reform. The Group is closely monitoring the transition to new benchmark interest rates.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for cash and cash equivalents as the Directors consider that the fluctuation in interest rates on cash and cash equivalent is minimal. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 50 basis points (2020: 50 basis points) and all other variables were held constant, the Group's post-tax profit would (decrease) increase by approximately RMB8,703,000 for the year ended 31 December 2021 (2020: the Group's post-tax profit would (decrease) increase by approximately RMB11,419,000) without considering the effect of capitalisation of borrowing costs.

Credit risk and impairment assessment

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and investments in corporate wealth management products, certificate of deposit, monetary funds and debt instrument, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages this credit risk by only dealing with reputable financial institutions.

According to the Group's credit risk management policy, the Group always recognises lifetime ECL for accounts receivable, a lease receivable and contract assets. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group has concentrations of credit risk in respect of accounts receivable as the Group's largest accounts receivable and the five largest accounts receivable represent 72% (2020: 72%) and 82% (2020: 81%) of the total accounts receivable respectively.

No other financial assets carry a significant exposure to credit risk.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	12-month or lifetime ECL	31 December 2021 Gross carrying amount RMB'000	31 December 2020 Gross carrying amount RMB'000
Financial assets at amortised cost			
Financial assets included in deposits and other receivables	12-month ECL – assessed individually	76,848	35,938
	12-month ECL – provision matrix	121,198	49,613
	Lifetime ECL (credit-impaired) – assessed individually	500	500
		198,546	86,051
Accounts receivable (Note)	Lifetime ECL (not credit-impaired) – assessed individually	9,139,887	9,575,647
	Lifetime ECL (not credit-impaired) – provision matrix	427,757	643,023
	Lifetime ECL (credit-impaired) – assessed individually	3,500,842	2,691,628
	Lifetime ECL (credit-impaired) – provision matrix	139,980	46,079
		13,208,466	12,956,377
Notes receivable at amortised cost	12-month ECL	29,259	10,050
Pledged deposits	12-month ECL	11,479	3,659
Time deposits	12-month ECL	95,418	–
Cash and cash equivalents	12-month ECL	5,006,389	6,583,742
Certificate of deposit	12-month ECL	1,556,535	–
Deposits paid for monetary funds	12-month ECL	600,000	–
Debt instrument at amortised cost	12-month ECL	–	1,000,416
Lease receivable	12-month ECL	4,617	–
Financial assets at FVTOCI			
Receivables at FVTOCI	12-month ECL	9,862	3,010
Other items			
Contract assets	Lifetime ECL (credit-impaired) – assessed individually	90,997	320,397

Note: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at an amount equal to lifetime ECL. Except for debtors with significant outstanding balances or insignificant balances with specific risks, the Group determines the expected credit losses on these items by using a provision matrix.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The Group has measured expected credit losses at the individual instrument level for most of its relevant financial assets. Besides, there are insignificant balances where expected credit losses are measured on a collective basis.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020			
Changes due to financial instruments recognised as at 1 January 2020	10,014	2,908,387	2,918,401
– Impairment losses recognised	17,551	55	17,606
– Impairment losses reversed	(6,943)	(352)	(7,295)
– Write-offs	–	(618)	(618)
Exchange adjustments	(128)	(183,801)	(183,929)
As at 31 December 2020	20,494	2,723,671	2,744,165
As at 1 January 2021			
Changes due to financial instruments recognised as at 1 January 2021:	**20,494**	**2,723,671**	**2,744,165**
– Transfer to credit-impaired	**(9,882)**	**9,882**	**–**
– Impairment losses recognised	**10,961**	**20,682**	**31,643**
– Impairment losses reversed	**(5,242)**	**(11,440)**	**(16,682)**
– Write-offs	**–**	**(1,476)**	**(1,476)**
Exchange adjustments	**(914)**	**(59,944)**	**(60,858)**
As at 31 December 2021	**15,417**	**2,681,375**	**2,696,792**

Changes in the loss allowance for accounts receivable are mainly due to the default of certain debtors.

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The following tables show a reconciliation of loss allowances that has been recognised for other receivables:

	12m ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2020			
Changes due to financial instruments recognised as at 1 January 2020	13,840	500	14,340
– Impairment losses recognised	2,492	2,603	5,095
– Impairment losses reversed	(7,628)	–	(7,628)
– Write-offs	–	(2,603)	(2,603)
As at 31 December 2020	8,704	500	9,204
As at 1 January 2021			
Changes due to financial instruments recognised as at 1 January 2021:	8,704	500	9,204
– Impairment losses recognised	1,583	–	1,583
– Impairment losses reversed	(786)	–	(786)
Exchange adjustments	–	–	–
As at 31 December 2021	9,501	500	10,001

Change in the loss allowance for other receivables are mainly due to the settlement of other receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings, a loan from a related party and long term bonds and ensures compliance with loan covenants.

The Group's objective is to maintain a balance between continuity of funding and flexibility through long-term bonds and interest-bearing loans. 46% of the Group's borrowings would mature in less than one year as at 31 December 2021 (2020: 22%) based on the carrying value of interest-bearing bank borrowings, a loan from a related party and long-term bonds reflected in the financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

Notes to Consolidated Financial Statements (Continued)

31 DECEMBER 2021

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2021						
	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	1.08%	19,492	19,395	57,605	169,080	265,572	198,524
Loan from a related party	0.56%-0.59%	2,232,061	–	–	–	2,232,061	2,232,061
Long-term bonds	1.94%-4.58%	8,583,053	1,186,761	10,264,718	2,080,072	22,114,604	20,103,168
Lease liabilities	2.35%~4.39%	360,854	261,332	296,079	42,022	960,287	910,093
Financial liabilities included in trade and other payables	N/A	8,738,684	–	–	–	8,738,684	8,738,684
Notes payable	N/A	54,173	–	–	–	54,173	54,173
Contract performance guarantee	N/A	6,574	–	–	–	6,574	–
		19,994,891	1,467,488	10,618,402	2,291,174	34,371,955	32,236,703

	31 December 2020						
	Weighted average interest rate	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	1.45%-3.07%	21,255	20,968	62,314	207,282	311,819	209,437
Loan from a related party	0.65%-2.25%	2,284,336	–	–	–	2,284,336	2,284,336
Long-term bonds	1.94%-4.58%	4,025,495	8,684,077	7,634,068	5,300,685	25,644,325	22,721,055
Lease liabilities	2.79%~4.39%	233,186	150,240	192,762	49,804	625,992	590,588
Financial liabilities included in trade and other payables	N/A	9,082,596	–	–	–	9,082,596	9,082,596
Contract performance guarantee	N/A	163,862	–	–	–	163,862	–
		15,810,730	8,855,285	7,889,144	5,557,771	38,112,930	34,888,012

48. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, a loan from a related party, long-term bonds, lease liabilities, certain trade and other payables, notes payable, salary and bonus payables less cash and cash equivalents (not including pledged deposits and time deposits). Capital represents equity attributable to owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Interest-bearing bank borrowings (note 38)	**198,524**	209,437
Trade and other payables (note 35)	**8,738,684**	9,082,596
Notes payable	**54,173**	–
Salary and bonus payables	**794,877**	820,138
Loan from a related party (note 37)	**2,232,061**	2,284,336
Long-term bonds (note 39)	**20,103,168**	22,721,055
Lease liabilities (note 40)	**910,093**	590,588
Less: Cash and cash equivalents (note 34)	**(5,006,389)**	(6,583,742)
Net debt	**28,025,191**	29,124,408
Equity attributable to owners of the Company	**38,032,831**	38,509,930
Non-controlling interests	**183,499**	178,878
Total capital	**38,216,330**	38,688, 808
Capital and net debt	**66,241,521**	67,813,216
Gearing ratio	**42%**	43%

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**26,575,571**	26,850,973
Right-of-use assets	**646,288**	443,339
Other intangible assets	**80,606**	71,862
MultiClient library	**77,317**	117,656
Investments in subsidiaries	**4,130,474**	6,903,474
Investments in associate and joint ventures	**1,246,655**	1,101,352
Other long-term receivables	**1,695,670**	1,688,288
Other non-current assets	**1,567,257**	22,317
Deferred tax assets	**164,949**	127,106
Total non-current assets	**36,184,787**	37,326,367
CURRENT ASSETS		
Inventories	**1,848,749**	1,388,377
Prepayments, deposits and other receivables	**741,018**	614,990
Accounts receivable	**9,885,253**	9,818,242
Notes receivable	**29,259**	9,101
Receivables at fair value through other comprehensive income	**9,662**	2,400
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	**424**	231,725
Contract costs	**17,586**	12,147
Other current assets	**803,464**	46,440
Pledged deposits	**11,479**	3,659
Cash and cash equivalents	**4,169,792**	5,785,369
Total current assets	**23,220,414**	24,452,268
CURRENT LIABILITIES		
Trade and other payables	**9,276,156**	9,405,361
Notes payable	**54,173**	–
Salary and bonus payables	**626,761**	618,441
Tax payable	**261,077**	100,499
Interest-bearing bank borrowings	**18,285**	18,291
Long-term bonds	**1,619,580**	3,135,649
Lease liabilities	**242,465**	205,778
Contract liabilities	**486,628**	292,262
Other current liability	**411,048**	302,809
Total current liabilities	**12,996,173**	14,079,090
NET CURRENT ASSETS	**10,224,241**	10,373,178
TOTAL ASSETS LESS CURRENT LIABILITIES	**46,409,028**	47,699,545

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	31 December 2021 RMB'000	31 December 2020 RMB'000
NON-CURRENT LIABILITIES		
Interest-bearing bank borrowings	**180,239**	191,146
Long-term bonds	**3,726,633**	4,497,725
Lease liabilities	**437,282**	195,798
Deferred income	**235,851**	267,920
Total non-current liabilities	**4,580,005**	5,152,589
Net assets	**41,829,023**	42,546,956
EQUITY		
Issued capital	**4,771,592**	4,771,592
Reserves	**37,057,431**	37,775,364
Total equity	**41,829,023**	42,546,956

Movements in the Company's reserves

	Capital reserve RMB'000	Statutory reserve funds RMB'000 (note (i))	Special reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2020 (note (ii))	12,371,645	2,508,656	–	143,343	22,163,991	763,455	37,951,090
Profit for the year	–	–	–	–	712,871	–	712,871
Other comprehensive income for the year	–	–	–	(125,142)	–	–	(125,142)
Total comprehensive income for the year	–	–	–	(125,142)	712,871	–	587,729
Appropriation of safety fund	–	–	38,503	–	–	–	38,503
Utilisation of safety fund	–	–	(38,503)	–	–	–	(38,503)
Final 2019 dividend paid	–	–	–	–	–	(763,455)	(763,455)
Proposed final 2020 dividend	–	–	–	–	(811,171)	811,171	–
At 31 December 2020 and 1 January 2021 (note (ii))	**12,371,645**	**2,508,656**	**–**	**18,201**	**22,065,691**	**811,171**	**37,775,364**
Profit for the year	**–**	**–**	**–**	**–**	**217,531**	**–**	**217,531**
Other comprehensive income for the year	**–**	**–**	**–**	**(34,127)**	**–**	**–**	**(34,127)**
Total comprehensive income for the year	**–**	**–**	**–**	**(34,127)**	**217,531**	**–**	**183,404**
Appropriation of safety fund	**–**	**–**	**56,428**	**–**	**–**	**–**	**56,428**
Utilisation of safety fund	**–**	**–**	**(56,428)**	**–**	**–**	**–**	**(56,428)**
Final 2020 dividend paid	**–**	**–**	**–**	**–**	**–**	**(811,171)**	**(811,171)**
Proposed final 2021 dividend	**–**	**–**	**–**	**–**	**(715,739)**	**715,739**	**–**
Others	**–**	**–**	**–**	**–**	**(90,166)**	**–**	**(90,166)**
At 31 December 2021 (note (ii))	**12,371,645**	**2,508,656**	**–**	**(15,926)**	**21,477,317**	**715,739**	**37,057,431**

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves (continued)

Notes:

(i) As detailed in note 15, the Company is required to transfer a minimum percentage of after-tax profit, if any, to the statutory common reserve fund, until the fund aggregates 50% of the Company's registered capital. As the aggregate amount of the statutory reserve funds as at 31 December 2021 and 2020 were in excess of 50% of the Company's registered capital, the Directors are of the view that no further provision of these funds is required for both years.

(ii) As at 31 December 2021, in accordance with the PRC Company Law, an amount of approximately RMB12,371,645,000 (2020: RMB12,371,645,000) standing to the credit of the Company's capital reserve account and an amount of approximately RMB2,508,656,000 (2020: RMB2,508,656,000) standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting principles in the PRC, were available for distribution by way of a future capitalisation issue. In addition, the Company had retained profits of approximately RMB22,193,056,000 (2020: RMB22,876,862,000) available for distribution as dividends. Except for the aforesaid, the Company did not have any reserves available for distribution to its shareholders at 31 December 2021.

The retained profits of the Company determined under the relevant PRC accounting principles in the PRC amounted to approximately RMB22,193,056,000 as at 31 December 2021 (2020: RMB22,876,862,000).

50. 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.

51. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 24 March 2022.

Company Information

Legal Name

中海油田服务股份有限公司

English Name

China Oilfield Services Limited

Short Name

中海油服/COSL

Authorised Representative

Mr. Zhao Shunqiang

The Registration Address

No.1581, Haichuan Road,
Tanggu Ocean Hi-tech Zone,
Binhai Hi-tech Development District,
Tianjin

The Registration Date

26 September 2002

Business Address

201 Haiyou Avenue, Yanjiao
Economic & Technological
Development Zone, Sanhe City,
Hebei Province
Postal Code: 065201
Tel: 86-10-8452 1687
Fax: 86-10-8452 1325
Website: www.cosl.com.cn
Email: cosl@cosl.com.cn

Hong Kong Office

65/F, Bank of China Tower,
One Garden Road, Central, Hong Kong
Tel: (852)2213 2500
Fax: (852)2525 9322

Joint Company Secretary (Secretary to the Board of Directors)

Mr. Sun Weizhou:Joint Company Secretary (Secretary to the Board of Directors)
Ms. Ng Sau Mei:Joint Company Secretary
Tel: 010-8452 1685
Fax: 010-8452 1325
E-mail: cosl@cosl.com.cn
Contact Address:
201 Haiyou Avenue, Yanjiao
Economic & Technological
Development Zone, Sanhe City,
Hebei Province
Postal Code: 065201

Newspapers for Disclosure of Information

Shanghai Securities News
Securities Times
Website designated by CSRC on which the Company's annual report is posted: www.sse.com.cn

Legal Adviser

China:

JunHe LLP
20/F, China Resources Building,
8 Jianguomenbei Avenue, Beijing
Tel: 86-10-8519 1300
Fax: 86-10-8519 1350

Hong Kong:

ZHONG LUN LAW FIRM LLP
4/F, Jardine House, 1 Connaught Place,
Central, Hong Kong
Tel: (852) 2877 3088
Fax: (852) 2525 1099

Share Registrar

H Share:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F,
Hopewell Centre,
183 Queen's Road East, Wanchai,
Hong Kong

A Share:

China Securities Depository and Clearing Corporation Limited
Shanghai Branch
188 South Yanggao Road, Pudong
New Area, Shanghai

Place Where this Annual Report is Available

201 Haiyou Avenue, Yanjiao
Economic & Technological
Development Zone, Sanhe City,
Hebei Province

Place of Listing of Shares, Stock Name and Stock Code

Place of Listing of H Share

The Stock Exchange of Hong Kong Limited
H Share abbreviation:
CHINA OILFIELD
Stock Code of H Share: 2883

Place of Listing of A Share

Shanghai Stock Exchange Stock
A Share abbreviation: COSL
Stock Code of A Share: 601808

Unified Social Credit Code

9112011671092921XD

Name and Office Address of the Company's Auditor

Beijing:

Ernst & Young Hua Ming LLP
Address: 16/F, Ernst & Young Tower,
Oriental Plaza,
No.1 East Changan Ave.
Dongcheng District, Beijing

Hong Kong:

Ernst & Young
Address: 27/F, One Taikoo Place,
979 King's Road, Quarry Bay,
Hong Kong

Documents for Inspection

1. Financial statements signed and sealed by legal representative, the person in charge of accounting work and the person in- charge of accounting department.

2. Original copy of auditors' report (PRC) with seals of audit firm and signed by certified public accountants.

3. Original copy of auditors' report (Hong Kong) signed by certified public accountants.

4. Original copy of all documents of the Company and Announcements disclosed on the newspaper designated by CSRC during the reporting period.

5. 2021 Annual Report published in the Hong Kong Stock Exchange.

China Oilfield Services Limited
Zhao Shunqiang
Chairman
24 March 2022

Glossary

COSL, the Company or the Group	China Oilfield Services Limited
CNOOC	China National Offshore Oil Corporation
CNOOC Limited	CNOOC Limited
CNOOC Limited Group	CNOOC Limited and its subsidiaries
2D	Seismic data collected in two dimensional form, by utilizing a single sound source and one or more collection points; typically 2D is used to map geographical structures for initial analysis
3D	Seismic data collected in three-dimensional form, by utilizing two sound sources and two or more collection points; typically 3D is used to acquire refined seismic data and to raise the probability of successful exploration well drilling
COSL Holding AS	Formerly COSL Drilling Europe AS or CDE, the subsidiary of the Company in Norway, which has absorbed and merged into COSL Norwegian AS
ELIS	Enhanced Logging Imaging System
OSHA	Occupational Safety and Health Administration
QHSE	Quality, health, safety and environment
HTHP	High temperature and high pressure
WTI	West Texas Intermediate crude oil
IPM	Integrated Project Management
LWD	Logging-while-drilling, generally means the measuring of physical parameters of rock formation during the process of drilling, and transmitting the real time measured results by data telemetry system to the ground surface for processing
Cementing	The technique of filling of cement slurries into the ring-shaped space formed between the inner well hole casing and the well wall to cement them together
Well completion	Services and installation of equipment that are necessary to prepare a well for production, including casing and well treatment, such as acidizing and fracking
Well workover	Any work on a completed well designed to maintain, restore or improve production from a currently producing petroleum reservoir, this may include replacement of casing and well treatment, such as sand control, fracking and acidizing
Available day utilization rate	Operating days/(calendar days-days of repairs and maintenance)
Calendar day utilization rate	Operating days/calendar days

Integrated marine surveying vessels	Vessels providing marine surveying, marine geological coring, CPT in-situ testing, marine environment observation/sampling and marine supporting services
Geophysical vessels	Vessels carrying out marine seismic survey. Equipped with seismic survey equipment, streamers towed behind vessel, collecting seismic data by generating and receiving seismic waves during continuous sailing
RSS	Rotary Steerable System
Seismic data	Data recorded in either two dimensional (2D) or three dimensional (3D) form from sound wave reflections off of subsurface geology. This data is used to understand and map geological structures for exploratory purposes to predict the location of undiscovered reserves
Streamers	Clear flexible tubing containing numerous hydrophones used for marine seismic surveys; streamers are towed behind seismic vessels in the operation waters to collect seismic data
Jack-up rigs	Jack-up rigs are so named because they are self-elevating with three or four movable legs that can be extended ("jacked") above or below the drilling deck. During towing, the legs of a jack-up rig are elevated. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor (or onto the sea floor with mat supported jack-ups). This anchors the rig and holds the drilling deck well above the waves
Semi-submersibles rigs	Semi-submersibles do not rest on the sea floor as jack-up rigs. Instead, the working deck sits atop giant pontoons and hollow columns. These afloat above the water when the rig moves. At the drill site, the crew pumps seawater into the pontoons and columns to partially submerge the rig, hence the name semisubmersible. With much of its bulk below the water's surface, the semi-submersible becomes a stable platform for drilling, moving only slightly with wind and currents. Like jack-ups, most semi- submersibles are towed to the drill site. Because of their exceptional stability, "semis" are well suited for drilling in rough waters. Semisubmersibles can drill in water as deep as 10,000 feet
Module rigs	Complete rig installation fixed on offshore jacket which is immovable as a whole
bbl	A barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees)
foot	Measuring unit of length, which is equivalent to approximately 0.305 meter
Standard coal	The uniform standard of thermal value, China required the thermal value of 1 kg standard coal to be 7,000 kilocalorie
Recordable incidents	Injury incident caused by work or impact of the work environment leading to death or occupational diseases or loss of consciousness, restricted working ability or mobility, or job transfer or injury incident which requires more than a simple medical treatment

CHINA OILFIELD SERVICES LIMITED

(STOCK CODE H-share : 2883 ; A-share : 601808)

我们必须做得更好

ALWAYS DO BETTER