COSL

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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL HIGHLIGHTS

1. Revenue was RMB35,610.1 million
2. Profit from operations was RMB2,723.4 million
3. Profit for the year was RMB2,493.1 million
4. Basic earnings per share were RMB49.30 cents
5. Total assets were RMB77,184.1 million
6. Total equity was RMB39,898.1 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
REVENUE	*4*	**35,658,896**	29,203,002
Sales surtaxes		**(48,768)**	(34,523)
Revenue, net of sales surtaxes		**35,610,128**	29,168,479
Other income	*5*	**342,172**	557,411
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library		**(4,685,573)**	(4,503,772)
Depreciation of right-of-use assets		**(367,115)**	(363,007)
Employee compensation costs	*6*	**(7,414,041)**	(6,030,276)
Repair and maintenance costs		**(594,825)**	(479,014)
Consumption of supplies, materials, fuel, services and others		**(9,080,592)**	(6,572,746)
Subcontracting expenses		**(8,164,558)**	(5,643,164)
Lease expenses	*6*	**(1,666,872)**	(1,318,482)
Other operating expenses		**(1,175,708)**	(1,246,982)
Impairment of property, plant and equipment	*10*	**(30,198)**	(2,011,343)
Impairment losses under expected credit loss model, net of reversal		**(49,435)**	(15,758)
Total operating expenses		**(33,228,917)**	(28,184,544)
PROFIT FROM OPERATIONS		**2,723,383**	1,541,346
Exchange gains/(losses), net		**565,845**	(165,389)
Finance costs		**(777,108)**	(831,257)
Interest income		**123,432**	123,932
Investment income	*6*	**16,307**	44,550
Gains arising from financial assets at fair value through profit or loss	*6*	**65,263**	62,740
Share of profits of an associate and joint ventures, net of tax		**287,558**	372,996
Other gains and losses, net	*6*	**(23,201)**	(59,368)
PROFIT BEFORE TAX	*6*	**2,981,479**	1,089,550
Income tax expense	*7*	**(488,360)**	(767,500)
PROFIT FOR THE YEAR		**2,493,119**	322,050
Attributable to:			
Owners of the Company		**2,352,625**	313,176
Non-controlling interests		**140,494**	8,874
		2,493,119	322,050
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB)	*9*	**49.30 cents**	6.56 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022	2021
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**2,493,119**	322,050
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	**(192,861)**	(17,836)
Share of other comprehensive income of joint ventures due to translation differences, net of related income tax	**–**	2,893
Income tax effect relating to items that may be reclassified subsequently to profit or loss	**(131,517)**	31,586
	(324,378)	16,643
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(324,378)**	16,643
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**2,168,741**	338,693
Attributable to:		
Owners of the Company	**2,010,854**	334,072
Non-controlling interests	**157,887**	4,621
	2,168,741	338,693

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**44,148,190**	43,256,158
Right-of-use assets		**1,194,078**	972,897
Goodwill	*11*	**–**	–
Other intangible assets		**151,678**	86,129
Multiclient library	*12*	**216,100**	287,706
Investments in an associate and joint ventures		**988,381**	1,247,283
Contract costs		**496,813**	204,038
Financial assets at fair value through profit or loss		**–**	–
Other non-current assets		**1,829,173**	1,800,837
Deferred tax assets	*18*	**49,987**	174,956
Total non-current assets		**49,074,400**	48,030,004
CURRENT ASSETS			
Inventories		**2,528,806**	2,598,330
Prepayments, deposits and other receivables	*13*	**280,734**	356,062
Accounts receivable	*14*	**14,175,184**	10,511,674
Notes receivable	*15*	**22,759**	29,259
Receivables at fair value through other comprehensive income		**8,200**	9,862
Financial assets at fair value through profit or loss		**5,106,036**	5,703,728
Contract assets		**47,971**	90,997
Contract costs		**47,411**	26,523
Other current assets		**1,771,338**	841,983
Pledged deposits	*16*	**10,976**	11,479
Time deposits	*16*	**548,535**	95,418
Cash and cash equivalents	*16*	**3,561,740**	5,006,389
Total current assets		**28,109,690**	25,281,704

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000
CURRENT LIABILITIES			
Trade and other payables	17	**11,629,065**	9,066,083
Notes payable		**11,866**	54,173
Salary and bonus payables		**1,033,179**	794,877
Tax payable		**94,937**	338,971
Loans from related parties	19	**2,437,610**	2,232,061
Interest-bearing bank borrowings	20	**3,515,710**	18,285
Long-term bonds	21	**872,231**	8,122,706
Lease liabilities		**437,193**	342,013
Contract liabilities		**759,723**	545,113
Other current liabilities		**500,387**	494,445
Total current liabilities		**21,291,901**	22,008,727
NET CURRENT ASSETS		**6,817,789**	3,272,977
TOTAL ASSETS LESS CURRENT LIABILITIES		**55,892,189**	51,302,981
NON-CURRENT LIABILITIES			
Deferred tax liabilities	18	**345,750**	38,670
Loans from related parties	19	**2,196,259**	–
Interest-bearing bank borrowings	20	**168,994**	180,239
Long-term bonds	21	**12,021,878**	11,980,462
Lease liabilities		**569,593**	568,080
Contract liabilities		**458,722**	31,487
Deferred income	22	**204,579**	235,852
Employee benefit liabilities		**7,587**	–
Other non-current liabilities		**20,743**	51,861
Total non-current liabilities		**15,994,105**	13,086,651
Net assets		**39,898,084**	38,216,330
EQUITY			
Equity attributable to owners of the Company			
Issued capital	23	**4,771,592**	4,771,592
Reserves		**34,559,689**	33,261,239
		39,331,281	38,032,831
Non-controlling interests		**566,803**	183,499
Total equity		**39,898,084**	38,216,330

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

31 DECEMBER 2022

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 NEW AND 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 2022 for the preparation of the consolidated financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 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* (the "Conceptual Framework") 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 has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) 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 as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) 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. Prior to the initial application of the amendments, the Group included both the incremental costs and an allocation of other costs that relate directly to fulfilling that contract when determining whether a contract was onerous. The amendments did not have any significant impact on the financial position or performance of the Group.

(d) *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 amendment that is 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. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

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 but are not yet effective in these consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1,5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[2,4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

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

2 Effective for annual periods beginning on or after 1 January 2024

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, 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 to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. 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. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

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 in HKAS 12 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 (provided that sufficient taxable profit is available) 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 deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. The Group will apply the amendments from 1 January 2023 and is currently assessing the impact of the amendments.

3. OPERATING SEGMENT INFORMATION

The Group is organised into four business segments 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 or losses, net, investment income and gains or losses arising from financial assets at fair value through profit or loss ("**FVTPL**") are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the Finance Department), pledged deposits, time deposits, certain other current assets, certain other non-current assets, financial assets at FVTPL and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than loans from related parties, interest-bearing bank borrowings and long-term bonds (funds managed by the Finance Department), tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

Year ended 31 December 2022	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue:					
Sales to external customers, net of sales surtaxes	10,334,097	19,571,243	3,719,901	1,984,887	35,610,128
Sales surtaxes	11,927	28,455	5,119	3,267	48,768
Revenue, before net of sales surtaxes	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Intersegment sales	497,503	27,642	326,018	11,392	862,555
Segment revenue	10,843,527	19,627,340	4,051,038	1,999,546	36,521,451
Eliminations	(497,503)	(27,642)	(326,018)	(11,392)	(862,555)
Group revenue	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Segment results	(635,945)	3,681,075	(59,172)	1,782	2,987,740
Reconciliation:					
Exchange gains, net					565,845
Finance costs					(777,108)
Interest income					123,432
Investment income					16,307
Gains arising from financial assets at FVTPL					65,263
Profit before tax					2,981,479
Income tax expense					(488,360)
As at 31 December 2022					
Segment assets	34,637,330	21,278,778	6,948,342	4,448,220	67,312,670
Unallocated assets					9,871,420
Total assets					77,184,090
Segment liabilities	4,097,277	9,259,523	1,171,809	1,050,988	15,579,597
Unallocated liabilities					21,706,409
Total liabilities					37,286,006
Other segment information:					
Capital expenditure*	1,371,739	2,208,960	243,662	254,874	4,079,235
Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library	2,286,843	1,024,661	757,921	616,148	4,685,573
Depreciation of right-of-use assets	152,803	136,699	56,417	21,196	367,115
Impairment of accounts receivable	37,537	13,387	1,566	1,408	53,898
Reversal of impairment of other receivables	(1,176)	(2,459)	(521)	(307)	(4,463)
Reversal of impairment of inventories	(2,177)	(4,122)	(783)	(418)	(7,500)
Impairment of property, plant and equipment	30,198	–	–	–	30,198
Share of profits of an associate and joint ventures, net of tax	–	219,545	–	68,013	287,558
Investments in an associate and joint ventures	–	645,426	–	342,955	988,381

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

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

Geographical information

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

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

The following table presents revenue and non-current assets (excluding goodwill, investments in an associate and joint ventures, financial assets and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2022 and 2021.

		International		
Year ended/as at 31 December 2022	**Domestic**	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**29,384,438**	**603,102**	**5,671,356**	**35,658,896**
Less: Sales surtaxes	**(48,768)**	**–**	**–**	**(48,768)**
Revenue, net of sales surtaxes	**29,335,670**	**603,102**	**5,671,356**	**35,610,128**
Non-current assets	**35,001,599**	**4,844,157**	**6,573,929**	**46,419,685**

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

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 81% (2021: 84%) of the total sales of the Group for the year ended 31 December 2022.

4. REVENUE

	2022	2021
	RMB'000	*RMB'000*
Revenue from contracts with customers	**34,902,716**	28,838,203
Revenue arising from operating leases	**756,180**	364,799
	35,658,896	29,203,002

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the years ended 31 December 2022 and 2021

	For the year ended 31 December 2022				
Segments	**Drilling services**	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Geographical markets					
Domestic	**7,511,194**	**16,326,038**	**3,417,068**	**1,942,871**	**29,197,171**
North Sea	**425,909**	**–**	**–**	**–**	**425,909**
Others	**1,750,046**	**3,176,355**	**307,952**	**45,283**	**5,279,636**
Total	**9,687,149**	**19,502,393**	**3,725,020**	**1,988,154**	**34,902,716**
Timing of revenue recognition					
At a point of time	**–**	**96,333**	**–**	**28,389**	**124,722**
Over time	**9,687,149**	**19,406,060**	**3,725,020**	**1,959,765**	**34,777,994**
Total	**9,687,149**	**19,502,393**	**3,725,020**	**1,988,154**	**34,902,716**
Type of customers					
CNOOC Limited Group	**6,821,765**	**16,984,054**	**3,183,428**	**1,873,748**	**28,862,995**
Others	**2,865,384**	**2,518,339**	**541,592**	**114,406**	**6,039,721**
Total	**9,687,149**	**19,502,393**	**3,725,020**	**1,988,154**	**34,902,716**

	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

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 2022				
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	**10,843,527**	**19,627,340**	**4,051,038**	**1,999,546**	**36,521,451**
Less: Revenue arising from operating leases	**(658,875)**	**(97,305)**	**–**	**–**	**(756,180)**
Eliminations	**(497,503)**	**(27,642)**	**(326,018)**	**(11,392)**	**(862,555)**
Revenue from contracts with customers	**9,687,149**	**19,502,393**	**3,725,020**	**1,988,154**	**34,902,716**

Segments	Drilling services	Well services	Marine support services	Geophysical acquisition and surveying services	Revenue from contracts with customers
	For the year ended 31 December 2021				
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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

(B) Performance obligations for contracts with customers

(i) Drilling Services

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

(ii) Well Services

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

(iii) Marine Support Services

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

(iv) Geophysical Acquisition and Surveying Services

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2022 and 2021 and the expected timing of recognising revenue are as follows:

	As at 31 December 2022				
	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	**235,284**	**880,019**	**–**	**59,804**	**1,175,107**
In the second to fifth year, inclusive	**26,304**	**1,517,086**	**–**	**–**	**1,543,390**
After five years	**–**	**–**	**–**	**–**	**–**
Total	**261,588**	**2,397,105**	**–**	**59,804**	**2,718,497**

	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

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

5. OTHER INCOME

	2022 *RMB'000*	2021 *RMB'000*
Insurance claims received	**7,262**	251,143
Government grants *(a)*	**315,728**	260,474
Compensation income on breach of contracts	**6,382**	9,752
Others	**12,800**	36,042
	342,172	557,411

(a) Government grants include release of deferred income of RMB51,900,000 for the year (2021: RMB46,309,000) (Note 22).

6. PROFIT BEFORE TAX

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

	2022 *RMB'000*	2021 *RMB'000*
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**5,565,751**	4,406,477
Social security costs	**1,581,331**	1,411,630
Retirement benefits and pensions	**266,959**	212,169
	7,414,041	6,030,276
Auditor's remuneration	**14,585**	12,377
Other gains and losses, net:		
(Gains)/losses arising from lease modifications	**(356)**	2,955
Losses on disposal of property, plant and equipment, net	**23,557**	56,413
	23,201	59,368
Lease expenses in respect of land and buildings, berths and equipment *(a)*	**1,666,872**	1,318,482
(Reversal)/provision of impairment of inventories	**(7,500)**	5,278
Impairment of accounts receivable	**53,898**	14,961
(Reversal)/provision of impairment of other receivables	**(4,463)**	797
Exchange (gains)/losses, net	**(565,845)**	165,389
Income from investments in corporate wealth management products, monetary funds and debt instrument	**(16,307)**	(44,550)
Gains arising from financial assets at FVTPL	**(65,263)**	(62,740)
Cost of inventories recognised as expense	**5,790,095**	4,217,875
Research and development costs, included in:		
Depreciation of property, plant and equipment	**201,841**	157,100
Employee compensation costs	**437,327**	357,311
Consumption of supplies, materials, fuel, services and others	**338,937**	445,957
	978,105	960,368

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

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for income tax in Hong Kong as it does not have assessable profits currently sourced from Hong Kong.

Under the Corporate Income Tax Law of the PRC (the "CIT"), the statutory tax rate of the Company, subsidiaries and its key joint ventures and associates in Mainland China is 25%.

According to the High-New Technical Enterprise ("HNTE") certificate renewed by the Company in October 2020, the CIT rate of the Company is 15% for the years from 2020 to 2022.

According to the HNTE certificate renewed by the Group's subsidiary Tianjin Eco-friendly Technology Co., Ltd. in October 2020, the CIT rate of Tianjin Eco-friendly Technology Co., Ltd. was 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 2022, the CIT rate of COSL Deepwater Technology Co. Ltd. was 15% for the years from 2022 to 2024.

According to the HNTE certificate renewed by the Group's subsidiary China France Bohai Geoservices Co., Ltd. in October 2021, the CIT rate of China France Bohai Geoservices Co., Ltd. was 15% for the years from 2021 to 2023.

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

Countries and regions	**2022**	2021
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 8% to 16%, depending on the province and the size of the business
Malaysia	**24%**	24%
Saudi Arabia	**20%**	20%
Brazil	**34%**	34%
Uganda	**30%**	30%
Thailand	**20%**	20%

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

	2022	2021
	RMB'000	*RMB'000*
Current	**62,297**	769,636
Deferred	**426,063**	(2,136)
Total tax charge for the year	**488,360**	767,500

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:

	2022		2021	
	RMB'000	%	*RMB'000*	%
Profit before tax	**2,981,479**		1,089,550	
Tax at the statutory tax rate of 25% (2021: 25%)	**745,370**	**25.0**	272,388	25.0
Tax effect as an HNTE	**(9,166)**	**(0.3)**	(326,168)	(29.9)
Tax effect of income not subject to tax	**(4,209)**	**(0.1)**	(5,286)	(0.5)
Tax effect of share of profit of an associate and joint ventures	**(71,889)**	**(2.4)**	(93,249)	(8.6)
Tax effect of expenses not deductible for tax	**181,457**	**6.1**	165,009	15.1
Tax benefit for qualifying research and development expenses	**(156,575)**	**(5.3)**	(130,421)	(12.0)
Effect of non-taxable profit or loss and different tax rates for overseas subsidiaries	**506,968**	**17.0**	543,334	49.9
Effect of different tax rates applied to the period of reversal of the temporary differences	**285,095**	**9.6**	–	–
Tax effect of tax losses and deductible temporary differences unrecognised	**8,108**	**0.3**	372,224	34.2
Utilisation of tax losses previously not recognised	**(467)**	**(0.0)**	(827)	(0.1)
Tax effect on translation adjustment *Note (1)*	**(11,116)**	**(0.4)**	1,159	0.1
(Over)/under provision in respect of prior years	**(21,794)**	**(0.7)**	9,504	0.9
Tax effect on full deduction of assets *Note (2)*	**(838,171)**	**(28.2)**	–	–
Influences to taxation due to deductible temporary differences caused by writing off unrecognised deferred tax assets from previous periods	**(85,926)**	**(2.9)**	–	–
Others	**(39,325)**	**(1.3)**	(40,167)	(3.7)
Total tax charge at the Group's effective tax rate	**488,360**	**16.4**	767,500	70.4

Notes:

(1) 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.

(2) On 22 September 2022, the Ministry of Finance, the State Administration of Taxation and the Ministry of Science and Technology issued Announcement No. 28 of 2022 (the "Announcement No.28"), which stated that "the newly acquired equipment and apparatus of High-New Technical Enterprise during the period from 1 October 2022 to 31 December 2022 shall be allowed to be deducted in full in the calculation of taxable income in the current year and 100% of the amount shall be allowed to be deducted additionally". Accordingly, the Company recognized deferred tax liabilities in 2022 for taxable temporary differences arising from the differences between its tax basis and accounting basis.

The share of tax attributable to an associate and joint ventures amounting to approximately RMB23,847,000 (2021: RMB65,108,000) is included in "Share of profits of an associate and joint ventures" in the consolidated statement of profit or loss.

8. DIVIDENDS

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.16 per ordinary share (2021: RMB0.15 per ordinary share)	**763,455**	715,739

The Board of Directors of the Company recommended the payment of a proposed dividend for the year ended 31 December 2022 of RMB0.16 per ordinary share (tax inclusive), in an aggregate amount of RMB763,454,720. 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 2022, the dividend proposed in 2021 and paid to the shareholders of the Company was RMB0.15 per ordinary share (of which: final dividend of RMB0.02, special dividend of RMB0.13), in an aggregate amount of RMB715,738,800 (2021: RMB811,170,640).

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 reserves must be made before any distribution of dividends to shareholders;

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

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

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

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2022	2021
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share calculation (profit for the year attributable to owners of the Company)	**2,352,625**	313,176

	2022	2021
Number of shares		
Weighted average 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 2022 and 2021 as the Group had no dilutive potential ordinary shares in issue during those years.

10. PROPERTY, PLANT AND EQUIPMENT

31 December 2022	Vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021 and 1 January 2022							
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**
Carrying amount							
At 1 January 2022	**7,341,251**	**25,564,469**	**6,555,225**	**13,455**	**1,401,417**	**2,380,341**	**43,256,158**
Additions	**–**	**–**	**1,188,518**	**10,254**	**–**	**2,665,399**	**3,864,171**
Acquisition of subsidiaries	**–**	**–**	**261,469**	**732**	**17**	**–**	**262,218**
Depreciation provided during the year	**(784,494)**	**(1,581,038)**	**(2,133,799)**	**(3,076)**	**(68,591)**	**–**	**(4,570,998)**
Disposals/write-offs	**(4,098)**	**(27,541)**	**(27,171)**	**(697)**	**(80)**	**–**	**(59,587)**
Transfers from/(to) construction in progress	**434,096**	**257,055**	**1,869,538**	**–**	**113,296**	**(2,673,985)**	**–**
Impairment provided	**–**	**(30,198)**	**–**	**–**	**–**	**–**	**(30,198)**
Exchange realignment	**19,824**	**1,215,089**	**15,974**	**–**	**24,252**	**151,287**	**1,426,426**
At 31 December 2022	**7,006,579**	**25,397,836**	**7,729,754**	**20,668**	**1,470,311**	**2,523,042**	**44,148,190**
At 31 December 2022							
Cost	**16,510,403**	**62,608,317**	**27,326,068**	**92,842**	**1,783,771**	**2,523,452**	**110,844,853**
Accumulated depreciation and impairment	**(9,503,824)**	**(37,210,481)**	**(19,596,314)**	**(72,174)**	**(313,460)**	**(410)**	**(66,696,663)**
Carrying amount	**7,006,579**	**25,397,836**	**7,729,754**	**20,668**	**1,470,311**	**2,523,042**	**44,148,190**

31 December 2021	Vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020 and 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

During the year ended 31 December 2022, no interest was capitalised in property, plant and equipment (2021: Nil).

Impairment of property, plant and equipment

During the year ended 31 December 2022, the Group disposed certain module rigs, which were assessed to have recoverable amount lower than its carrying amount, and therefore a provision of impairment loss was recognised.

The day rate and utilisation rate of certain drilling rigs and vessels are at low levels, which is lower than management's expectation 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 higher expected day rates, utilisations, and future operating cash flows, the recoverable amount of the relevant drilling rigs and vessels is considered to be higher than their carrying value and no impairment loss needs to be recognised.

Besides, as the day rate and utilisation rate of some drilling rigs and vessels are higher than management's expectation, the directors specially assessed whether impairment loss provision provided in previous years need to be reversed. After the impairment assessment, no impairment reversal is needed.

In summary, the review led to the recognition of an impairment loss of RMB30,198,000 (2021: RMB2,011,343,000) for certain 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 2022. 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 8.48%~12.89%. The discount rate used is a long-term weighted-average cost of capital, which is based on management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the value in use calculations reflect management's judgements and expectations based on the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilisation rates, day rates, cost level and capital requirements.

11. GOODWILL

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

	2022
	RMB'000
COST	
At 1 January	**4,295,603**
Exchange realignment	**396,769**
At 31 December	**4,692,372**
IMPAIRMENT	
At 1 January	**4,295,603**
Exchange realignment	**396,769**
At 31 December	**4,692,372**
CARRYING AMOUNT	
At 31 December	**–**

12. MULTICLIENT LIBRARY

	Multiclient Library
	RMB'000
Carrying amount at 1 January 2022	**287,706**
Development cost capitalised in the year	**216**
Other changes	**(624)**
Amortisation provided during the year	**(76,615)**
Exchange realignment	**5,417**
At 31 December 2022	**216,100**
At 31 December 2022	
Cost	**384,582**
Accumulated amortisation	**(168,482)**
Carrying amount	**216,100**

	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 multiclient data projects. These agreements are accounted for as joint operations where the parties have joint control over the projects and have rights to the assets and liabilities of the investment. Costs directly incurred in acquiring, processing and completing the multi-client data projects are capitalised to the multiclient library. As at 31 December 2022, the entire multi-client data projects had been completed.

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2022	31 December 2021
	RMB'000	*RMB'000*
Prepayments	**157,670**	111,152
Deposits	**29,249**	60,058
Dividends receivable	**–**	46,067
Other receivables	**98,655**	148,786
	285,574	366,063
Less: Provision for impairment of other receivables	**(4,840)**	(10,001)
	280,734	356,062

An analysis of other receivables is as follows:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Prepaid tax	**48,064**	53,229
Compensation receivables	**211**	211
Insurance claim receivables	**14,417**	25,225
Payments on behalf of suppliers	**7,099**	2,552
Advance to employees	**1,149**	3,137
Lease receivables	**5,044**	51,356
Government grants	**5,282**	–
Others	**17,389**	13,076
	98,655	148,786

14. ACCOUNTS RECEIVABLE

	31 December 2022 *RMB'000*	31 December 2021 RMB'000
Accounts receivable		
– goods and services	**17,152,684**	13,208,466
Less: Allowance for credit losses	**(2,977,500)**	(2,696,792)
	14,175,184	10,511,674

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 2022 *RMB'000*	31 December 2021 *RMB'000*
Within one year	**14,051,427**	10,377,252
One to two years	**94,735**	66,753
Over two years	**29,022**	67,669
	14,175,184	10,511,674

As at 31 December 2022, included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of RMB123,757,000 which were past due as at the reporting date. Out of the past due balances, RMB71,447,000 is not considered in default based on past experience, the Directors are of the opinion that no further provision for impairment is necessary in respect of these balances which are considered fully recoverable after taking into consideration the customer's credit quality, historical behaviour of payments and prevailing market conditions. The Group does not hold any collateral or other credit enhancements over these past-due balances.

15. NOTES RECEIVABLE

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Bank acceptance notes receivable	**1,267**	–
Commercial notes receivable	**21,492**	29,259
	22,759	29,259

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

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Cash and balances with banks	**2,921,268**	3,914,329
Deposits with CNOOC Finance Corporation Limited ("CNOOC Finance")	**1,199,983**	1,198,957
Cash and balances with banks and financial institutions	**4,121,251**	5,113,286
Less:		
Pledged deposits	**(10,976)**	(11,479)
Time deposits	**(548,535)**	(95,418)
Cash and cash equivalents	**3,561,740**	5,006,389

At 31 December 2022, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB2,189,160,000 (31 December 2021: RMB1,533,053,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest based on daily bank deposit rates. The bank balances, pledged deposits and time deposits are deposited with creditworthy banks with no recent history of default.

17. TRADE AND OTHER PAYABLES

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Trade payables	**10,821,364**	8,487,861
Other payables	**807,701**	578,222
	11,629,065	9,066,083

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 2022 *RMB'000*	31 December 2021 *RMB'000*
Outstanding balances aged:		
Within one year	**10,036,359**	8,239,978
One to two years	**644,660**	135,328
Two to three years	**70,705**	61,487
Over three years	**69,640**	51,068
	10,821,364	8,487,861

18. DEFERRED TAXATION

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

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Deferred tax assets	**49,987**	174,956
Deferred tax liabilities	**(345,750)**	(38,670)
	(295,763)	136,286

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

	Balance at 1 January 2021 *RMB'000*	Recognised in profit or loss *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2021 and 1 January 2022 *RMB'000*	Recognised in profit or loss *RMB'000*	Recognised in equity *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2022 *RMB'000*
Deferred tax assets:								
Provision for staff bonuses	12,192	(9,550)	–	2,642	7,847	–	46	10,535
Impairment of assets	64,199	24,428	(45)	88,582	(8,584)	–	(678)	79,320
Fair value adjustment arising from acquisition of a subsidiary	953	(935)	(18)	–	–	–	–	–
Accrued liabilities	214,235	(46,241)	–	167,994	122,828	–	8,319	299,141
Deductible tax losses	29,748	(28,731)	(336)	681	222,209	–	140	223,030
Right-of-use assets and lease liabilities	7,251	15,511	5	22,767	(22,765)	–	–	2
Others	50,623	17,059	(68)	67,614	7,281	–	(5,087)	69,808
	379,201	(28,459)	(462)	350,280	328,816	–	2,740	681,836
Deferred tax liabilities:								
Accelerated depreciation of property, plant and equipment	215,215	(40,353)	–	174,862	(91,499)	–	95	83,458
Investment in corporate wealth management products	5,547	(5,033)	–	514	337	–	–	851
Right-of-use assets and lease liabilities	–	–	–	–	68,359	–	56	68,415
Full deduction of assets before tax	–	–	–	–	772,361	–	–	772,361
Fair value adjustment arising from acquisition of subsidiaries	–	–	–	–	(242)	4,566	–	4,324
Others	24,565	14,791	(738)	38,618	5,563	–	4,009	48,190
	245,327	(30,595)	(738)	213,994	754,879	4,566	4,160	977,599
	(133,874)	(2,136)	(276)	(136,286)	426,063	4,566	1,420	295,763

At 31 December 2022, 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 RMB1,589,186,000 (31 December 2021: RMB1,907,918,000). 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 2022, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,164,914,000 (31 December 2021: RMB743,516,000). 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 2022, accumulated unrecognised tax losses arising in the Group of approximately RMB7,919,272,000 (31 December 2021: RMB7,228,779,000) were available for offsetting against future taxable profits of the companies in which the losses arose.

The unrecognised income tax losses which have fixed expiry dates, will expire in the following years:

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
31 December 2027	**1,250**	3,118
31 December 2028	**4,703**	4,703
31 December 2029	**408**	408
31 December 2031	**198**	198
	6,559	8,427

At 31 December 2022, the Group had tax losses arising in Norway of RMB7,912,713,000 (31 December 2021: RMB7,220,352,000) 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 2022, the Group had deductible temporary differences of RMB4,185,098,000 (31 December 2021: RMB4,154,317,000). No deferred tax asset has been recognised by the Group in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

19. LOANS FROM RELATED PARTIES

		Contractual interest rate per annum (%)	Year of maturity	**31 December 2022** ***RMB'000***	31 December 2021 *RMB'000*
Current	(a)	1M LIBOR+0.5%	Revolving loan	**2,437,610**	2,232,061
Non-current	(b)	1M SOFR+0.4%	2027	**921,383**	–
Non-current	(c)	1M SOFR+0.4%	2027	**577,169**	–
Non-current	(d)	3M SOFR+0.6%	2027	**697,707**	–
				2,196,259	–
Unsecured loans from related parties				**4,633,869**	2,232,061

Notes:

(a) During the year ended 31 December 2022, the Group had a loan of US$350,000,000 from a fellow subsidiary Overseas Oil & Gas Corporation, Ltd. ("OOGC"), which is repayable on demand and carries interest at an effective interest rate of one-month LIBOR+0.5% per annum. The proceeds were used to finance CNA's daily operations.

(b) At 15 August 2022, the Group borrowed a loan of US$132,000,000 from its ultimate holding company CNOOC. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month Secured Overnight Financing Rate ("SOFR")+0.4% per annum. The proceeds were used to finance CNA's daily operations.

(c) At 17 August 2022, the Group borrowed a loan of US$82,000,000 from a fellow subsidiary OOGC. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month SOFR+0.4% per annum. The proceeds were used to finance CNA's daily operations.

(d) At 11 August 2022, the Group borrowed a loan of US$100,000,000 from a fellow subsidiary CNOOC Insurance Limited. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of three-month SOFR+0.6% per annum. The proceeds were used to finance COSL Middle East FZE's daily operations.

20. INTEREST-BEARING BANK BORROWINGS

		Contractual interest rate (%)	Year of maturity	**31 December 2022** ***RMB'000***	31 December 2021 *RMB'000*
China Development Bank					
– unsecured	(a)	1.08%	2035	**187,272**	198,524
Bank of China (Hong Kong) Limited					
– secured	(b)	SOFR +0.69%	Revolving loan	**2,812,621**	–
The Hongkong and Shanghai Banking Corporation Limited					
– secured	(c)	SOFR +0.55%	Revolving loan	**684,811**	–
				3,684,704	198,524
Current				**3,515,710**	18,285
Non-current				**168,994**	180,239
				3,684,704	198,524

Notes:

(a) The Group borrowed a loan of 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. The effective interest rate for the year ended 31 December 2022 was 1.08% per annum (2021: 1.08% per annum).

(b) The Group borrowed a loan of US$400,000,000 from Bank of China (Hong Kong) Limited in August 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.69%. The proceeds were used to finance COSL Middle East FZE's daily operations.

(c) The Group borrowed a loan of US$98,000,000 from The Hongkong and Shanghai Banking Corporation Limited in September 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.55%. The proceeds were used to finance COSL Middle East FZE's daily operations.

	31 December 2022 RMB'000	31 December 2021 RMB'000
Bank borrowings repayable:		
Within one year	**3,515,710**	18,285
In the second year	**5,370**	4,644
In the third to fifth year, inclusive	**38,330**	37,101
Beyond five years	**125,294**	138,494
	3,684,704	198,524

21. LONG-TERM BONDS

	Year of maturity	31 December 2022 RMB'000	31 December 2021 RMB'000
Corporate bonds *(Note (a))*	2022	**–**	1,542,000
2016 Corporate bonds			
(Type II of the First Tranche Issue as defined below) *(Note (b))*	2026	**3,072,023**	3,071,603
(Type II of the Second Tranche Issue as defined below) *(Note (b))*	2023	**732,610**	732,610
Senior unsecured USD bonds *(Note (c))*	2022	**–**	6,442,557
Guaranteed medium-term notes Second Drawdown Note *(Note (d))*	2025	**3,540,146**	3,237,994
Guaranteed senior notes			
2025 Notes *(Note (e))*	2025	**3,477,168**	3,181,334
2030 Notes *(Note (e))*	2030	**2,072,162**	1,895,070
		12,894,109	20,103,168
Current		**872,231**	8,122,706
Non-current		**12,021,878**	11,980,462
		12,894,109	20,103,168

Notes:

(a) At 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 carried interest at an effective interest rate of 4.48% per annum (2021: 4.48% per annum), and the maturity date was 14 May 2022. As of 31 December 2022, the Group has repaid all principal and interest.

(b) At 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.

At 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 2022, 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 keep it unadjusted 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 resold 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) At 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. As of 31 December 2022, the Group has repaid all principal and interest.

(d) At 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.

At 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) At 24 June 2020, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued two tranches of guaranteed senior notes. The Company has unconditionally and irrevocably guaranteed the due and punctual payment of guaranteed senior notes.

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

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

22. DEFERRED INCOME

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

	Contract value	**Government grants related to assets**	**Government grants related to income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 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 and 1 January 2022	–	150,591	27,399	57,862	235,852
Additions	**–**	**1,000**	**26,582**	**–**	**27,582**
Credited to profit or loss	**–**	**(13,945)**	**(37,955)**	**(6,955)**	**(58,855)**
Exchange realignment	**–**	**–**	**–**	**–**	**–**
At 31 December 2022	**–**	**137,646**	**16,026**	**50,907**	**204,579**

23. ISSUED CAPITAL

	31 December 2022 *RMB'000*	31 December 2021 *RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

24. EVENTS AFTER THE REPORTING PERIOD

As at 23 March 2023, the board of directors of the Company proposed to distribute the dividend for the year ended 31 December 2022 of RMB0.16 per ordinary share (tax inclusive) in cash to the shareholders with an amount of RMB763,454,720. The proposal is subject to the approval by the shareholders at the 2022 Annual General Meeting of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Development Overview for 2022

In 2022, under the influence of multiple factors such as the frequent geopolitical conflicts, deep adjustment of the global supply chain, fluctuations in the international oil and gas industry, and accelerated transformation of the energy industry, international oil companies increased their investments in oil and gas exploration and development, the development trend of the international oilfield service market continued to improve, and the competition in the international oilfield service market remained fierce. Driven by climate emission reduction, oilfield service companies all over the world began to adopt new production methods and new technical services, and gradually carry out green and low-carbon transformation. The main ways of transformation include: first, divest the non-core businesses and focus on the main business; second, speed up the digitalization and intelligence of traditional service industries, empower the traditional industries with digital technology, and improve the production efficiency; third, business diversification under the background of low-carbon transformation, mainly involving the emerging markets such as wind power, solar energy, hydrogen, geothermal energy and CCUS in the field of renewable energy; fourth, transformation of the commercial mode of the new energy business from the commercial mode of oilfield services to the commercial mode of energy services. Domestically, the oilfield service market continuously driven by the "Seven-year Action Plan" for guaranteeing national energy security and strengthening reserves and production continued to grow steadily.

Business Review

In 2022, the geopolitical uncertainties continued and the weakening of the fundamentals of the global economy intensified the volatility of finance environment. After experienced a "roller coaster", the international oil price depended on the global economic trend and the relationship between supply and demand to a greater extent. The increase in upstream exploration investments was mainly concentrated on land and limited on the sea. The utilization rate of global drilling rigs increased slightly, and the demand for oilfield services in some regions was strong. The Company seized the opportunity of market recovery, actively guaranteed domestic exploration and development to strengthen reserves and production, coordinated the accurate layout of overseas markets, continuously improved the scale of equipment and output value, adhered to strengthening the leading advantage of costs, effectively alleviated the cost pressure brought by global inflation, and made every effort to tackle key core technologies. In 2022, the operating revenue amounted to RMB35,610.1 million, representing a year-on-year increase of RMB6,441.6 million or 22.1%, while net profit amounted to RMB2,493.1 million, representing a year-on-year increase of RMB2,171.0 million.

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 and land drilling rigs. At the end of 2022, the Company operated and managed a total of 62 drilling rigs (of which 48 are jack-up drilling rigs, and 14 are semi-submersible drilling rigs), etc.

In 2022, revenue from drilling services amounted to RMB10,334.1 million, representing an increase of 17.9% as compared with RMB8,767.7 million in 2021.

The Company kept up with the recovery trend of the offshore oil and gas industry and gasped opportunities from the increasing global demand for drilling rigs, continuously improved the market matching accuracy and market response speed of drilling rigs, rationally allocated large-scale equipment resources at home to ensure the construction of a maritime power and accelerate the exploration and development of deep-sea oil and gas resources while speeding up the adjustment of the global market layout overseas. The Company improved capabilities of support and guarantee of international supply chains, made every effort to steadily improve the safety governance level, continuously optimized the comprehensive management and utilization efficiency of large-scale equipment. The "China Merchants Hailong 8" successfully completed the well drilling and completion operation of the first development project of shallow-water subsea Christmas tree system in China. "HYSY944" realized the completion operation of the super extended reach well with the deepest well depth and the longest horizontal trajectory in the west of the South China Sea. "Challenger" refreshed the record of the maximum water vertical ratio of shallow extended reach wells in Bohai Oilfield during operation. "NH4" completed the fracturing test of shale oil exploration well in the west of the South China Sea and obtained commercial oil flow, marking a major breakthrough in offshore shale oil exploration in China. "HYSY982" undertook the drilling of China's first offshore deepwater high-temperature and high-pressure gas field project. "COSLPower" won the "Best Performance Drilling Rig in the World" award from a national oil company in Southeast Asia for three consecutive quarters. After entering into the equipment sequence, "Guoshuo" started in-depth cooperation in the Southeast Asian market, secured operating contracts and formally started the cooperation. Three semi-submersible drilling rigs in Europe gradually recovered operating during the year. The capacity of international operation and management and service quality of the Company had been fully recognized by the international first-class oil companies and the Company secured several long-term contracts on drilling rigs services in the Middle East market with the total contract amount of approximately RMB14 billion, entering a new stage of deepening cooperation with international oil companies in various fields including oilfield exploration and development.

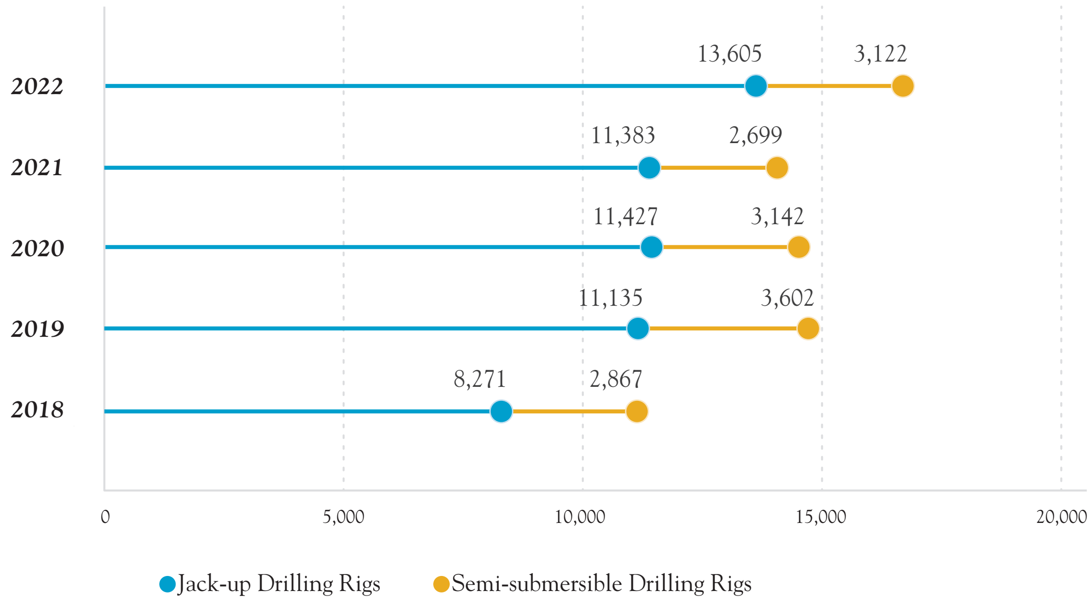
At the end of 2022, the Company had 37 drilling rigs operating in the China Sea, 13 drilling rigs operating overseas, 9 drilling rigs were standby and 3 were being maintained in the shipyard.

With the impact of the increasing global demand for offshore drilling rigs, the Company's drilling rigs operated for 16,727 days in 2022, representing a year-on-year increase of 2,645 days or 18.8%.

In 2022, the Company's jack-up drilling rigs operated for 13,605 days, representing a year-on-year increase of 2,222 days; semi-submersible drilling rigs operated for 3,122 days, representing a year-on-year increase of 423 days. Operational details are as follows:

	2022	2021	**Change**	**Percentage change**
Operating days (day)	**16,727**	14,082	2,645	18.8%
Jack-up drilling rigs	**13,605**	11,383	2,222	19.5%
Semi-submersible drilling rigs	**3,122**	2,699	423	15.7%
Available day utilization rate	**83.5%**	71.9%	Up 11.6 percentage points	
Jack-up drilling rigs	**88.2%**	75.8%	Up 12.4 percentage points	
Semi-submersible drilling rigs	**67.6%**	59.3%	Up 8.3 percentage points	
Calendar day utilization rate	**78.5%**	69.1%	Up 9.4 percentage points	
Jack-up drilling rigs	**83.3%**	73.3%	Up 10.0 percentage points	
Semi-submersible drilling rigs	**63.0%**	55.5%	Up 7.5 percentage points	

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS



In 2022, the average daily revenue of the Company's drilling rigs is as follows:

Average daily revenue (ten thousand US$/day)	2022	2021	Change	Percentage change
Jack-up drilling rigs	**6.9**	7.0	(0.1)	(1.4%)
Semi-submersible drilling rigs	**11.4**	13.5	(2.1)	(15.6%)
Drilling rigs average	**7.8**	8.2	(0.4)	(4.9%)

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

(2) USD/RMB exchange rate was 1:6.9646 as at 31 December 2022 and 1:6.3757 as at 31 December 2021.

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 2022, revenue from the well services increased by 29.9% from RMB15,067.9 million in the same period of 2021 to RMB19,571.2 million. The Company actively implemented the technology-driven strategy, optimized the allocation of technical personnel resources, deepened the reform of the science and technology system, strengthened the integration of the science and technology market, and accelerated the layout of integrated competitive advantages. Both the revenue and the profit contribution maintained a year-on-year increase.

By closely following the trends of technology development, the Company continuously improved a value-oriented scientific research management system and achieved a series of technological achievements and breakthroughs in application transformation. The well completion tools broke through the technical problem of sealing with temperature resistance of 350℃ and formed more than 10 kinds of thermal recovery full wellbore completion tools. The Company independently researched and developed the high-temperature plugging technology to help the first offshore superheated steam drive project increase oil and production. The self-developed injection-production integration technology of jet pump helped the first offshore thermal recovery development of ultra-heavy oil in China to successfully put an oilfield into production. The Company continued to break through the high-end wireline logging technology, and conquered 28 key core technologies of wireline logging, such as ultra-high temperature grand slam upto 235℃ and high-temperature electrical imaging upto 205℃. For the characteristic cased-hole neutron density measurement technology, the Company completed the commercial operation of horizontal wells, and for the high-temperature electric large-diameter coring in slim holes, the Company completed the first commercial operation. The high-temperature acoustic imaging set the highest operating temperature record of 202℃, and the cumulative operations of high-temperature and high-pressure wireline logging technology and equipment exceeded 200 wells, realizing large-scale commercial application. The Company independently researched and developed the "Xuanji" rotary steering and well logging while drilling system to achieve the full-scale field operation capability, and at the same time built and put into production the first intelligent processing production line of this system to achieve full coverage of high-end machining process capability and promote the transformation from "self-sufficient" operation-driven mode to "export-oriented" product-driven mode. The core products developed by the Company, such as self-developed HT fluid loss control agent for WBM and high-efficiency lubricant, successfully broken the technical monopoly and achieved industrialization promotion. The temperature and pressure measurement nipple for deepwater cementing by the Company was successfully applied in oilfield of the South China Sea, with the temperature tolerance limit exceeding 180℃. In combination with the high-quality resources of universities, the Company made important progress in accelerating the research on key technologies of offshore carbon sequestration and gas storage cementing, so as to provide technical support for meeting new application scenarios such as CCUS and gas storage.

The Company actively promoted the "global coverage" of technical support capabilities, and achieved success in the overseas oilfield service markets. The self-developed deepwater remote control Cement Head debuted successfully in the international market. The optical spectral analysis module for formation testing researched and developed by the Company successfully completed its operation in a well in Southeast Asia, gained the recognition of the customer, realized the large-scale application of the module, and broke the monopoly of foreign key technologies. The new technology, "EMRT nuclear magnetism conveyed by drill pipe", completed its first operation in South American waters and was recognized by the customer. The drilling fluid service entered a traditional oilfield services area in Southeast Asia for the first time and operated smoothly. The Company obtained a 2-year wireline logging and perforation service contract in the Middle East. The Company planned to obtain a 3-year offshore cementing service contract in Southeast Asia. The Company achieved breakthroughs in integrated services in Southeast Asia, America, Africa and the Middle East, and obtained long-term operation contracts in some regions. The Company won a number of overseas regional sales contracts for technical products throughout the year, realizing the first export of the "Xuanji" system, the large-scale sales of MUIL instruments and the first overseas sales of EFDT instruments researched and developed by the Company.

Marine Support Services Segment

The Company operates and manages the largest offshore operation fleet with the most comprehensive functions in China, with over 170 vessels including AHTS vessels, platform supply vessels and oilfield standby vessels at the end of 2022. The Company can provide comprehensive support and services, including anchor handling for different water level, towing of drilling rigs/engineering barges, offshore transportation, oil/gas field standby, firefighting, rescue, oil spill assisting, for offshore oil and gas exploration, development, construction and oil/gas field production, which can fulfill multidimensional needs of clients.

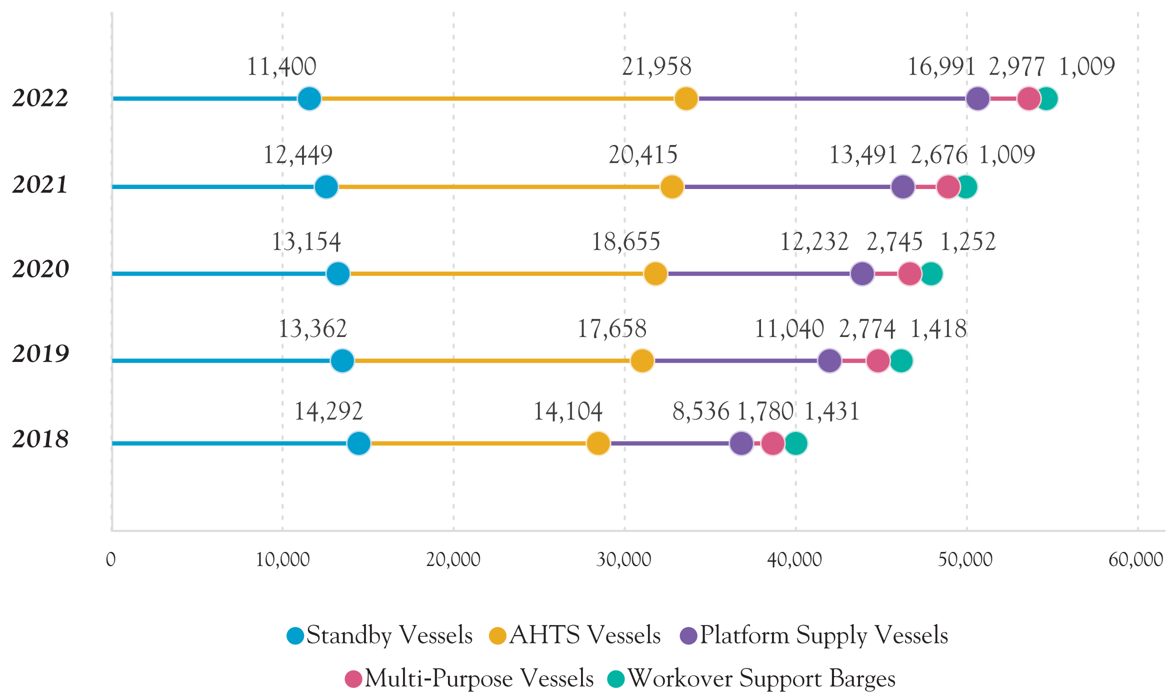
In 2022, revenue of marine support services increased by 12.6% to RMB3,719.9 million from RMB3,303.7 million in 2021. The accumulative operating days for vessels operated and managed by the Company for the year amounted to 54,335 days, representing an increase of 4,295 days as compared with last year. The calendar day utilization rate was 91.1%, which remained basically stable as compared with last year.

The Company actively gave play to its strengths of providing cooperative support for operation waters, managed resources in a scientific manner, optimized market strategies and took effective measures to control the social vessel resources so as to ensure the availability of vessels in an all-around way. The Company completed the delivery of 12 LNG-powered vessels, forming a world's largest LNG-powered vessel fleet in the OSV (Offshore Support Vessel) industry, which can reduce carbon emissions by 12,000 tons every year. Among them, the first batch of LNG-powered standby vessels equipped with four intelligent systems at the same time, i.e. "HYSY542" and "HYSY547", realized the integration and data analysis of vessel navigation, hydrology, meteorology and other information, effectively promoting the digitized and intelligent transformation of vessels with intelligent integrated platforms, intelligent navigation, intelligent engine rooms and intelligent energy efficiency.

In 2022, the operational details of vessels of the Company are as follows:

Operating days (day)	**2022**	2021	**Change**	**Percentage Change**
Standby vessels	**11,400**	12,449	(1,049)	(8.4%)
AHTS vessels	**21,958**	20,415	1,543	7.6%
Platform supply vessels	**16,991**	13,491	3,500	25.9%
Multi-purpose vessels	**2,977**	2,676	301	11.2%
Workover support barges	**1,009**	1,009	0	0
Total	**54,335**	50,040	4,295	8.6%

NUMBER OF OPERATING DAYS FOR UTILITY VESSELS IN RECENT YEARS



Geophysical Acquisition and Surveying Services Segment

The Company is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical exploration. At the end of 2022, the Company owns 5 towing streamer 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 services of wide azimuth, broadband, high density seismic acquisition services, ocean bottom cable and ocean bottom node multi-component seismic acquisition services, as well as integrated offshore surveying services.

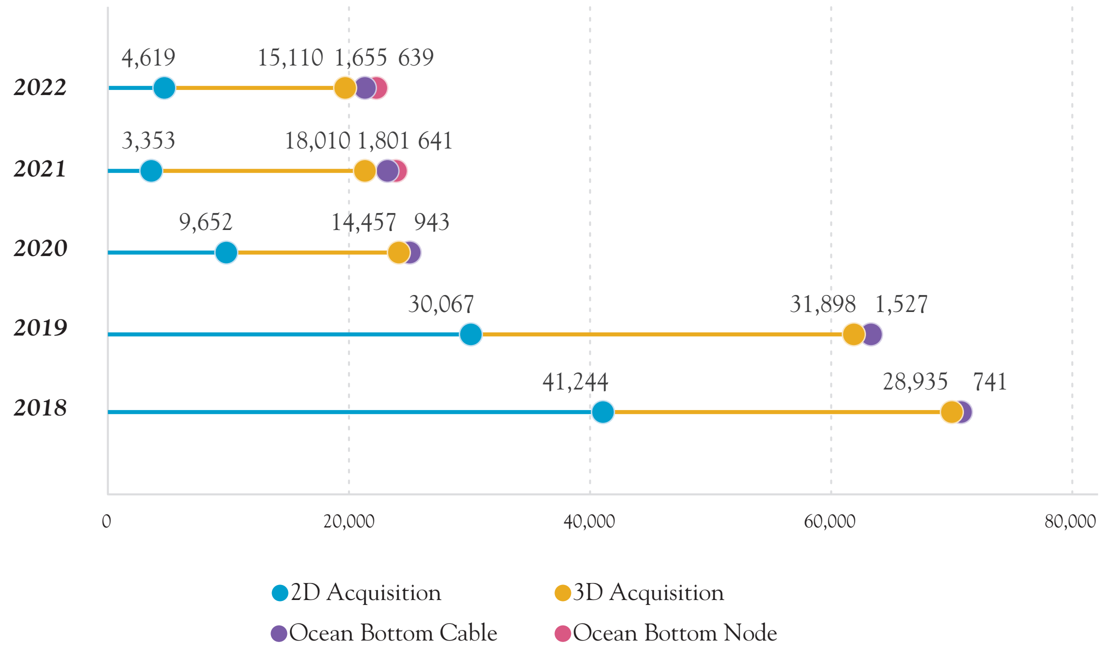
In 2022, revenue of geophysical acquisition and surveying services amounted to RMB1,984.9 million, which remained basically stable as compared with RMB2,029.2 million of 2021, of which, the surveying services recorded revenue of RMB564.1 million, which was basically the same as that of 2021.

In 2022, with the utilization rate of geophysical vessels at a low ebb worldwide and the continuous impact of overcapacity in offshore geophysical industry, the recovery has been slowly. The Company actively promoted technology transformation and upgrade, steadily promoted the research and development and industrialization of independent acquisition equipment, distributed resources in a rational manner, optimized resource sharing, continued to deeply enhance the independent management capability of operation units and fully improved the comprehensive utilization ability of large-scale equipment. A complete set of self-developed tower streamer acquisition equipment was deployed with "HYSY720", the geophysical exploration vessel with 12 towing streamers, and realized the commercial application, making the Company one of the few service providers in the world who have mastered this independent research and development technology and equipment capability. The ocean bottom node (OBN) acquisition equipment independently researched and developed by the Company realized product finalization and small batch manufacturing, further improving the self-controllable high-end offshore oil and gas exploration equipment system, and making the Company take a key step towards achieving the international advanced level. The Company achieved a series of key technological breakthroughs, such as joint acquisition of towing streamers and ocean bottom nodes, and dual-vessel and four-source overlapping acquisition, which greatly improved the quality of exploration data in the target stratum of Paleogene and Middle Paleozoic erathem. By optimizing the OBN operation construction scheme, the Company continued to break the daily records of operation. In the ultra-deep water area of the South China Sea, the Company successfully completed the in-situ static cone test penetration under the mud surface for surveying services, which once again set a new record for the water depth in China's surveying services operation. In overseas markets, the Company successfully completed the 2D acquisition operation in Southeast Asia, and built a good reputation for starting the new large-scale 2D acquisition service contracts in Southeast Asia in 2023.

In 2022, the details of geophysical acquisition of the Company are as follows:

Businesses	**2022**	2021	**Change**	**Percentage Change**
2D acquisition (km)	**4,619**	3,353	1,266	37.8%
3D acquisition (km^2)	**15,110**	18,010	(2,900)	(16.1%)
of which: multi-client	**0**	3,640	(3,640)	(100.0%)
Ocean bottom cable (km^2)	**1,655**	1,801	(146)	(8.1%)
Ocean bottom node (km^2)	**639**	641	(2)	(0.3%)

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



Major Subsidiaries

China Oilfield Services (BVI) Limited ("BVI"), COSL Hong Kong International Limited, COSL Norwegian AS ("CNA"), COSL Singapore Limited and China France Bohai Geoservices Co., Ltd. ("China France Bohai") are major subsidiaries of the Group, which mainly engage in drilling, well services and relevant businesses.

As at 31 December 2022, the total assets of BVI amounted to RMB8,900.2 million and equity was RMB1,294.8 million. BVI realized revenue of RMB3,853.9 million in 2022, representing an increase of RMB1,331.1 million or 52.8% as compared with last year. The net profit amounted to RMB316.8 million, representing an increase of RMB42.6 million or 15.5% as compared with the net profit in the same period of last year.

As at 31 December 2022, the total assets of COSL Hong Kong International Limited amounted to RMB7,453.4 million and equity was RMB7,432.5 million. COSL Hong Kong International Limited realized revenue of RMB33.4 thousand in 2022, and revenue in the same period of last year was RMB16.7 thousand. The net profit amounted to RMB35.2 million, and net profit in the same period of last year was RMB0.3 thousand.

As at 31 December 2022, the total assets of CNA amounted to RMB7,549.1 million and equity was RMB-4,656.7 million. CNA realized revenue of RMB608.6 million in 2022, representing an increase of RMB195.0 million or 47.1% as compared with last year. The net profit amounted to RMB-688.8 million, and net profit in the same period of last year was RMB-2,271.1 million. 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, the Company provided impairment loss of fixed assets amounting to RMB1,454.2 million in total in the same period of last year, while no significant impairment loss was provided in 2022.

As at 31 December 2022, the total assets of COSL Singapore Limited amounted to RMB22,510.4 million and equity was RMB-3,319.9 million. COSL Singapore Limited realized revenue of RMB1,834.2 million in 2022, representing an increase of RMB293.8 million or 19.1% as compared with last year. The net profit amounted to RMB-627.2 million, and net profit in the same period of last year was RMB-1,028.2 million. 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, the Company provided impairment loss of fixed assets amounting to RMB485.1 million in total in the same period of last year, while no significant impairment loss was provided in 2022. COSL DRILLING STRIKE PTE. LTD. and COSL PROSPECTOR PTE. LTD. are major drilling rig subsidiaries of COSL Singapore Limited.

As at 31 December 2022, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB3,500.7 million and equity was RMB-3,317.0 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 RMB286.6 million in 2022, representing an increase of RMB122.8 million or 75.0% as compared with last year. The net profit amounted to RMB-134.5 million, representing an increase in loss of RMB87.3 million as compared with last year.

As at 31 December 2022, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB7,932.2 million and equity was RMB-6,123.7 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 RMB519.3 million in 2022, representing an increase of RMB67.6 million or 15.0% as compared with last year. The net profit amounted to RMB-394.1 million, representing a decrease in loss of RMB545.6 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, the Company provided impairment loss of fixed assets amounting to RMB485.1 million in total in the same period of last year, while no significant impairment loss was provided in 2022.

China France Bohai has been accounted for as a subsidiary and has been consolidated into the consolidated financial statements by the Group since 1 August 2022 when the Group obtained the control over China France Bohai. As at 31 December 2022, the total assets of China France Bohai amounted to RMB1,280.5 million and equity was RMB519.4 million. From August to December 2022, China France Bohai realized revenue of RMB1,031.0 million and net profit amounted to RMB251.2 million.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2022, revenue of the Group amounted to RMB35,610.1 million, representing an increase of RMB6,441.6 million or 22.1% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segments	**2022**	2021	**Change**	**Percentage change**
Drilling services	**10,334.1**	8,767.7	1,566.4	17.9%
Well services	**19,571.2**	15,067.9	4,503.3	29.9%
Marine support services	**3,719.9**	3,303.7	416.2	12.6%
Geophysical acquisition and surveying services	**1,984.9**	2,029.2	(44.3)	(2.2%)
Total	**35,610.1**	29,168.5	6,441.6	22.1%

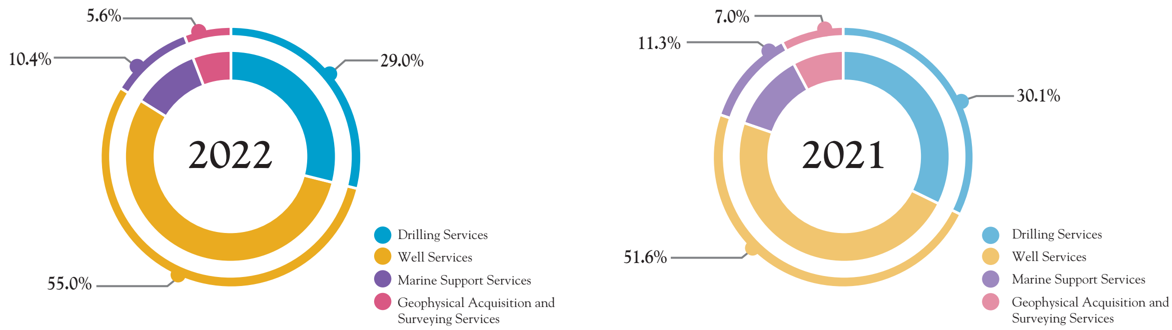
- Revenue generated from drilling services increased by 17.9% as compared with last year. With the impact of the increasing demand for offshore rigs, drilling rigs operation volume and utilization rate were improved and income increased steadily for the year.

- Revenue from well services increased by 29.9% as compared with last year, mainly because the Company actively promoted the development demand of technology industrialization and made breakthroughs at domestic and overseas markets, the operating volume of major business lines maintained growth, and the proportion of high-value services of certain business lines increased.

- Revenue from marine support services increased by 12.6% as compared with last year, which was mainly due to the increase in the scale and overall operation volume of vessels for the year.

- Revenue from geophysical acquisition and surveying services was basically consistent with last year, which was mainly due to the slow recovery of the global offshore geophysical industry.

Revenue analysis – by business segment



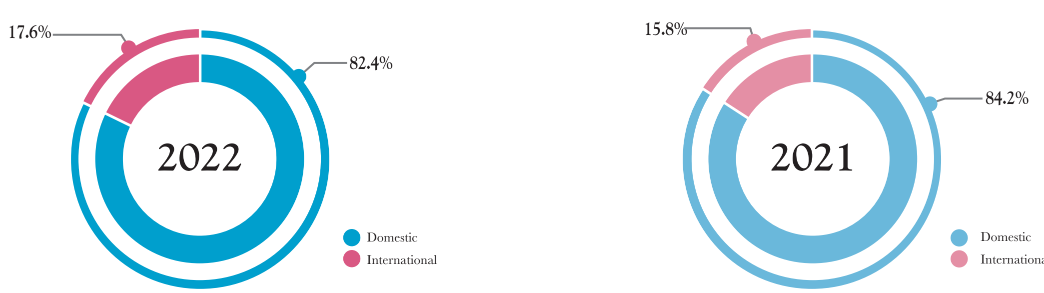
Analysis by operation area

Unit: RMB million

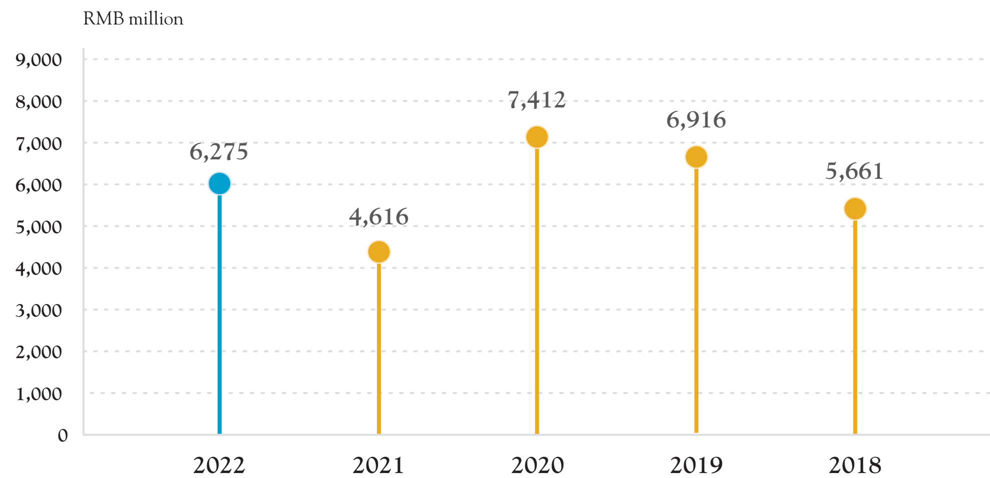
Region	**2022**	2021	**Change**	**Percentage change**
Domestic	**29,335.6**	24,552.9	4,782.7	19.5%
International	**6,274.5**	4,615.6	1,658.9	35.9%
Total	**35,610.1**	29,168.5	6,441.6	22.1%

In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 82.4% of the Group's total revenue. In 2022, the Group's international business recorded revenue of RMB6,274.5 million (compared with RMB4,615.6 million over last year, representing an increase of 35.9% as compared with last year), accounting for 17.6% of the Group's revenue for the year.

International revenue



The Latest Five Years' International Revenue



1.2 Operating expenses

For the year 2022, operating expenses of the Group amounted to RMB33,228.9 million, representing an increase of RMB5,044.4 million or 17.9% as compared with RMB28,184.5 million of last year.

The table below shows the comparison of the breakdown of the Group's operating expenses in 2022 and 2021:

Unit: RMB million

	2022	2021	**Change**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	**4,685.6**	4,503.8	181.8	4.0%
Depreciation of right-of-use assets	**367.1**	363.0	4.1	1.1%
Employee compensation costs	**7,414.0**	6,030.2	1,383.8	22.9%
Repair and maintenance costs	**594.8**	479.0	115.8	24.2%
Consumption of supplies, materials, fuel, services and others	**9,080.6**	6,572.7	2,507.9	38.2%
Subcontracting expenses	**8,164.6**	5,643.2	2,521.4	44.7%
Lease expenses	**1,666.9**	1,318.5	348.4	26.4%
Other operating expenses	**1,175.7**	1,247.0	(71.3)	(5.7%)
Impairment loss of property, plant and equipment	**30.2**	2,011.3	(1,981.1)	(98.5%)
Impairment loss under expected credit losses model, net of reversal	**49.4**	15.8	33.6	212.7%
Total operating expenses	**33,228.9**	28,184.5	5,044.4	17.9%

Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library for the year increased by RMB181.8 million as compared with last year.

Depreciation of right-of-use assets for the year remained the same as last year.

Employee compensation costs for the year increased by RMB1,383.8 million compared with last year, mainly due to the increase in remuneration of certain front-line employees as per the norms of the industry for the year.

Repair and maintenance costs for the year increased by RMB115.8 million as compared with last year.

Consumption of supplies, materials, fuel, services and others for the year increased by RMB2,507.9 million as compared with last year, mainly due to the increase in operation volume and repair arrangement and the increase in price of raw materials.

Subcontracting expenses for the year increased by RMB2,521.4 million as compared with last year, mainly due to the increase in the operation volume, which led to the increase in operation and personnel subcontracting input of the Company.

Lease expenses for the year was RMB1,666.9 million, representing an increase of RMB348.4 million as compared with last year.

Impairment loss of property, plant and equipment for the year amounted to RMB30.2 million, representing a decrease of RMB1,981.1 million as compared with last year, which was mainly due to the fact that the utilization rate and operating price of certain large-scale equipment of the Group have not returned to normal levels, leading to provisions for the significant impairment loss of fixed assets in last year.

Impairment loss of credit for the year amounted to RMB49.4 million, representing an increase of RMB33.6 million as compared with last year.

Other operating expenses in 2022 amounted to RMB1,175.7 million, which mainly included nearly 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 RMB71.3 million as compared with last year. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB366.5 million, accounting for 31.2%; transfer fees for technology amounted to RMB179.2 million, accounting for 15.2%; collective expenses amounted to RMB132.1 million, accounting for 11.2%; travel expenses amounted to RMB85.6 million, accounting for 7.3%; business trip expenses, consulting fees, audit fees and other fees amounted to RMB412.3 million in total.

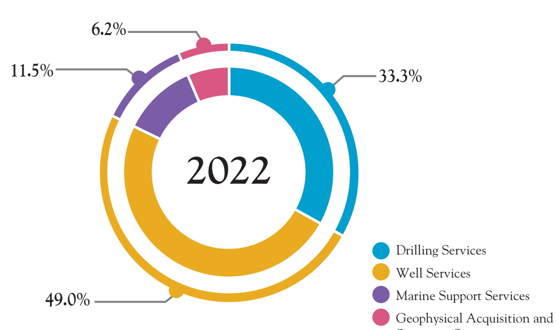
Other operating expenses in 2021 amounted to RMB1,247.0 million, which mainly included nearly 30 cost items including travel expenses, business trip expense, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. 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%; consulting fees, audit fees, office expenses and other fees amounted to RMB478.9 million in total.

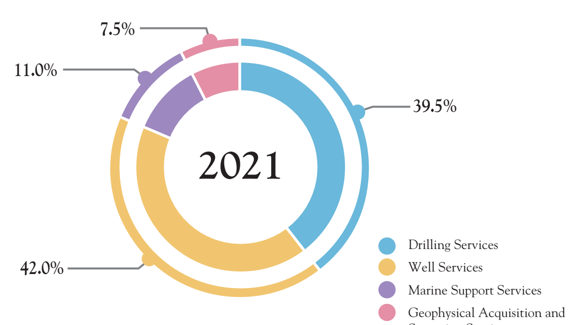
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	**2022**	2021	**Change**	**Percentage change**
Drilling services	**11,059.7**	11,128.0	(68.3)	(0.6%)
Well services	**16,281.0**	11,833.5	4,447.5	37.6%
Marine support services	**3,813.6**	3,091.1	722.5	23.4%
Geophysical acquisition and surveying services	**2,074.6**	2,131.9	(57.3)	(2.7%)
Total	**33,228.9**	28,184.5	5,044.4	17.9%

Analysis of operating expenses – by business segment





1.3 Profit from operations

For the year 2022, the Group's profit from operations amounted to RMB2,723.4 million, representing an increase of RMB1,182.1 million as compared with RMB1,541.3 million of last year.

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

Unit: RMB million

Business segments	**2022**	2021	**Change**	**Percentage change**
Drilling services	**(635.5)**	(2,082.2)	1,446.7	69.5%
Well services	**3,483.8**	3,393.8	90.0	2.7%
Marine support services	**(58.8)**	254.7	(313.5)	(123.1%)
Geophysical acquisition and surveying services	**(66.1)**	(25.0)	(41.1)	(164.4%)
Total	**2,723.4**	1,541.3	1,182.1	76.7%

1.4 Financial expenses, net

Unit: RMB million

	2022	2021	**Change**	**Percentage change**
Exchange gains or losses, net	**(565.8)**	165.4	(731.2)	(442.1%)
Finance costs	**777.1**	831.3	(54.2)	(6.5%)
Interest income	**(123.4)**	(123.9)	0.5	0.4%
Financial expenses, net	**87.9**	872.8	(784.9)	(89.9%)

The exchange gains increased by RMB731.2 million as compared with last year as affected by the change of exchange rates during the year.

1.5 Investment income

For the year 2022, the Group's investment income amounted to RMB16.3 million, representing a decrease of RMB28.3 million as compared with RMB44.6 million of last year, which was mainly attributable to the decrease in gains from long-term equity investments accounted for using the equity method as a result of acquisition of the effective ownership of certain joint ventures during the year.

1.6 Other gains and losses

In 2022, the Group's other gains and losses amounted to RMB-23.2 million, as compared with RMB-59.4 million of last year.

1.7 Profit before tax

The profit before tax of the Group was RMB2,981.5 million in 2022, representing an increase of RMB1,891.9 million as compared with RMB1,089.6 million of last year.

1.8 Income tax expense

The income tax expense of the Group in 2022 was RMB488.4 million, representing a decrease of RMB279.1 million as compared with RMB767.5 million of 2021, mainly because the Company applied the policy on increasing the pre-tax deduction for supporting scientific and technological innovation of high-tech enterprises in the Announcement No.28 of 2022 (the "Announcement No.28") issued by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology.

1.9 Profit for the year

For the year 2022, profit of the Group was RMB2,493.1 million, as compared with profit of RMB322.1 million of last year due to the impact of provision of significant impairment of fixed assets.

1.10 Basic earnings per share

For the year 2022, the Group's basic earnings per share were approximately RMB49.30 cents, as compared with approximately RMB6.56 cents of last year.

1.11 Dividend

In 2022, the Board of Directors of the Company recommended a final dividend of RMB0.16 per share (tax inclusive), totaling approximately RMB763.5 million. The final dividend will be paid on or before 30 June 2023 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 2022, the total assets of the Group amounted to RMB77,184.1 million, representing an increase of RMB3,872.4 million or 5.3% as compared with RMB73,311.7 million as at the end of 2021. The total liabilities amounted to RMB37,286.0 million, representing an increase of RMB2,190.6 million or 6.2% as compared with RMB35,095.4 million as at the end of 2021. Total equity amounted to RMB39,898.1 million, representing an increase of RMB1,681.8 million or 4.4% as compared with RMB38,216.3 million as at the end of 2021.

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

Unit: RMB million

Items		2022	2021	Change	Percentage change	Reasons
Assets						
1	Other intangible assets	**151.7**	86.1	65.6	76.2%	The increase in the management system and software during the year.
2	Contract costs (non-current assets)	**496.8**	204.0	292.8	143.5%	The increase in contract performance costs arising from renovation of drilling rigs during the year.
3	Deferred tax assets	**50.0**	175.0	(125.0)	(71.4%)	Mainly due to the temporary differences between tax base and accounting base as the parent applied to the Announcement No.28 during the year, represented by net amount at the end of the period.
4	Accounts receivable	**14,175.2**	10,511.7	3,663.5	34.9%	Mainly due to the significant increase in operation revenue for current year.
5	Contract assets	**48.0**	91.0	(43.0)	(47.3%)	Mainly due to transfer of certain contract assets to accounts receivable upon the recognition from customers.
6	Contract costs (current assets)	**47.4**	26.5	20.9	78.9%	The increase in contract performance costs reclassified according to its liquidity.
7	Other current assets	**1,771.3**	842.0	929.3	110.4%	Mainly due to the reclassification of deductible input value-added tax and prepaid tax as at the end of the period and the increase in purchase of monetary funds during the year.
8	Time deposits	**548.5**	95.4	453.1	474.9%	The increase in time deposits during the year.

Items		2022	2021	Change	Percentage change	Reasons
Liabilities						
1	Notes payable	**11.9**	54.2	(42.3)	(78.0%)	The decrease in commercial acceptance bills during the year.
2	Salary and bonus payables	**1,033.2**	794.9	238.3	30.0%	The increase in remuneration of certain front-line employees as per the norms of the industry.
3	Tax payable	**94.9**	339.0	(244.1)	(72.0%)	Mainly due to the decrease in corporate income tax payable at the end of the year resulting from applying to the Announcement No.28.
4	Interest-bearing bank borrowings (current liabilities)	**3,515.7**	18.3	3,497.4	19,111.5%	Mainly due to the new short-term borrowing contracts during the year.
5	Long-term bonds (current liabilities)	**872.2**	8,122.7	(7,250.5)	(89.3%)	Mainly due to the repayment on maturity of US$1 billion bonds.
6	Contract liabilities (current liabilities)	**759.7**	545.1	214.6	39.4%	Mainly due to the increase in mobilization revenue during the year.
7	Deferred tax liabilities	**345.8**	38.7	307.1	793.5%	Mainly due to the temporary differences between tax base and accounting base as the parent applied to the Announcement No.28 during the year, represented by net amount at the end of the period.
8	Contract liabilities (non-current liabilities)	**458.7**	31.5	427.2	1,356.2%	Mainly due to the increase in mobilization revenue reclassified according to its liquidity.
9	Employee benefit liabilities	**7.6**	0.0	7.6	N/A	Employee benefit liabilities were accrued by overseas subsidiaries in accordance with local policies.
10	Other non-current liabilities	**20.7**	51.9	(31.2)	(60.1%)	Mainly due to the performance recognition of the onerous contracts during the year.
Equity						
1	Non-controlling interests	**566.8**	183.5	383.3	208.9%	Mainly due to acquisition of effective control over certain joint ventures during the year which resulted in the increase of non-controlling interests.

3. Analysis of Consolidated Statement of Cash Flows

At the beginning of 2022, the Group held cash and cash equivalents of RMB5,006.4 million. During 2022, the net cash inflows from operating activities amounted to RMB6,898.8 million; the net cash outflows from investing activities amounted to RMB3,732.7 million; the net cash outflows from financing activities amounted to RMB4,867.9 million and the impact of foreign exchange rate fluctuations resulted in an increase of cash of RMB257.1 million. As at 31 December 2022, the Group's cash and cash equivalents amounted to RMB3,561.7 million.

3.1 Cash flows from operating activities

In 2022, the net cash inflows from operating activities of the Group amounted to RMB6,898.8 million, representing a decrease of 7.0% as compared with last year, mainly due to the increase in cash paid for purchase of goods and receipt of labour services during the year.

3.2 Cash flows from investing activities

In 2022, the net cash outflows from investing activities of the Group amounted to RMB3,732.7 million, representing a decrease of outflows of RMB995.0 million as compared with last year, which was mainly due to the decrease of RMB3,142.4 million in cash paid for purchase of floating rate corporate wealth management products, monetary funds, debt instruments and time deposits. Cash received from the disposal of/matured investments in floating rate corporate wealth management products and monetary funds decreased by RMB2,116.4 million, and the total increase of cash outflows from other investment activities amounted to RMB31.0 million.

3.3 Cash flows from financing activities

In 2022, the net cash outflows from financing activities of the Group amounted to RMB4,867.9 million, representing an increase of outflows of RMB671.8 million as compared with last year. During the year, cash paid for repayment of bonds increased by RMB6,021.6 million, cash received from new bank loans increased by RMB3,383.9 million, cash received from new borrowings from related parties increased by RMB2,133.6 million and cash outflows from other financing activities increased by RMB167.7 million in total as compared with last year.

3.4 The effect of foreign exchange rate fluctuations on cash during the year was an increase of cash of RMB257.1 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 2022, please refer to Notes 19 and 20 to the consolidated financial statements of this report.

4. Capital Expenditure

In 2022, the capital expenditure of the Group amounted to RMB4,079.2 million, representing an increase of RMB633.8 million or 18.4% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	2022	2021	Change	Percentage change
Drilling services	**1,371.7**	819.5	552.2	67.4%
Well services	**2,208.9**	1,932.1	276.8	14.3%
Marine support services	**243.7**	315.5	(71.8)	(22.8%)
Geophysical acquisition and surveying services	**254.9**	378.3	(123.4)	(32.6%)
Total	**4,079.2**	3,445.4	633.8	18.4%

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 2022, the capital expenditure of the Company amounted to RMB4.08 billion, representing 98% of the annual budget for the year, and the overall target had been basically achieved. On 31 January 2023, the World Economic Outlook report issued by the International Monetary Fund (IMF) predicted that the world economic growth rate would be 2.9% in 2023. In terms of oil supply and demand, the demand recovery will be stronger, while the supply will be relatively stable and the balance between supply and demand will remain tense. The U.S. Energy Information Administration (EIA) predicts that the demand for offshore drilling rigs will increase in 2023, and the demand for jack-up drilling rigs will increase by 9%, with the Middle East, China, India and Mexico as the main demand markets, and the demand for floater drilling rigs will increase by 5%, with Brazil, Gulf of Mexico, West Africa and the North Sea as the main demand markets.

In 2023, it is estimated that the Company's capital expenditure will be approximately RMB9.3 billion, which will be mainly used for equipment investment, transformation and renovation, technical equipment transformation and renovation and investment in technology research and development, as well as base construction. The Company's internal capital liquidity will be stable and the external financing channels will be sufficient, which can ensure the safety of cash flow.

The Company will continue to implement the five development strategies, strengthen the basic, forward-looking and leading technology research, build core competitive advantages, establish a new integrated model to create value for customers, add value to the Company's business and resist industry risks, and fully release the value-added space of various businesses and the whole chain business. The Company will adhere to the green and low-carbon development, promote industrial transformation and upgrading, stick to the road of high-quality development, actively safeguard the interests of investors, and ensure the stable dividend return for shareholders.

2023 Business Outlook

With the emission reduction promoted by global climate cooperation and other factors, the global energy structure will continue to gradually transform, and the renewable energy is becoming more and more important. The energy transformation has a long way to go and is full of challenges. The global energy is still dominated by fossil energy by 2040.

According to the research report issued by the International Energy Agency (IEA), it is highly probable that the international oil price in 2023 will fluctuate widely and run at a medium and high level for a long time. It is estimated that the annual average price of Brent crude oil will be US$88/barrel in 2023. Under the situation that the global economic growth prospects are weakening and the uncertainty of the oil market is increasing, oil companies are cautious in upstream investment. According to the conclusion of the latest Global Upstream Spending Report issued by IHS Markit Ltd., it is estimated that the global upstream capital expenditure will be approximately US$561.2 billion in 2023, representing an increase of 12.42%.

SUPPLEMENTARY INFORMATION

Annual Results Review

The consolidated financial statements for the year ended 31 December 2022 of the Group were audited by Ernst & Young. This results announcement is based on such financial statements which have been agreed by the Company and the auditor.

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the risk management, internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2022 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2022, the Company has complied with principles and code provisions of the Corporate Governance Code ("Corporate Governance Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and also has explained the implementation of provision C.2.1 under Part 2 of the Corporate Governance Code.

The Chairman and the Chief Executive Officer of the Company are currently held by Mr. Zhao Shunqiang alone. This is different from the provision C.2.1 under Part 2 of the Corporate Governance 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 helps to meet the Company's overall production and operation needs in current phase, and can effectively promote the Company's strategy. At the same time, all major decisions of the Company are discussed by the Board, the special Board Committees and Senior Management. The Board believes that the current structure does not reduce the balances of power and authorization, and allows the Company to make timely and effective decisions and implementations.

Further information on the Company's corporate governance practices during the year under review will be set out in the Corporate Governance Report to be contained in the Company's 2022 Annual Report which will be issued in April 2023.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, during the 12 months ended 31 December 2022, strictly complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Purchase, Disposal and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the year ended 31 December 2022.

DISCLOSURE OF INFORMATION ON THE HKEX'S WEBSITE

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

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

23 March 2023

As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Shunqiang (Chairman) and Xiong Min; the non-executive directors of the Company are Messrs. Wu Wenlai and Liu Zongzhao; and the independent non-executive directors of the Company are Ms. Chiu Lai Kuen, Susanna, Messrs. Kwok Lam Kwong, Larry and Yao Xin.