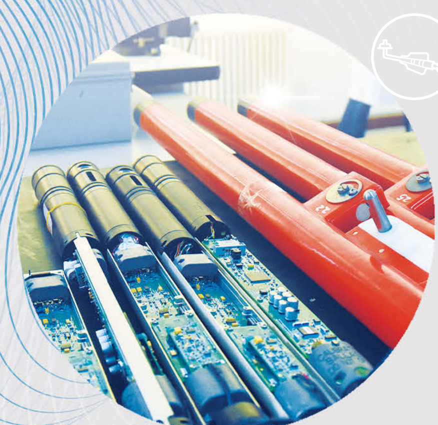
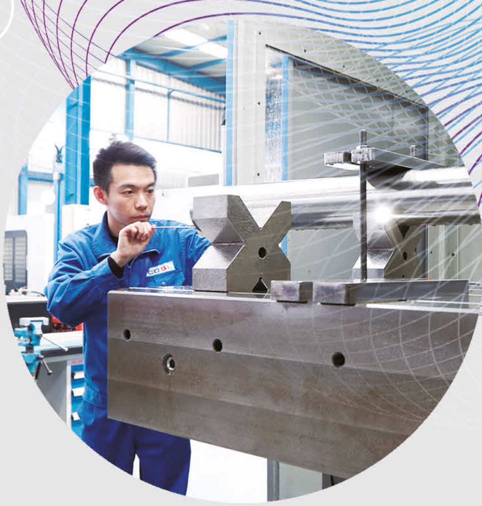
2023 中期報告
Interim Report





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

(Stock Code 股票代號 A 股: 601808 ; H 股: 2883)

Contents

Introduction

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

Financial Highlights

	First half of 2021 RMB million	First half of 2022 RMB million (Restated)	**First half of 2023 RMB million**
Revenue	12,723	15,196	**18,850**
Profit from operations	1,355	1,268	**1,971**
Profit from operations (excluding impairment loss of property, plant and equipment and goodwill)	1,355	1,268	**1,971**
Profit for the period	809	1,111	**1,456**
Profit for the period (excluding impairment loss of property, plant and equipment and goodwill)	809	1,111	**1,456**
	RMB/share	RMB/share	**RMB/share**
Earnings per share	0.17	0.23	**0.28**

Note: The Group has applied the amendments to HKAS 12 since 1 January 2023, and made retrospective adjustments on the the earliest period of presentation of financial statements according to the requirements of the above amendments. For details, please refer to Note 3(c) to the interim condensed consolidated financial information.

Chairman's Statement

Dear Shareholders,

In the first half of 2023, the global environment for economic development began to improve, the market activity of oil and gas industry remained high, the capital expenditure of offshore oil and gas exploration kept growing, and the scale of oilfield service market continued to expand. Faced with the complicated and changeable market environment, the management of the Company seized the opportunity of market recovery, thoroughly implemented five development strategies in the new era, maintained stable operation while expanding the market, sought innovations to promote development, and strengthened governance to prevent risks, making new achievements and progress in all work. The Company achieved revenue of RMB18.85 billion and net profit of RMB1.46 billion during the first half of the year.

I. Focusing on the improvement of scale efficiency and making new breakthroughs in market exploitation

In the first half of the year, while focusing on main responsibility and business, the Company promoted business upgrading and improved management efficiency, continued to strengthen its capacity to explore international market and develop integrated business, and constantly expanded the scale of operation and broadened the profit margins. By making full use of the integrated operation thinking mode, the Company organically integrated different segments resources, and contributed to appreciation in asset value of customers; the Company implemented the business mode of "zero inventory", explored a new co-construction model of bonded warehouses to reduce inventory costs. At the same time, by taking efficiency improvement as the center for market exploration, the Company accelerated the "1+2+N" market layout to realize high-quality development in certain potential regions while based on the domestic market and complemented by overseas regions. In addition, with regards to overseas market, the Company explored new market areas to increase its market share, and preliminarily realized the whole process and integrated operation from oil and gas exploration, development, production to disposal, and the competitiveness of regional market was significantly enhanced through sales of independent products in due time.

II. Focusing on the improvement of core competence and making innovations in mechanisms to display a new vitality

In the first half of the year, based on its advantages, the Company made precise efforts to establish and implement the I^4R technical research system of "research, production, application and iteration", strengthened the control of key nodes in the whole process of scientific and technological innovation following the thinking of value creation, and promoted the efficient transformation and output of scientific research results. The I^4R system is centered on tackling key technical problems, and targets matching customers' needs and accelerating the promotion and application of independent technologies. In the first half of the year, the "Xuanji" system and large-diameter rotary sidewall coring tool were applied for the first time in a shale oil well in the west of South China Sea, and the good run ratio was further improved; the operating well temperature of independent high-temperature multidimensional nuclear magnetic instrument exceeded 190℃, setting the highest operating temperature record; the integrated technology of seismic data acquisition, processing and interpretation helped customers to improve their exploration success rate to a record high; the offshore permanent optical fiber monitoring operation with high difficulty was completed successfully, accelerating the transformation of intelligent oil and gas fields; the self-developed cement slurry system was successfully applied to the first offshore CO_2 reinjection well in China. The successful application of the aforesaid key and core technologies has provided strong support for the Company's well services segment to cross the threshold of high-end market.

III. Focusing on the improvement of grass-roots governance and promoting the risk prevention to a new level

In the first half of the year, the Company strove to strengthen lean management at the grass-roots level, and comprehensively improved the ability of risk prevention and resolution, with grass-roots governance significantly improved. Moreover, the Company promoted the lean cost accounting management, continued to strengthen the cost awareness, market awareness and operation awareness of all staff, strove to enhance the industry competitiveness. The Company established the coordination mechanism for inventory control, expanded the scale of consignment, and reduced the pressure of inventory materials in an overall and systematical manner. The Company strengthened the implementation of safety management responsibilities and achieved good results in safety production; the Company established a business risk management mechanism covering the whole process, and continued to enhance market competitiveness and refined management level.

Outlook

In the second half of 2023, it is expected that the global investment scale of upstream exploration and development will be significantly expanded as a whole, and the oilfield service market will continue to recover. The Company will adhere to the new development concept, implement the requirements of high-quality development, and vigorously implement the five development strategies in the new era. By taking the improvement of organizational efficiency as the core, the Company will vigorously promote organizational innovation, and consolidate the trend towards sound production and operation. In addition, the Company will give full play to integrated advantages and enhance the cooperation of the whole industry chain to create benefits; the Company will stick to scientific and technological innovation, enhance basic research capacity, increase efforts to tackle key and core technology problems, and reinforce the driving force of scientific and technological innovation; the Company will implement measures for lean management, explore the potential of improving quality and efficiency, and promote the digital and intelligent transformation; the Company will persist in sustainable development and the improvement of governance efficiency, lay a solid foundation to prevent and control risks, so as to guarantee its sustained and sound development. The Board of Directors, Management and all staff of the Company will strengthen the conviction, and make every effort to start a new journey of high-quality development with brand-new posture.

Zhao Shunqiang
Chairman and Chief Executive Officer

23 August 2023

Management Discussion and Analysis

INDUSTRY OVERVIEW

In the first half of 2023, the global environment for economic development began to improve, but showing weak recovery momentum. In the first half of the year, the international oil price fluctuated at a medium and high level, oil and gas companies increased their investment in oil and gas exploration and development, and the oilfield service market continued to recover. According to the latest research report of "Global Upstream Spending" released by S&P Global, it is expected that the global upstream capital expenditure in exploration and development in 2023 will be USD565.2 billion, representing an increase of 10.75% as compared with 2022, of which the spending in offshore oilfield is USD163.8 billion, representing an increase of 13.43% as compared with 2022. It is forecasted in the latest "Oilfield Service Market Report" released by Spears & Associates that the global oilfield service industry market size will be USD306.3 billion in 2023, representing an increase of 12.40% compared with the same period of last year. The domestic oilfield service market has benefited from the strategic demand of national energy security, and the scale of oilfield service market has continued to expand.

BUSINESS REVIEW

In the first half of 2023, the downward pace of the global economy was slackening and inflation continued to fall, but recovery differentiation displayed the aggravation tendency. The global service industry remained stable recovery, while the global manufacturing and commodity trading sectors showed weak recovery. Major central banks in Europe and the United States continued to raise interest rates, and the liquidity risk of European and American banks caused new uncertainties in the global financial system. The international crude oil was characterized by "sluggish growth with basic support offered", and economic worries became the core factor to restrain the rise of oil prices. However, with the implementation of the new OPEC+ production reduction policy, the fundamentals are beneficial to strengthen the basic support. The market activity of the oil and gas industry remained high, the global demand for drilling rigs rebounded, and the number of contracts signed in some regions increased. Following the upward trend of the industry, the Company continued to expand international market while taking active measures to guarantee the improvement of reserves and production for domestic exploration and development, reinforced quality and safety management and strengthened the guarantee of safety performance with a sharp rise in workload; continuously improved the governance efficiency by further promoting the lean management of grass-roots operation units; constantly improved the technical service level through optimization of the core technology system; promoted large-scale development in virtue of competitive business, and continuously enhanced the collaborative competitiveness of "integration". In the first half of the year, the Company's revenue was RMB18,849.9 million, representing an increase of RMB3,654.3 million or 24.0% compared with the same period of last year. The net profit was RMB1,456.1 million, representing an increase of RMB344.7 million (restated) or 31.0% compared with the same period of last year.

Drilling Services Segment

Revenue for the Company's drilling services segment in the first half of the year was RMB5,422.5 million, representing an increase of RMB367.4 million or 7.3% compared with RMB5,055.1 million for the same period of last year.

In the first half of 2023, the global drilling market continued to be active, and the demand for jack-up rig steadily increased. Focusing on the effective matching of equipment resources and market demand, the Company adhered to the idea of whole life cycle management, continued to strengthen the project operation and maintenance as well as management capabilities, and improved the lean management level in an all-around way. The rigs "Zhenhai 6", "COSLSeeker", "COSLHunter" and "HYSY936" successively completed the adaptability improvement and were prepared to operate in the Middle East; the rig "Shen Lan Tan Suo" successfully completed the drilling operation of the project in Southeast Asia; three semi-submersible drilling rigs in Europe were operated under full workload in the first half of the year; the rig "NH10" successfully completed the drilling and completion operation of a high-pressure gas well, and set a new record for the drilling depth of semi-submersible drilling rig in the East China Sea; the rig "HYSY943" completed the operations for the "New, Excellent and Fast" project of CNOOC's first unmanned rig; the rig "China Merchants Hailong 7" successfully completed the drilling operation of an extended-reach horizontal well; the rig "China Merchants Hailong 9" won the "Award for Excellent Service Quality" for an oilfield complex development project in South China Sea. The Company continued to promote highly standardized, scientific and formalized operation of equipment to ensure that the capability of rig equipment configuration matches the operation capacity, thereby providing customers with safer, better and more efficient drilling operation services.

As of 30 June 2023, the Company operated and managed a total of 60 drilling rigs, including 46 jack-up drilling rigs and 14 semi-submersible drilling rigs. Of these, 36 rigs were operating in the China sea and 13 rigs in overseas, while 8 rigs were on standby and 3 rigs were under repair in shipyards. In the first half of the year, operating days for the Company's drilling rigs amounted to 8,789 days, representing an increase of 772 days or 9.6% compared with the same period of last year. Among which, operating days for jack-up drilling rigs amounted to 6,807 days, representing an increase of 175 days compared with the same period of last year; operating days for semi-submersible drilling rigs amounted to 1,982 days, representing an increase of 597 days compared with the same period of last year. Available day utilisation rate of drilling rigs was 86.5%, representing an increase of 2.1 percentage points compared with the same period of last year. Among which, the utilisation rate of jack-up drilling rigs was 87.0%, representing a decrease of 2.8 percentage points compared with the same period of last year, which was due to the impact of cross-border towing and standby for inspection of vessels of overseas customers, and available day utilisation rate shall be 90.6% after excluding such impact, representing an increase of 0.8 percentage point compared with the same period of last year.

Operation details for the Company's jack-up and semi-submersible drilling rigs in the first half of 2023 are as follows:

Drilling Services	For the six months ended 30 June 2023	2022	Percentage change/Change
Operating days (day)	**8,789**	8,017	9.6%
Jack-up drilling rigs	**6,807**	6,632	2.6%
Semi-submersible drilling rigs	**1,982**	1,385	43.1%
Available day utilization rate	**86.5%**	84.4%	Up 2.1 percentage points
Jack-up drilling rigs	**87.0%**	89.8%	Down 2.8 percentage points
Semi-submersible drilling rigs	**85.0%**	65.5%	Up 19.5 percentage points
Calendar day utilization rate	**79.4%**	77.4%	Up 2.0 percentage points
Jack-up drilling rigs	**79.7%**	83.9%	Down 4.2 percentage points
Semi-submersible drilling rigs	**78.2%**	56.4%	Up 21.8 percentage points

In the first half of 2023, the average daily revenue of the Company's drilling rigs is as follows:

Average daily revenue (ten thousand US$/day)	For the six months ended 30 June 2023	2022	Change	Percentage change
Jack-up drilling rigs	**6.9**	7.1	(0.2)	(2.8%)
Semi-submersible drilling rigs	**12.3**	11.5	0.8	7.0%
Drilling rigs average	**8.2**	7.9	0.3	3.8%

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

(2) US$/RMB exchange rate was 1:7.2258 on 30 June 2023 and 1:6.7114 on 30 June 2022.

Well Services Segment

The first half of the year saw an increase in the operation volume of main business lines in the Company's well services segment compared with the same period of last year, and the overall revenue of the segment was RMB10,607.9 million, representing an increase of RMB3,049.8 million or 40.4% compared with RMB7,558.1 million for the same period of last year.

In the first half of 2023, focusing on the development trend of the industry and the requirements of primary customers, the Company made great efforts to tackle problems in key technologies, exerted more control over key nodes of scientific and technological innovation, promoted the efficient output and transformation of scientific research achievements, and continuously improved its core competitiveness and technological performance. The key operating indicators of the self-developed "Xuanji" rotary steering drilling and logging while drilling system continued to be improved, and such system was promoted and applied in some new projects in overseas areas; the self-developed "water-based supramolecular polymer microspheres" profile modification technology was successfully applied in Bohai Sea; the self-developed HEM deep-water drilling fluid technology was adopted to complete the drilling task at a depth of 2,233 meters in the South China Sea, successfully breaking the application depth record of this technology; the diversion acidizing technology solved the problem of increasing oil production in high-water-cut oil wells, which effectively improved the comprehensive treatment ability of old oilfields with high water cut; the self-developed PC-CorroCEM anticorrosive cement slurry system was successfully applied for the first time in casing cementing operation of an oilfield development project in the eastern South China Sea; the two-liquid plugging technology was successfully applied in a large fracture malignant loss well for the first time in the South China Sea; the self-developed 8-1/2" open-hole horizontal well was subject to heavy oil thermal recovery at 350°C with full well completion tools applied in 26 well times, and the jet pump injection-production integration technology was applied in 30 well times, which effectively promoted the efficient development of heavy oil thermal recovery oilfield and contributed to the successful operation of the world's first offshore super heavy oil thermal recovery development oilfield.

With excellent technical service performance, the Company constantly opened up overseas markets: successfully won the bid for the large-scale service project of cementing, drilling and completion fluids in Southeast Asia, which involves 43 wells and lasts for two years; successfully won the bid for the service contract of onshore abandoned wells in Southeast Asia from 2023 to 2025; successfully won the bid for disposal integration project in the Southeast Asia, achieving breakthroughs in the services for high-end customers of the regional market for the first time; successfully obtained the integrated drilling and completion service project in America, which was the first time of the Company to provide integrated services to customers outside CNOOC in this region, and the integrated capability was recognized by customers; concluded a large-amount service contract of solid control equipment technology in America, realizing the transition from "individual small-amount contract" to "large-amount contract" and further empowering the business development.

Marine Support Services Segment

In the first half of the year, revenue from the Company's marine support services segment was RMB1,904.7 million, representing an increase of RMB179.8 million or 10.4% compared with RMB1,724.9 million for the same period of last year.

In the first half of 2023, the Company stuck to the safety bottom line, enhanced the capability to respond to emergencies, undertook urgent, difficult and dangerous tasks for customers, fully satisfied the demand on vessels for strengthening reserves and production in China, actively promoted clean energy substitution in the exploration and development process, and focused on lean costing management to optimize business development model. "Nanhai 222" was honorably awarded the "Vessel with Outstanding Contribution to Maritime Search and Rescue"; the green fleet comprising of 12 LNG powered vessels was successively put into operation in Bohai Sea and South China Sea, which was recognized by customers, and it is expected to reduce 12,000 tons of carbon emissions every year.

As of 30 June 2023, the Company operated and managed a total of over 170 vessels, including AHTS vessels, platform supply vessels and standby vessels, etc. The operating days amounted to 27,191, representing an increase of 940 days compared with the same period of last year. The operation volume of main businesses increased. Details are in the following table:

	For the six months ended 30 June		
Marine Support Services	**2023**	2022	Percentage change
Operating days (day)	**27,191**	26,251	3.6%
Standby vessels	**5,735**	5,595	2.5%
AHTS vessels	**10,457**	10,801	(3.2%)
Platform supply vessels	**8,904**	7,836	13.6%
Multi-purpose vessels	**1,371**	1,502	(8.7%)
Workover support barges	**724**	517	40.0%

Geophysical Acquisition and Surveying Services Segment

Revenue for the Company's geophysical acquisition and surveying services segment was RMB914.8 million for the first half of the year, representing an increase of RMB57.3 million or 6.7% compared with the same period of last year.

In the first half of 2023, the Company optimized the allocation of resources while keeping up with the market demand, actively promoted the global operation of geophysical services, made sustained efforts to advance technological transformation and upgrading, and increased the industrial application of independent equipment technologies to provide customers with better products and services for exploration and discovery. In the first half of the year, the acquisition operation of the first unconventional onshore seismic exploration project was completed; a new domestic OBN production line with completely independent intellectual property was built; the self-developed towing cable complete set equipment for marine seismic exploration completed the exploration operation in the sea area of over 3,500 square kilometers and remained stable; "HYSY721" vessel sailed for West Africa to conduct large-scale 3D acquisition operation, which covers an area of over 11,000 square kilometers.

As of 30 June 2023, under the impact of market layout and adjustment of production capacity, the operation volume of the Company's 2D acquisition business was 12,931 km, an increase of 855.7% as compared with the same period of last year. The 3D acquisition operation volume was 5,654 km^2, a decrease of 36.2% as compared with the same period of last year. Due to the impact of project schedule, the operation volume of ocean bottom cable and ocean bottom node decreased as compared with the same period of last year. Details are as follows:

	For the six months ended 30 June		
Geophysical Acquisition and Surveying Services	**2023**	2022	Percentage change
2D acquisition (km)	**12,931**	1,353	855.7%
3D acquisition (km^2)	**5,654**	8,868	(36.2%)
Ocean bottom cable (km^2)	**627**	638	(1.7%)
Ocean bottom node (km^2)	**192**	262	(26.7%)

FINANCIAL REVIEW

1.1 Revenue

In the first half of 2023, the Company closely kept up with the recovery industry environment, and revenue of the Company increased by RMB3,654.3 million or 24.0% compared with the same period of last year. The detailed analysis is set out below:

Revenue of each business segment for the first half of 2023:

Unit: RMB million	For the six months ended 30 June			Percentage
Business segment	2023	2022	Change	change
Drilling services	**5,422.5**	5,055.1	367.4	7.3%
Well services	**10,607.9**	7,558.1	3,049.8	40.4%
Marine support services	**1,904.7**	1,724.9	179.8	10.4%
Geophysical acquisition and surveying services	**914.8**	857.5	57.3	6.7%
Total	**18,849.9**	15,195.6	3,654.3	24.0%

Revenue generated from drilling services business increased by 7.3% over the same period of last year, which was mainly due to the increase in operation volume and utilization rate of drilling rigs during the period since the Company has been focusing on the effective matching of equipment resource and market demand.

Revenue from well services business increased by 40.4% over the same period of last year, which was mainly due to the fact that the Company persisted in focusing on the industry development trend and the demand of major customers, made every effort to tackle core technologies and improve technology service quality, and achieved remarkable market expansion results, therefore, operation volume of various business lines increased.

Revenue from marine support services business increased by 10.4% over the same period of last year, which was mainly due to the increase in operation volume of self-owned vessels and chartered vessels during the period.

Revenue of geophysical acquisition and surveying services business increased by 6.7% over the same period of last year, which was mainly due to the increase in 2D acquisition business.

1.2 Operating expenses

In the first half of 2023, the Company's operating expenses amounted to RMB16,986.4 million, representing an increase of RMB2,857.8 million or 20.2% from RMB14,128.6 million for the same period of last year.

The table below breaks down the Company's operating expenses for the first half of 2023:

Unit: RMB million	For the six months ended 30 June			Percentage
	2023	2022	Change	change
Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library	**2,432.1**	2,281.9	150.2	6.6%
Depreciation of right-of-use assets	**194.4**	177.6	16.8	9.5%
Employee compensation costs	**3,346.5**	2,891.6	454.9	15.7%
Repair and maintenance costs	**175.6**	174.0	1.6	0.9%
Consumption of supplies, materials, fuel, services and others	**4,428.5**	3,808.2	620.3	16.3%
Subcontracting expenses	**4,766.8**	3,520.7	1,246.1	35.4%
Operating lease expenses	**993.4**	739.9	253.5	34.3%
Impairment loss under expected credit losses model, net of reversal	**18.7**	14.6	4.1	28.1%
Other operating expenses	**630.4**	520.1	110.3	21.2%
Total operating expenses	**16,986.4**	14,128.6	2,857.8	20.2%

Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library for the period increased by RMB150.2 million or 6.6% compared with the same period of last year.

Depreciation of right-of-use assets for the period increased by RMB16.8 million or 9.5% compared with the same period of last year.

Employee compensation costs for the period increased by RMB454.9 million or 15.7% compared with the same period of last year.

Repair and maintenance costs for the period increased by RMB1.6 million compared with the same period of last year, which was basically consistent with the same period of last year.

Consumption of supplies, materials, fuel, services and others for the period increased by RMB620.3 million or 16.3% compared with the same period of last year, mainly due to the increase in operation volume.

Subcontracting expenses for the period increased by RMB1,246.1 million or 35.4% compared with the same period of last year, mainly due to the increase in the operation volume for the period, which led to the increase in operation and personnel subcontracting input of the Company.

Lease expenses for the period increased by RMB253.5 million or 34.3% compared with the same period of last year, mainly due to the increase in the operation volume and the increase in operation schedule of charted equipment according to the market demand for the period.

Other operating expenses for the period amounted to RMB630.4 million, which mainly included more than 30 cost items including travel expenses, business trip expenses, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on, representing an increase of RMB110.3 million compared with the same period of last year, mainly due to the fact that health, safety and environmental protection expenses for the period amounted to RMB198.7 million, representing an increase of RMB57.1 million compared with the same period of last year, while other items increased or decreased. Among which, transfer fees for technology amounted to RMB63.9 million, travel expenses amounted to RMB51.4 million, business trip expenses amounted to RMB42.7 million, consulting fees amounted to RMB18.4 million, and audit fees, office expenses and other fees amounted to RMB255.3 million in total.

In the same period of 2022, other operating expenses amounted to RMB520.1 million, which mainly included more than 30 cost items including travel expenses, business trip expenses, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. Among which, health, safety and environmental protection expenses amounted to RMB141.6 million, transfer fees for technology amounted to RMB65.5 million, pandemic prevention fees amounted to RMB62.6 million, business trip expenses amounted to RMB46.3 million, travel expenses amounted to RMB27.8 million, and consulting fees, audit fees, office expenses and other fees amounted to RMB176.3 million in total.

The table below shows operating expenses for business segment in the first half of 2023:

Unit: RMB million	**For the six months ended 30 June**			Percentage
Business segment	**2023**	2022	Change	change
Drilling services	**5,151.4**	5,056.6	94.8	1.9%
Well services	**8,962.5**	6,367.5	2,595.0	40.8%
Marine support services	**1,871.0**	1,691.6	179.4	10.6%
Geophysical acquisition and surveying services	**1,001.5**	1,012.9	(11.4)	(1.1%)
Total	**16,986.4**	14,128.6	2,857.8	20.2%

1.3 Profit from operations

The Company's profit from operations in the first half of 2023 amounted to RMB1,971.3 million, representing an increase of RMB703.2 million as compared with RMB1,268.1 million for the same period of last year. The profit from operations for each segment is shown in the table below:

Unit: RMB million Business segment	For the six months ended 30 June 2023	2022	Change	Percentage change
Drilling services	**299.7**	52.8	246.9	467.6%
Well services	**1,705.8**	1,290.8	415.0	32.2%
Marine support services	**45.6**	55.3	(9.7)	(17.5%)
Geophysical acquisition and surveying services	**(79.8)**	(130.8)	51.0	39.0%
Total	**1,971.3**	1,268.1	703.2	55.5%

1.4 Financial expenses, net

In the first half of 2023, the Company's net financial expenses were RMB241.7 million, representing an increase of RMB183.8 million compared with RMB57.9 million for the same period of last year. Of which, affected by the fluctuation of exchange rate, net exchange gain decreased by RMB106.4 million compared with the same period of last year, finance costs increased by RMB107.3 million compared with the same period of last year, and interest income increased by RMB29.9 million compared with the same period of last year.

1.5 Investment income

In the first half of 2023, the Company's investment income amounted to RMB10.2 million, representing an increase of RMB6.2 million or 155.0% compared with RMB4.0 million for the same period of last year, mainly due to the net purchase of more wealth management products in the second half of 2022.

1.6 Other gains and losses

In the first half of 2023, net loss from disposal/retirement of assets and loss from lease modifications were RMB7.8 million in total, while the net loss from disposal/retirement of assets and the loss from lease modifications for the same period of last year were RMB3.9 million in total.

1.7 Profit for the period

In the first half of 2023, the Company closely kept up with the recovery industry environment, endeavored to promote the expansion of domestic and overseas markets, deeply promoted lean cost management and control, and continuously improved governance efficiency and profitability. Profit for the period was RMB1,456.1 million, as compared with RMB1,111.4 million (restated) for the same period of last year.

1.8 Basic earnings per share

In the first half of 2023, the Company's basic earnings per share amounted to RMB28.06 cents, as compared with basic earnings per share of RMB23.17 cents (restated) for the same period of last year.

2. Analysis of interim condensed consolidated statement of financial position

As of 30 June 2023, total assets of the Company amounted to RMB79,597.5 million, representing an increase of RMB2,436.8 million or 3.2% as compared with RMB77,160.7 million (restated) at the end of 2022. Total liabilities were RMB38,992.5 million, representing an increase of RMB1,807.7 million or 4.9% as compared with RMB37,184.8 million (restated) at the end of 2022. Shareholders' equity was RMB40,605.0 million, representing an increase of RMB629.0 million or 1.6% as compared with RMB39,976.0 million (restated) at the end of 2022.

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

Unit: RMB million Items	30 June 2023	31 December 2022 (Restated)	Percentage change	Reasons
Contract costs (non-current assets)	**746.5**	496.8	50.3%	The increase in contract performance costs arising from mobilisation of drilling rigs for the period.
Other non-current assets	**260.7**	1,829.2	(85.7%)	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.
Deferred tax assets	**66.1**	26.6	148.5%	Mainly due to the increase in accrued expenses and the increase in loss arising from the overseas subsidiaries.
Prepayments, deposits and other receivables	**380.0**	280.7	35.4%	Mainly due to prepaid equipment consumables, customs duties and others for the period.
Notes receivable	**61.1**	22.8	168.0%	Mainly due to the increase in commercial acceptance bills of external customers for the period.
Receivables at fair value through other comprehensive income	**45.4**	8.2	453.7%	Mainly due to the increase in bank acceptance bills of external customers for the period.
Financial assets at fair value through profit or loss	**2,531.8**	5,106.0	(50.4%)	Mainly attributable to the combined effect of the redemption on maturity of floating rate investments in wealth management products and recognition of monetary funds for the period.
Contract costs (current assets)	**24.3**	47.4	(48.7%)	Mainly due to transfer of mobilisation costs for the period.
Other current assets	**899.6**	1,771.3	(49.2%)	Mainly due to recognition of monetary funds as financial assets at fair value through profit or loss for the period.
Time deposits	**2,195.4**	548.5	300.3%	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.
Cash and cash equivalents	**5,351.3**	3,561.7	50.2%	Mainly due to the increase in revenue and the increase in payment collection for the period.
Other current liabilities	**762.8**	500.4	52.4%	Mainly due to the increase in output value-added tax to be recognized for the period.
Deferred tax liabilities	**483.7**	244.5	97.8%	Mainly due to the utilisation of losses of the parent company in the previous years, represented by net amount at the end of the period.
Lease liabilities (non-current)	**748.1**	569.6	31.3%	Mainly due to the increase in lease drilling rigs for the period.
Other non-current liabilities	**11.4**	20.7	(44.9%)	Mainly due to the transfer of onerous contracts in other current liabilities over the initial term for the period.

3. Analysis of interim condensed consolidated statement of cash flows

At the beginning of 2023, the Company held cash and cash equivalents of RMB3,561.7 million. Net cash inflows from operating activities for the period amounted to RMB1,153.5 million. Net cash inflows from investing activities were RMB2,025.7 million. Net cash outflows from financing activities were RMB1,534.8 million. The impact of foreign exchange rate changes on cash resulted in an increase of RMB145.2 million. As of 30 June 2023, the Company's cash and cash equivalents amounted to RMB5,351.3 million.

3.1 Cash flows from operating activities

In the first half of 2023, the Company's net cash inflows from operating activities amounted to RMB1,153.5 million, as compared with the net cash outflows of RMB2,088.0 million for the same period of last year, mainly due to the increase in cash from sales of goods and rendering of services for the period.

3.2 Cash flows from investing activities

In the first half of 2023, net cash inflows from the Company's investing activities amounted to RMB2,025.7 million, representing a decrease of RMB2,173.4 million in net cash inflows compared with net cash inflows from investing activities of RMB4,199.1 million in the same period of last year, which was mainly due to the increase of RMB436.4 million in the cash outflows paid for purchase of property, plant and equipment and other long-term assets compared with the same period of last year, and the decrease of RMB1,704.5 million in cash inflows received from the proceeds on disposal/maturity of floating rate investments in corporate wealth management products and monetary funds compared with the same period of last year.

3.3 Cash flows from financing activities

In the first half of 2023, the Company's net cash outflows from financing activities amounted to RMB1,534.8 million, representing a decrease of RMB1,308.9 million in net cash outflows compared with the same period of last year, which was mainly due to the cash outflows for repayment of long-term bonds of RMB1,500.0 million in the same period of last year, but not occurred during the period.

3.4 The impact of foreign exchange rate changes on cash during the period resulted in an increase of RMB145.2 million.

4. Capital expenditure

In the first half of 2023, the Company's capital expenditure was RMB1,854.5 million, representing an increase of RMB591.8 million or 46.9% compared with RMB1,262.7 million for the same period of last year.

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

Unit: RMB million	For the six months ended 30 June			Percentage
Business segment	2023	2022	Change	change
Drilling services	**884.0**	617.2	266.8	43.2%
Well services	**699.4**	457.2	242.2	53.0%
Marine support services	**61.1**	103.4	(42.3)	(40.9%)
Geophysical acquisition and surveying services	**210.0**	84.9	125.1	147.3%
Total	**1,854.5**	1,262.7	591.8	46.9%

The capital expenditure of the drilling services segment was mainly used for the special inspection of drilling rig and the transformation and renovation of equipment. The capital expenditure of the well services segment was mainly used for the construction and purchase of relevant well technology services equipment relating to such business segment. The capital expenditure of the marine support services segment was mainly used for the transformation and renovation and construction of standby vessels. The capital expenditure of the geophysical acquisition and surveying services segment was mainly used for the transformation and renovation of operation vessels and equipment.

5. Major subsidiaries

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

As of 30 June 2023, the total assets of China Oilfield Services (BVI) Limited amounted to RMB9,490.9 million and equity was RMB1,288.0 million. China Oilfield Services (BVI) Limited realized revenue of RMB2,092.4 million in the first half of 2023, representing an increase of RMB713.0 million compared with the same period of last year. The net profit amounted to RMB-55.4 million, representing a decrease of RMB179.6 million compared with the same period of last year.

As of 30 June 2023, the total assets of COSL Hong Kong International Limited amounted to RMB7,711.3 million and equity was RMB7,711.3 million. COSL Hong Kong International Limited realized revenue of RMB34.5 thousand in the first half of 2023, representing an increase of RMB1.1 thousand compared with the same period of last year. The net profit amounted to RMB46.3 thousand, representing an increase of RMB12.9 thousand compared with the same period of last year.

As of 30 June 2023, the total assets of CNA amounted to RMB8,038.4 million and equity was RMB-5,132.4 million. CNA realized revenue of RMB598.5 million in the first half of 2023, representing an increase of RMB378.6 million or 172.2% compared with the same period of last year. The net profit amounted to RMB-290.4 million, representing a decrease in loss of RMB77.3 million compared with the same period of last year.

As of 30 June 2023, the total assets of COSL Singapore Limited amounted to RMB22,666.9 million and equity was RMB-3,890.7 million. COSL Singapore Limited realized revenue of RMB1,116.0 million in the first half of 2023, representing an increase of RMB389.2 million or 53.5% compared with the same period of last year. The net profit amounted to RMB-438.3 million, representing an increase in loss of RMB149.3 million compared with the same period of last year. COSL PROSPECTOR PTE. LTD. is a major drilling rig subsidiary of COSL Singapore Limited.

As of 30 June 2023, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,270.4 million and equity was RMB-6,694.4 million. COSL PROSPECTOR PTE. LTD. realized revenue of RMB295.5 million in the first half of 2023, representing an increase of RMB65.0 million compared with the same period of last year. The net profit amounted to RMB-331.1 million, representing an increase in loss of RMB142.4 million compared with the same period of last year, which was mainly due to the increase in cost as a result of transformation and renovation from overseas projects before operation.

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 of 30 June 2023, the total assets of China France Bohai amounted to RMB1,253.8 million and equity was RMB734.6 million. In the first half of 2023, China France Bohai realized revenue of RMB803.4 million and net profit amounted to RMB202.1 million.

Hainan Company was incorporated by the Group on 6 December 2019 and the construction at the site has been completed and the business has been improved gradually at present. As of 30 June 2023, the total assets of Hainan Company amounted to RMB2,233.8 million and equity was RMB242.0 million. Hainan Company realized revenue of RMB1,471.0 million in the first half of 2023, representing an increase of RMB1,458.2 million compared with the same period of last year. The net profit amounted to RMB89.7 million, representing an increase of RMB90.9 million compared with the same period of last year.

PROSPECTS

According to the latest "Global Economic Outlook Report" released by the International Monetary Fund (IMF), the global economy is still facing downside risks, and factors such as inflation, extreme weather and geopolitical conflicts are contributing to the instability of the future global economy. The global economic growth is expected to be 3.0%. With enough momentum gathered for China's economic growth, it is expected to grow by 5.2% this year, up from 3.5% last year. Russian oil production and OPEC+ production reduction agreements will exert a great impact on global oil supply. Developing countries in Asia are the largest contributors to the increase in global oil demand, and it is forecasted that international oil prices will fluctuate in the middle and high levels in the second half of the year. The global investment scale of upstream exploration and development will be significantly expanded as a whole, and demands of oilfield service market will continue to recover. Moreover, as driven by the national "Seven-Year Action Plan" from improving reserves and production, the domestic market demand for oilfield services will increase. In the first half of the year, the workload of the Company was obviously higher than that of the same period of last year. In the second half of the year, the Company will gain more service opportunities thanks to the improvement of industry conditions, operation of new equipment, the application of new technologies and the promotion of integrated projects.

In the second half of the year, the Company will continue to implement the five development strategies, comprehensively enhance its technological research and development capabilities, and strive to make a breakthrough in and promote achievement transformation of key and core technologies to a new level. Moreover, the Company will promote the establishment of "strategic partners", implement its safety responsibilities, realize its "carbon emission peak and carbon neutrality" target, and cultivate new development momentum, further reduce overall costs through reform, innovation and lean management, and enhance service core competitiveness and service efficiency. At the same time, the Company will keep abreast on the development of the global economy, international oil prices, investment in upstream exploration and development as well as oilfield service market, and it will formulate targeted measures in accordance with the development trends of the industry to accelerate the pace of high-quality development of the Company.

Supplementary Information

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company as well as the risk management, internal control and financial reporting matters. The Company's unaudited interim results and interim report for the six months ended 30 June 2023 have been reviewed by the audit committee. The interim financial information has been reviewed by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the HKICPA.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2023, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter "Listing Rules"), except for the following deviation: the chairman and the chief executive officer of the Company are currently held by Mr. Zhao Shunqiang alone. This is different from the Code Provision C.2.1 of 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 guarantee the effective formulation and vigorous promotion of the Company's strategies. At the same time, all major decisions of the Company are discussed by the Board, the special committees of the Board 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.

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

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors of the Company have confirmed that they have, for the six months ended 30 June 2023, complied with the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter "Model Code") as set out in Appendix 10 of the Listing Rules. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code.

PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2023, none of the directors and supervisors had any material interest, whether direct or indirect, in any contract that was significant to the Company's business and to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party.

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

As of 30 June 2023, none of the directors, supervisors and senior management of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (hereinafter "SFO")) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or senior management of the Company, as of 30 June 2023, the following persons had interests or short positions in the H shares or underlying H shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and HKSE:

Name of shareholder	Nature of interests	Number of shares in interest (share)	Approximate percentage of the interests (H shares) in COSL (%)
Brown Brothers Harriman & Co.	Interest in controlled corporation	129,666,280(L) 129,666,280(P)	7.16(L) 7.16(P)
BlackRock, Inc.	Interest in controlled corporation	128,289,936(L) 398,000(S)	7.08(L) 0.02(S)
Citigroup Inc.	Interest in controlled corporation	127,490,301(L) 1,516,126(S) 125,311,122(P)	7.03(L) 0.08(S) 6.91(P)

Notes:

(a) "L" means long position

(b) "S" means short position

(c) "P" means lending pool

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

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

At no time during the six months ended 30 June 2023 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, supervisors and senior management or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

EMPLOYEE, REMUNERATION POLICY AND TRAINING PROGRAMME

As of 30 June 2023, the total number of in-service employees of the Company is 15,076. The Company adhered to the salary payment concept of "post value, ability level and performance contribution", aimed to stimulate vitality, improve efficiency and enhance core competitiveness, optimized and improved the dynamic distribution mechanism of total wages, highlighted the distribution subject status of frontline employees at the grassroots level, continuously stimulated employees' innovation and efficiency motivation, continued to improve the corporate vitality and efficiency, established a hierarchical and classified differentiated incentive and constraint mechanism, and strengthened the positive incentive intensity of key reform areas, key businesses and key groups. The Company continuously perfected and improved the employee welfare and insurance system and established a supplementary enterprise insurance system that is compatible with social insurance. The Company also provided a number of welfare including health check, paid vacation, helping and assisting those with difficulties or major diseases, etc., and made efforts to address the worries of employees, so as to provide reliable and multi-layered protection for employees.

With regard to the training programme and development, the Company insisted on building a cadre talent team needed by a first-class energy service company with Chinese characteristics as the goal, focused on the improvement of political ability, management ability and professional ability, established a hierarchical and graded training system that is suitable for training cadres and employees in the new era and covers the headquarters and grassroots, clarified the training needs and contents at all levels, drew up a strategic cooperation agreement framework based on the advantageous resources of well-known universities and colleges in major regions, established a school-enterprise joint cultivation and empowerment center and organized its implementation, improved the comprehensive quality and duty performance ability of cadres and talents, and built its core competitiveness.

CHANGES IN DIRECTORS AND SENIOR MANAGEMENT

Changes in Directors

On 31 May 2023, the Board received the written resignation from Mr. Wu Wenlai, a non-executive director of the Company. The resignation of Mr. Wu Wenlai as a non-executive director of the Company and a member of the remuneration and assessment committee of the Board was due to his retirement, which took effect from the date when a new executive director is appointed by the shareholders of the Company at the extraordinary general meeting. On 17 August 2023, the Company convened the 2023 first extraordinary general meeting. The meeting considered and approved the appointment of Mr. Lu Tao as an executive director of the Company for a term of three years starting from the date when the resolution was passed at the 2023 first extraordinary general meeting.

The term of Mr. Zhao Shunqiang, an executive director of the Company, will expire on 20 October 2023. On 21 July 2023, the Board proposed the re-appointment of Mr. Zhao Shunqiang as an executive director of the Company. On 17 August 2023, the Company convened the 2023 first extraordinary general meeting. The meeting considered and approved the re-appointment of Mr. Zhao Shunqiang as an executive director of the Company for a term of three years starting from the date when the resolution was passed at the 2023 first extraordinary general meeting. Mr. Zhao Shunqiang continued to serve as the chairman of the Board and the member of the nomination committee.

On 21 July 2023, the Board received the written resignation from Mr. Liu Zongzhao, a non-executive director of the Company. The resignation of Mr. Liu Zongzhao as a non-executive director of the Company was due to the adjustment of his work arrangement, with effect from the date when a new non-executive director is elected by the shareholders of the Company at the extraordinary general meeting. On 17 August 2023, the Company convened the 2023 first extraordinary general meeting. The meeting considered and approved the appointment of Mr. Liu Qiudong as a non-executive director of the Company for a term of three years starting from the date when the resolution was passed at the 2023 first extraordinary general meeting. Mr. Liu Qiudong also served as the member of the remuneration and assessment committee. The 2023 first extraordinary general meeting also considered and approved the appointment of Mr. Fan Baitao as a non-executive director of the Company for a term of three year starting from the date when the resolution was passed at the 2023 first extraordinary general meeting.

Changes in Senior Management

On 31 May 2023, the Company convened the Board meeting by way of circulating written resolutions, and appointed Mr. Lu Tao as the President of the Company, with effect from 31 May 2023.

PLACING OF H SHARES

On 15 January 2014, the Company completed the placing of an aggregate of 276,272,000 H shares, representing approximately 5.79% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 15.25% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 4,495,320,000 shares to 4,771,592,000 shares. The total number of issued H shares increased from 1,534,852,000 H shares to 1,811,124,000 H shares. For further details, please refer to the Company's announcements dated 7 January 2014 and 15 January 2014, respectively. The net proceeds from the placing amounted to approximately HK$5,819,392,302.91 (after deduction of the commissions and estimated expenses) and was used for general corporate purposes. The proceeds from the placing would be used according to the agreed use in the placing agreement. Approximately US$402,250.93 was not yet utilized as at 30 June 2023. The above balance of raised funds will continue to be used for general corporate purposes and in a timely manner.

GEARING RATIO

As at 30 June 2023, the net current assets of the Company increased to RMB9,499.5 million compared with RMB6,817.8 million as at 31 December 2022, while the current ratio increased to 1.43 times, compared with 1.32 times as at 31 December 2022.

The Company monitors capital using the gearing ratio, which is net debt divided by the total capital plus net debt. The gearing ratios as at the end of each reporting period were as follows:

	30 June 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Interest-bearing bank borrowings	**3,816,109**	3,684,704
Financial liabilities included in trade and other payables	**11,887,367**	11,145,020
Notes payable	**–**	11,866
Salary and bonus payables	**1,189,206**	1,033,179
Loans from related parties	**4,809,544**	4,633,869
Long-term bonds	**13,188,054**	12,894,109
Lease liabilities	**1,057,363**	1,006,786
Employee benefit liabilities	**9,181**	7,587
Less: Cash and cash equivalents	**(5,351,324)**	(3,561,740)
Net debt	**30,605,500**	30,855,380
Equity attributable to owners of the Company	**39,912,655**	39,409,165
Non-controlling interests	**692,344**	566,802
Total capital	**40,604,999**	39,975,967
Capital and net debt	**71,210,499**	70,831,347
Gearing ratio	**43%**	44%

PROGRESS OF BUSINESS PLAN

In the first half of 2023, the global demand for liquid fuels was increasing, and there were visible signs of growth in the offshore oilfield service industry market. The workload of the major segments of the Company was higher than that of the same period of last year, and in the first half of 2023, the Company achieved the revenue of RMB18.85 billion, with a net profit of RMB1.46 billion. In the first half of 2023, with the guidance of the five development strategies of technology-driven, cost leadership, integration, internationalization and regional development, the Company continued to promote lean management and adhered to the sustainable development and long-term growth to promote the continuous improvement of the competitiveness and capacity of creating benefits. The current global oil price remains high, it is expected that the upstream investment will continue to increase in the second half of the year, and the opportunities in the oilfield service market will increase. The Company will constantly enhance the strength of equipment and continue to promote scientific and technological innovation, and cultivate the oilfield full life-cycle integrated service capability with customer's demands as the guide, create greater value for shareholders, customers, employees and partners.

FOREIGN CURRENCY RISK

The Company's operation is affected by the exchange rate fluctuation of RMB against other foreign currencies. If the exchange rate fluctuation is significant, the Company's net profit will be impacted to a certain extent. At the same time, if the exchange rate fluctuation is significant, it will also have an impact on cash receipts and payments including the foreign exchange receipts and payments, the US dollar debt repayment pressure and the cost of purchasing imported equipment of the Company. The management of the Company will continuously monitor such exposure.

CHARGES ON ASSETS

As at 30 June 2023, the Company had no material charges against its assets.

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2022, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the HKSE's website (https://www.hkex.com.hk) and the Company's website (https://www.cosl.com.cn) in due course.

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

23 August 2023

Independent Review Report

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To the board of directors of China Oilfield Services Limited
(Incorporated in the People's Republic of China with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 26 to 71, which comprises the interim condensed consolidated statement of financial position of China Oilfield Services Limited (the "Company") and its subsidiaries (the "Group") as at 30 June 2023 and the related interim condensed consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 *Interim Financial Reporting* ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Ernst & Young
Certified Public Accountants

Hong Kong
23 August 2023

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2023

	Notes	Six months ended 30 June 2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited) (Restated)
REVENUE	5	**18,873,594**	15,212,645
Sales surtaxes		**(23,713)**	(17,058)
Revenue, net of sales surtaxes		**18,849,881**	15,195,587
Other income		**107,910**	201,112
Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library		**(2,432,081)**	(2,281,911)
Depreciation of right-of-use assets		**(194,421)**	(177,607)
Employee compensation costs		**(3,346,510)**	(2,891,555)
Repair and maintenance costs		**(175,630)**	(174,013)
Consumption of supplies, materials, fuel, services and others		**(4,428,516)**	(3,808,205)
Subcontracting expenses		**(4,766,821)**	(3,520,725)
Lease expenses	6	**(993,396)**	(739,948)
Other operating expenses		**(630,400)**	(520,048)
Impairment losses under the expected credit loss model, net of reversal	15	**(18,667)**	(14,617)
Total operating expenses		**(16,986,442)**	(14,128,629)
PROFIT FROM OPERATIONS		**1,971,349**	1,268,070
Exchange gains, net	6	**168,580**	275,001
Finance costs		**(486,907)**	(379,569)
Interest income		**76,602**	46,666
Investment income	6	**10,248**	4,019
Gains arising from financial assets at fair value through profit or loss	6	**56,523**	53,763
Share of profits of an associate and joint ventures, net of tax		**73,945**	171,527
Other gains and losses, net	6	**(7,838)**	(3,888)
PROFIT BEFORE TAX	6	**1,862,502**	1,435,589
Income tax expense	7	**(406,413)**	(324,157)
PROFIT FOR THE PERIOD		**1,456,089**	1,111,432
Attributable to:			
Owners of the Company		**1,339,064**	1,105,572
Non-controlling interests		**117,025**	5,860
		1,456,089	1,111,432
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	9	**28.06 cents**	23.17 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
PROFIT FOR THE PERIOD	**1,456,089**	1,111,432
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	**(24,991)**	(46,821)
Income tax effect relating to items that may be reclassified subsequently to profit or loss	**(51,121)**	(76,018)
	(76,112)	(122,839)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(76,112)**	(122,839)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,379,977**	988,593
Attributable to:		
Owners of the Company	**1,254,435**	972,899
Non-controlling interests	**125,542**	15,694
	1,379,977	988,593

Interim Condensed Consolidated Statement of Financial Position

30 June 2023

	Notes	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited) (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**44,192,112**	44,148,190
Right-of-use assets	*11*	**1,287,513**	1,194,078
Goodwill	*12*	**–**	–
Other intangible assets		**130,235**	151,678
Multiclient library	*13*	**173,029**	216,100
Investments in an associate and joint ventures		**1,024,978**	988,381
Contract costs	*16*	**746,456**	496,813
Financial assets at fair value through profit or loss	*17*	**–**	–
Other non-current assets	*18*	**260,697**	1,829,173
Deferred tax assets		**66,114**	26,636
Total non-current assets		**47,881,134**	49,051,049
CURRENT ASSETS			
Inventories		**2,719,665**	2,528,806
Prepayments, deposits and other receivables		**379,998**	280,734
Accounts receivable	*14*	**17,447,085**	14,175,184
Notes receivable		**61,079**	22,759
Receivables at fair value through other comprehensive income		**45,378**	8,200
Financial assets at fair value through profit or loss	*17*	**2,531,756**	5,106,036
Contract assets		**52,397**	47,971
Contract costs	*16*	**24,264**	47,411
Other current assets	*18*	**899,607**	1,771,338
Pledged deposits		**8,422**	10,976
Time deposits		**2,195,386**	548,535
Cash and cash equivalents		**5,351,324**	3,561,740
Total current assets		**31,716,361**	28,109,690
CURRENT LIABILITIES			
Trade and other payables	*19*	**12,171,017**	11,629,065
Notes payable		**–**	11,866
Salary and bonus payables		**1,189,206**	1,033,179
Tax payable		**102,760**	94,937
Loans from related parties	*20*	**2,529,030**	2,437,610
Interest-bearing bank borrowings	*21*	**3,652,914**	3,515,710
Long-term bonds	*22*	**823,778**	872,231
Lease liabilities		**309,310**	437,193
Contract liabilities		**676,067**	759,723
Other current liabilities	*18*	**762,807**	500,387
Total current liabilities		**22,216,889**	21,291,901
NET CURRENT ASSETS		**9,499,472**	6,817,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,380,606**	55,868,838

	Notes	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited) (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**483,745**	244,516
Loans from related parties	*20*	**2,280,514**	2,196,259
Interest-bearing bank borrowings	*21*	**163,195**	168,994
Long-term bonds	*22*	**12,364,276**	12,021,878
Lease liabilities		**748,053**	569,593
Contract liabilities		**515,484**	458,722
Deferred income	*23*	**199,729**	204,579
Employee benefit liabilities		**9,181**	7,587
Other non-current liabilities	*18*	**11,430**	20,743
Total non-current liabilities		**16,775,607**	15,892,871
Net assets		**40,604,999**	39,975,967
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*24*	**4,771,592**	4,771,592
Reserves		**35,141,063**	34,637,573
		39,912,655	39,409,165
Non-controlling interests		**692,344**	566,802
Total equity		**40,604,999**	39,975,967

Zhao Shunqiang	**Lu Tao**	**Xiong Min**
Director	*Director*	*Director*

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Attributable to owners of the Company									
	Issued capital	**Capital reserve**	**Statutory reserve funds**	**Special reserve**	**Exchange fluctuation reserve**	**Retained profits**	**Proposed final dividend**	**Total**	**Non-controlling interests**	**Total equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2023 (Audited)	**4,771,592**	**12,366,274**	**2,508,656**	**3,335**	**(577,347)**	**19,495,316**	**763,455**	**39,331,281**	**566,803**	**39,898,084**
Effect of adoption of amendments to HKAS12 *(Note 3(c))*	**–**	**–**	**–**	**–**	**–**	**77,884**	**–**	**77,884**	**(1)**	**77,883**
At 1 January 2023 (Restated)	**4,771,592**	**12,366,274**	**2,508,656**	**3,335**	**(577,347)**	**19,573,200**	**763,455**	**39,409,165**	**566,802**	**39,975,967**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**1,339,064**	**–**	**1,339,064**	**117,025**	**1,456,089**
Other comprehensive income for the period, net of tax	**–**	**–**	**–**	**–**	**(84,629)**	**–**	**–**	**(84,629)**	**8,517**	**(76,112)**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**(84,629)**	**1,339,064**	**–**	**1,254,435**	**125,542**	**1,379,977**
Appropriation of safety fund	**–**	**–**	**–**	**192,437**	**–**	**–**	**–**	**192,437**	**–**	**192,437**
Utilisation of safety fund	**–**	**–**	**–**	**(179,927)**	**–**	**–**	**–**	**(179,927)**	**–**	**(179,927)**
Final 2022 dividend paid *(Note 8)*	**–**	**–**	**–**	**–**	**–**	**–**	**(763,455)**	**(763,455)**	**–**	**(763,455)**
At 30 June 2023 (Unaudited)	**4,771,592**	**12,366,274**	**2,508,656**	**15,845**	**(661,976)**	**20,912,264**	**–**	**39,912,655**	**692,344**	**40,604,999**
At 1 January 2022 (Audited)	4,771,592	12,366,274	2,508,656	–	(235,576)	17,906,146	715,739	38,032,831	183,499	38,216,330
Effect of adoption of amendments to HKAS12 *(Note 3(c))*	–	–	–	–	–	71,812	–	71,812	(14)	71,798
At 1 January 2022 (Restated)	4,771,592	12,366,274	2,508,656	–	(235,576)	17,977,958	715,739	38,104,643	183,485	38,288,128
Profit for the period (Restated)	–	–	–	–	–	1,105,572	–	1,105,572	5,860	1,111,432
Other comprehensive income for the period, net of tax	–	–	–	–	(132,673)	–	–	(132,673)	9,834	(122,839)
Total comprehensive income for the period (Restated)	–	–	–	–	(132,673)	1,105,572	–	972,899	15,694	988,593
Appropriation of safety fund	–	–	–	24,457	–	–	–	24,457	–	24,457
Utilisation of safety fund	–	–	–	(24,457)	–	–	–	(24,457)	–	(24,457)
Final 2021 dividend paid *(Note 8)*	–	–	–	–	–	–	(715,739)	(715,739)	–	(715,739)
At 30 June 2022 (Unaudited and restated)	4,771,592	12,366,274	2,508,656	–	(368,249)	19,083,530	–	38,361,803	199,179	38,560,982

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**1,153,487**	(2,088,027)
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and other long-term assets	**(1,703,340)**	(1,266,913)
Investment in Multiclient library	**–**	(182)
Purchase of floating rate investments in corporate wealth management products, monetary funds and time deposits	**(25)**	–
Proceeds from disposal/maturity of floating rate investments in corporate wealth management products and monetary funds	**3,643,714**	5,348,200
Disposal of a joint venture	**–**	6,524
Proceeds from disposal of property, plant and equipment	**10,312**	650
Interest received	**46,094**	17,005
Dividends received from an associate and joint ventures	**37,228**	96,536
Deposits paid for acquisition of property, plant and equipment	**(8,299)**	(2,726)
NET CASH FROM INVESTING ACTIVITIES	**2,025,684**	4,199,094
FINANCING ACTIVITIES		
Repayment of long-term bonds	**–**	(1,500,000)
Repayment of bank loans	**(9,100)**	(9,100)
Repayment of lease liabilities	**(229,167)**	(162,344)
Dividends paid	**(803,455)**	(715,739)
Interest paid	**(493,036)**	(456,528)
NET CASH USED IN FINANCING ACTIVITIES	**(1,534,758)**	(2,843,711)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,644,413**	(732,644)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**3,561,740**	5,006,389
Effect of foreign exchange rate changes, net	**145,171**	180,972
CASH AND CASH EQUIVALENTS AT 30 JUNE		
Represented by cash and cash equivalents	**5,351,324**	4,454,717

Notes to Interim Condensed Consolidated Financial Information

For the six months ended 30 June 2023

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

China Oilfield Services Limited (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at No. 1581, Haichuan Road, Tanggu Ocean Hi-tech Zone, Binhai Hi-tech Development District, Tianjin, the PRC. As part of the reorganisation (the "Reorganisation") of China National 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") are principally engaged in the provision of oilfield services including drilling services, well services, marine support services, and geophysical acquisition and surveying services.

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

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

As at 30 June 2023, particulars of the principal subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2023	31 December 2022	Principal activities
Tianjin Eco-friendly Technology Co., Ltd. (a)	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	**100%**	100%	Provision of oilfield services and related activities
PT.COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	**100%**	100%	Provision of oil and gas exploration services
COSL-Hong Kong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	**100%**	100%	Investment holding
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	**100%**	100%	Provision of drilling services
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	**100%**	100%	Provision of oil and gas exploration services

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (continued)

As at 30 June 2023, particulars of the principal subsidiaries of the Company are as follows: (continued)

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2023	31 December 2022	Principal activities
COSL Prospector Pte. Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	**100%**	100%	Provision of drilling services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	NOK 1,541,328,656	**100%**	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	**100%**	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	**100%**	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS") (b)	Indonesia 27 July 2010	Indonesia	US$250,000	**49%**	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	**100%**	100%	Provision of oilfield services and related activities
COSL Deepwater Technology Co., Ltd. (a)	Shenzhen, PRC 12 September 2013	PRC	RMB470,000,000	**100%**	100%	Provision of geophysical and surveying services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	**96%**	96%	Provision of drilling services
COSL Hainan Ltd. (a)	Haikou, PRC 6 December 2019	PRC	RMB140,000,000	**100%**	100%	Provision of oil and gas exploration services
COSL Hainan Technical Services Ltd. (a)	Chengmai, PRC 12 May 2020	PRC	RMB225,000,000	**100%**	100%	Provision of oil and gas exploration services
Hainan Deep Drilling Ltd. (a)	Haikou, PRC 12 March 2021	PRC	RMB10,000,000	**100%**	100%	Provision of drilling services

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (continued)

As at 30 June 2023, particulars of the principal subsidiaries of the Company are as follows: (continued)

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2023	31 December 2022	Principal activities
COSL UK Limited	UK 24 January 2022	United Kingdom	Great Britain Pound 1,472,600	**100%**	100%	Provision of oilfield services and related activities
China France Bohai Geoservices Co., Ltd. ("China France Bohai") (a) (c)	Tianjin, PRC 30 November 1983	PRC	US$6,650,000	**50%**	50%	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a) (d)	Shenzhen, PRC 25 October 1984	PRC	RMB4,640,000	**60%**	60%	Provision of drilling fluids services

(a) Tianjin Eco-friendly Technology Co., Ltd., COSL Deepwater Technology Co., Ltd., COSL Hainan Ltd., COSL Hainan Technical Services Ltd., Hainan Deep Drilling Ltd., China France Bohai and Magcobar are established in the PRC as limited liability companies.

(b) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the period/year ended 30 June 2023 and 31 December 2022 respectively.

(c) The Group has 50% equity interests in China France Bohai, the remaining equity interests are held by another sole investor. On 1 August 2022, the shareholders of China France Bohai amended its articles of association. Pursuant to the new articles of association, the Group nominated four directors out of seven directors of the board of directors, and more than 50% voting rights of the board of directors are required for decisions on directing the relevant activities of this entity. The Group has control over China France Bohai after the amendment of articles of association. Accordingly, China France Bohai has been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements by the Company since 1 August 2022.

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (continued)

(d) The Group has 60% equity interests in Magcobar, the remaining equity interests are held by another sole investor. On 1 December 2022, the shareholders of Magcobar amended its articles of association. Pursuant to the new articles of association, the Group nominated three directors out of five directors of the board of directors, and more than 50% voting rights of the board of directors are required for decisions on directing the relevant activities of this entity. The Group has control over Magcobar after the amendment of articles of association. Accordingly, Magcobar has been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements by the Company since 1 December 2022.

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

As at 30 June 2023, particulars of all associates and joint ventures of the Group are as follows:

Name of entity	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of ownership interest 30 June 2023	31 December 2022	Principal activities
China Offshore Fugro Geosolutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50%**	50%	Provision of geophysical and surveying services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50%**	50%	Provision of logging services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50%**	50%	Provision of well testing services
COSL (Malaysia) SDN. BHD. ("COSL Malaysia") (a)	Ringgit Malaysia 350,000	Malaysia 31 July 2017	**49%**	49%	Provision of drilling services
Well Technology Company Ltd.	RMB260,000,000	Foshan, PRC 24 July 2020	**40%**	40%	Provision of well technology services

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES (continued)

(a) The Group has 49% of equity interests in COSL Malaysia, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of COSL Malaysia, majority voting rights are required for decisions on directing the relevant activities of this entity. The board of directors of COSL Malaysia shall comprise five directors whereby the Group shall appoint two directors and the other sole investor shall appoint three directors, while the chairman of COSL Malaysia shall be appointed by the Group and the chairman has the right to veto any major decisions. As a result, unanimous consent by the Group and the other investor are required for decisions on directing the relevant activities of COSL Malaysia. In the opinion of the Directors, the Group does not have control over COSL Malaysia and the investment constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, COSL Malaysia has been accounted for in the Group's consolidated financial statements using the equity method. As at 30 June 2023, the Group has not injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

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

The above associates and joint ventures are accounted for using the equity method in this interim condensed consolidated financial information.

2. BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the HKICPA as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2022.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pilar Two Model Rules*

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

(a) Amendments to HKAS 1 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. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group's interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(b) 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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 Group has applied the amendments on temporary differences related to leases as at 1 January 2022, with any cumulative effect recognised as an adjustment to the balance of retained profits or other component of equity as appropriate at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group 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 recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The quantitative impact on the financial information is summarised below.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(c) (continued)

Impact on the interim condensed consolidated statement of financial position:

		Increase/(decrease)		
		30 June 2023	31 December 2022	1 January 2022
	Note	***RMB'000***	*RMB'000*	*RMB'000*
Assets				
Deferred tax assets	*(i)*	**164,737**	152,269	224,925
Total non-current assets		**164,737**	152,269	224,925
Total assets		**164,737**	152,269	224,925
Liabilities				
Deferred tax liabilities	*(i)*	**87,517**	74,386	153,127
Total non-current liabilities		**87,517**	74,386	153,127
Total liabilities		**87,517**	74,386	153,127
Net assets		**77,220**	77,883	71,798
Equity				
Retained profits (included in reserves)		**77,214**	77,884	71,812
Equity attributable to owners of the Company		**77,214**	77,884	71,812
Non-controlling interests		**6**	(1)	(14)
Total equity		**77,220**	77,883	71,798

Note (i): The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

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

(c) (continued)

Impact on the interim condensed consolidated statement of profit or loss:

	Increase/(decrease) Six months ended 30 June 2023 RMB'000	2022 RMB'000
Income tax credit	**–**	3,043
Income tax expense	**663**	–
Profit for the period	**(663)**	3,043
Attributable to:		
Owners of the Company	**(670)**	3,036
Non-controlling interests	**7**	7
	(663)	3,043
Impact on the interim condensed consolidated statement of comprehensive income:		
Total comprehensive income for the period	**(663)**	3,043
Attributable to:		
Owners of the Company	**(670)**	3,036
Non-controlling interests	**7**	7
	(663)	3,043

The adoption of amendments to HKAS 12 did not have material impact on the basic and diluted earnings per share attributable to owners of the Company, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments and the mandatory temporary exception retrospectively. The Group is currently assessing its exposure to Pillar Two income taxes.

4. OPERATING SEGMENT INFORMATION

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

The Group has four reportable and operating segments as follows:

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

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

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

All sales among the operating segments have been eliminated as internal transactions when preparing consolidated financial statements.

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2023 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue					
Sales to external customers, net of sales surtaxes	5,422,482	10,607,890	1,904,706	914,803	18,849,881
Sales surtaxes	5,181	14,710	1,974	1,848	23,713
Revenue, before net of sales surtaxes	5,427,663	10,622,600	1,906,680	916,651	18,873,594
Intersegment sales	112,510	15,900	83,199	1,781	213,390
Segment revenue	5,540,173	10,638,500	1,989,879	918,432	19,086,984
Eliminations	(112,510)	(15,900)	(83,199)	(1,781)	(213,390)
Group revenue	5,427,663	10,622,600	1,906,680	916,651	18,873,594
Segment results	312,479	1,726,236	45,512	(46,771)	2,037,456
Reconciliation:					
Exchange gains, net					168,580
Finance costs					(486,907)
Interest income					76,602
Investment income					10,248
Gains arising from financial assets at FVTPL					56,523
Profit before tax					1,862,502
Income tax expense					(406,413)
As at 30 June 2023 (Unaudited)					
Segment assets	37,269,638	22,302,468	7,526,464	4,590,010	71,688,580
Unallocated assets					7,908,915
Total assets					79,597,495
Segment liabilities	4,388,238	10,319,282	1,354,810	1,191,442	17,253,772
Unallocated liabilities					21,738,724
Total liabilities					38,992,496

4. OPERATING SEGMENT INFORMATION (continued)

Six months ended 30 June 2022 (Unaudited) (Restated)

	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	5,055,053	7,558,110	1,724,905	857,519	15,195,587
Sales surtaxes	4,671	9,256	2,258	873	17,058
Revenue, before net of sales surtaxes	5,059,724	7,567,366	1,727,163	858,392	15,212,645
Intersegment sales	196,635	9,900	150,521	1,820	358,876
Segment revenue	5,256,359	7,577,266	1,877,684	860,212	15,571,521
Eliminations	(196,635)	(9,900)	(150,521)	(1,820)	(358,876)
Group revenue	5,059,724	7,567,366	1,727,163	858,392	15,212,645
Segment results	52,174	1,420,792	55,259	(92,516)	1,435,709
Reconciliation:					
Exchange gains, net					275,001
Finance costs					(379,569)
Interest income					46,666
Investment income					4,019
Gains arising from financial assets at FVTPL					53,763
Profit before tax					1,435,589
Income tax expense					(324,157)
As at 31 December 2022 (Audited) (Restated)					
Segment assets	34,637,330	21,278,778	6,948,342	4,448,220	67,312,670
Unallocated assets					9,848,069
Total assets					77,160,739
Segment liabilities	4,097,277	9,259,523	1,171,809	1,050,988	15,579,597
Unallocated liabilities					21,605,175
Total liabilities					37,184,772

4. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

In determining the Group's geographical information, revenue is presented below based on the locations of operations.

The following table presents revenue information for the Group's geographical areas for the six months ended 30 June 2023 and 2022.

Six months ended 30 June 2023 (Unaudited)

		International		
	Domestic	**North Sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**14,923,482**	**597,589**	**3,352,523**	**18,873,594**
Less: Sales surtaxes	**(23,713)**	**–**	**–**	**(23,713)**
Revenue, net of sales surtaxes	**14,899,769**	**597,589**	**3,352,523**	**18,849,881**

Six months ended 30 June 2022 (Unaudited)

		International		
	Domestic	North Sea	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	12,806,297	215,568	2,190,780	15,212,645
Less: Sales surtaxes	(17,058)	–	–	(17,058)
Revenue, net of sales surtaxes	12,789,239	215,568	2,190,780	15,195,587

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% (six months ended 30 June 2022: 81%) of the total sales of the Group for the six months ended 30 June 2023.

5. REVENUE

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**18,367,945**	14,879,656
Revenue arising from operating leases	**505,649**	332,989
	18,873,594	15,212,645

Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six months ended 30 June 2023 and 2022

	Six months ended 30 June 2023 (Unaudited)				
Segments	**Drilling services**	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Timing of revenue recognition					
At a point of time	**–**	**792,250**	**–**	**–**	**792,250**
Over time	**4,956,159**	**9,796,205**	**1,906,680**	**916,651**	**17,575,695**
Total	**4,956,159**	**10,588,455**	**1,906,680**	**916,651**	**18,367,945**

	Six months ended 30 June 2022 (Unaudited)				
Segments	Drilling services	Well services	Marine support services	Geophysical acquisition and surveying services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Timing of revenue recognition					
At a point of time	–	36,330	–	10,493	46,823
Over time	4,784,094	7,473,677	1,727,163	847,899	14,832,833
Total	4,784,094	7,510,007	1,727,163	858,392	14,879,656

5. REVENUE (continued)

Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six months ended 30 June 2023 and 2022 (continued)

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 by recognising revenue in the amount to which the Group has the right to invoice.

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

	Six months ended 30 June 2023 (Unaudited)				
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	**5,540,173**	**10,638,500**	**1,989,879**	**918,432**	**19,086,984**
Less: Revenue arising from operating leases	**(471,504)**	**(34,145)**	**–**	**–**	**(505,649)**
Eliminations	**(112,510)**	**(15,900)**	**(83,199)**	**(1,781)**	**(213,390)**
Revenue from contracts with customers	**4,956,159**	**10,588,455**	**1,906,680**	**916,651**	**18,367,945**

	Six months ended 30 June 2022 (Unaudited)				
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	5,256,359	7,577,266	1,877,684	860,212	15,571,521
Less: Revenue arising from operating leases	(275,630)	(57,359)	–	–	(332,989)
Eliminations	(196,635)	(9,900)	(150,521)	(1,820)	(358,876)
Revenue from contracts with customers	4,784,094	7,510,007	1,727,163	858,392	14,879,656

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
(Gains)/losses arising from lease modifications and termination	**(11,342)**	66
Losses on disposal of plant and equipment, net	**19,180**	3,822
Other gains and losses, net	**7,838**	3,888
Lease expenses in respect of land and buildings, berths and equipment *(Note)*	**993,396**	739,948
Investment income	**(10,248)**	(4,019)
Cost of inventories recognised as an expense	**3,057,561**	2,539,988
Gains arising from financial assets at FVTPL	**(56,523)**	(53,763)
Provision of impairment of inventories	**3,945**	9,048
Impairment of accounts receivable	**17,141**	13,042
Impairment of other receivables	**1,526**	1,575
Exchange gains, net	**(168,580)**	(275,001)

Note: Lease expenses in the six months ended 30 June 2023 and 2022 represent short-term leases and variable lease payments not included in the measurement of lease liabilities.

7. INCOME TAX EXPENSE

The Group is subject to income tax on an entity basis on the 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 period from 2020 to 2022 and the renewal is still in application. The Company temporarily calculates the income tax expense for 2023 at a tax rate of 15%.

According to the HNTE certificate renewed by the Group's subsidiary Tianjin Eco-friendly Technology Co., Ltd. in October 2020, the CIT rate is 15% for the period from 2020 to 2022 and the renewal is still in application. Tianjin Eco-friendly Technology Co., Ltd. temporarily calculates the income tax expense for 2023 at a tax rate of 15%.

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. is 15% 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. is 15% from 2021 to 2023.

7. INCOME TAX EXPENSE (continued)

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

Countries and regions	Six months ended 30 June **2023** **(Unaudited)**	 2022 (Unaudited)
Indonesia	**22%**	22%
Mexico	**30%**	30%
Norway	**22%**	22%
The United Kingdom	**19%/25%**	19%
Iraq	**Withholding tax based on 7% of revenue generated in Iraq**	Withholding tax based on 7% of revenue generated in Iraq
United Arab Emirates	**Not subject to any income tax**	Not subject to any income tax
Singapore	**17%**	17%
The United States of America	**21%**	21%
Canada	**Net federal corporate income tax of 15% and provincial income tax ranging from 8% to 16%, depending on the province and the size of the business**	Net federal corporate income tax of 15% and provincial income tax ranging from 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:

	Six months ended 30 June **2023** ***RMB'000*** **(Unaudited)**	 2022 *RMB'000* (Unaudited) (Restated)
Current	**206,251**	361,671
Deferred	**200,162**	(37,514)
Total tax charge for the period	**406,413**	324,157

7. INCOME TAX EXPENSE (continued)

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

	Six months ended 30 June			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
			(Restated)	(Restated)
Profit before tax	**1,862,502**		1,435,589	
Tax at the statutory tax rate of 25%	**465,626**	**25.0**	358,897	25.0
Tax effect as HNTE	**(219,249)**	**(11.8)**	(192,773)	(13.4)
Tax effect of domestic income not subject to tax	**(3,035)**	**(0.2)**	(1,644)	(0.1)
Tax effect of share of profit of an associate and joint ventures	**(18,486)**	**(1.0)**	(42,882)	(3.0)
Tax effect of expenses not deductible for tax	**76,324**	**4.1**	71,502	5.0
Tax benefit for qualifying research and development expenses	**(95,301)**	**(5.1)**	(54,559)	(3.8)
Effect of non-taxable profit or loss and different tax rates for overseas subsidiaries	**215,919**	**11.6**	237,435	16.5
Tax effect of tax losses and deductible temporary differences unrecognised	**10,030**	**0.5**	30,701	2.1
Influences to taxation due to deductible temporary differences caused by writing off unrecognised deferred tax assets from previous periods	**–**	**0.0**	(76,210)	(5.3)
Utilisation of tax losses previously not recognised	**(13,229)**	**(0.7)**	–	–
Over provision in respect of prior years	**(4,452)**	**(0.2)**	(25,268)	(1.8)
Tax effect on translation adjustment (*Note*)	**(15,701)**	**(0.8)**	6,728	0.5
Others	**7,967**	**0.4**	12,230	0.9
Total tax charge at the Group's effective tax rate	**406,413**	**21.8**	324,157	22.6

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

8. DIVIDENDS

During the current interim period, a dividend of RMB0.16 per ordinary share (tax inclusive) of the Company based on the total share capital of 4,771,592,000 shares as at 31 December 2022 (2022: RMB0.15 per share of the Company (of which: final dividend of RMB0.02 (tax inclusive), special dividend of RMB0.13 (tax inclusive)) based on the total share capital of 4,771,592,000 shares as at 31 December 2021) was declared and paid to the owners of the Company. The aggregate amount of the dividend declared and paid in the current interim period was RMB763,454,720 (2022: RMB715,738,800 (of which: final dividend of RMB95,431,840, special dividend of RMB620,306,960)).

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
		(Restated)
Earnings		
Earnings for the purposes of basic earnings per share calculation (profit for the period attributable to owners of the Company)	**1,339,064**	1,105,572

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share calculation (share)	**4,771,592,000**	4,771,592,000

There were no differences between the basic and diluted earnings per share amounts for the six-month periods ended 30 June 2023 and 2022 as the Group had no dilutive potential ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired certain machinery and equipment, vessels and drilling rigs with an aggregate amount of approximately RMB1,605,904,000 (six months ended 30 June 2022: RMB1,116,014,000), of which approximately RMB820,385,000 was transferred from construction in progress (six months ended 30 June 2022: RMB767,113,000). Additions of construction in progress amounting to approximately RMB1,067,202,000 were recognised during the six months ended 30 June 2023 (six months ended 30 June 2022: RMB777,091,000). Drilling rigs, machinery and equipment with an aggregate net carrying amount of RMB67,839,000 (six months ended 30 June 2022: RMB22,036,000) were disposed of during the six months ended 30 June 2023, resulting in a loss on disposal of RMB19,180,000 (six months ended 30 June 2022: loss on disposal of RMB3,822,000).

Out of the total finance costs incurred, no finance costs was capitalised in property, plant and equipment in the six months ended 30 June 2023 and 2022.

No impairment losses were recognised in the six months ended 30 June 2023 and 2022 after the Group's due impairment assessment in the light of the current economic environment in certain markets in which the Group operates as well as the fluctuated upward oil price.

In the said impairment assessment, the recoverable amount of the relevant assets, each of which was identified as a cash-generating unit within the drilling services segment, marine support services segment and geophysical acquisition and surveying services segment, has been determined based on the higher of fair value less costs of disposal and value in use.

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2023, the Group entered into certain lease agreements and recognised right-of-use assets of RMB282,749,000 (six months ended 30 June 2022: RMB468,346,000) and lease liabilities of RMB282,749,000 (six months ended 30 June 2022: RMB349,054,000) on lease commencement.

12. GOODWILL

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

13. MULTICLIENT LIBRARY

	MultiClient library *RMB'000*
Carrying amount at 31 December 2022 (Audited)	216,100
Development cost capitalised in the period	–
Amortisation provided during the period	(44,012)
Exchange realignment	941
At 30 June 2023 (Unaudited)	173,029
At 30 June 2023 (Unaudited)	
Cost	390,004
Accumulated amortisation	(216,975)
Carrying amount	173,029

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.

14. ACCOUNTS RECEIVABLE

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

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

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Accounts receivable aged:		
Within one year	**17,328,394**	14,051,427
One year to two years	**85,602**	94,735
Over two years	**33,089**	29,022
	17,447,085	14,175,184

15. IMPAIRMENT LOSSES UNDER THE EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Impairment losses recognised on:		
Accounts receivable	**17,141**	13,042
Other receivables	**1,526**	1,575
	18,667	14,617

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial information for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

16. CONTRACT COSTS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Mobilisation costs (*Note*)	**770,720**	544,224
Current	**24,264**	47,411
Non-current	**746,456**	496,813
	770,720	544,224

Note: Certain direct and incremental costs incurred for initial mobilisation are costs of fulfilling a contract and are recoverable. These recoverable costs are capitalised and amortised ratably to profit or loss as services are rendered over the initial terms of the related contracts.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Current assets:		
Investments in floating rate corporate wealth management products	**1,319,592**	4,906,011
Investments in monetary funds	**1,212,164**	200,025
	2,531,756	5,106,036
Non-current asset:		
Unlisted equity investment	**–**	–
	2,531,756	5,106,036

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits paid for monetary funds *(Note (a))*	**–**	1,000,000
Value-added tax to be deducted and prepaid	**863,591**	753,485
Others	**36,016**	17,853
Other current assets	**899,607**	1,771,338
Output value-added tax to be recognised	**(697,333)**	(443,765)
Provision due within one year *(Note (b))*	**(65,474)**	(56,622)
Other current liabilities	**(762,807)**	(500,387)
Certificate of deposit *(Note (c))*	**–**	1,616,347
Value-added tax recoverable	**252,398**	207,023
Deposits paid for the acquisition of property, plant and equipment	**8,299**	5,803
Other non-current assets	**260,697**	1,829,173
Provision *(Note (b))*	**(11,430)**	(20,743)
Other non-current liabilities	**(11,430)**	(20,743)

18. OTHER CURRENT ASSETS/LIABILITIES AND OTHER NON-CURRENT ASSETS/ LIABILITIES (continued)

Notes:

(a) The Company contributed to the purchase of monetary funds and the shares of the fund were included in other current assets as the fund company had not yet recognised the shares at 31 December 2022. The fund shares were recognised by the fund company on 3 January 2023 and were transferred to financial assets at FVTPL.

(b) CNA, a subsidiary of the Company, signed the long-term drilling service contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The Company recognises the estimated loss of the contract as a liability.

(c) The Group obtained a certificate of deposit with a maturity of over 1 year on 21 January 2021 with a par value of RMB1,500,000,000. It can be withdrawn or sold before maturity. The certificate of deposit is expected to mature on 21 January 2024 and is reclassified to time deposits.

19. TRADE AND OTHER PAYABLES

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Trade payables	**11,603,855**	10,821,364
Other payables	**567,162**	807,701
	12,171,017	11,629,065

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

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Outstanding balances aged:		
Within one year	**10,836,617**	10,036,359
One year to two years	**583,554**	644,660
Two years to three years	**113,575**	70,705
Over three years	**70,109**	69,640
	11,603,855	10,821,364

20. LOANS FROM RELATED PARTIES

	Contractual interest rate per annum *(%)*	Year of maturity	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Current	1M LIBOR+0.5%	Revolving loan	**2,529,030**	2,437,610
Non-current	1M SOFR+0.4%	2027	**956,394**	921,383
Non-current	1M SOFR+0.4%	2027	**599,096**	577,169
Non-current	3M SOFR+0.6%	2027	**725,024**	697,707
			2,280,514	2,196,259
Unsecured loans from related parties			**4,809,544**	4,633,869

During the six months ended 30 June 2023, the Group did not obtain any new loans (six months ended 30 June 2022: Nil).

21. INTEREST-BEARING BANK BORROWINGS

	Contractual interest rate *(%)*	Year of maturity	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
China Development Bank – unsecured	1.08%	2035	**181,464**	187,272
Bank of China (Hong Kong) Limited – secured	SOFR +0.69%	Revolving loan	**2,923,898**	2,812,621
The Hongkong and Shanghai Banking Corporation Limited – secured	SOFR +0.55%	Revolving loan	**710,747**	684,811
			3,816,109	3,684,704
Current			**3,652,914**	3,515,710
Non-current			**163,195**	168,994
			3,816,109	3,684,704

No bank borrowings were obtained during the six months ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, the Group repaid bank borrowings denominated in RMB of RMB9,100,000 (six months ended 30 June 2022: RMB9,100,000).

22. LONG-TERM BONDS

	Year of maturity	**30 June 2023** ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
2016 Corporate Bonds			
(Type II of the First Tranche Issue as defined below) *(Note (a))*	2026	**3,010,733**	3,072,023
(Type II of the Second Tranche Issue as defined below) *(Note (a))*	2023	**743,174**	732,610
Guaranteed medium term notes			
Second Drawdown Note *(Note (b))*	2025	**3,674,565**	3,540,146
Guaranteed senior notes			
2025 Notes *(Note (c))*	2025	**3,608,620**	3,477,168
2030 Notes *(Note (c))*	2030	**2,150,962**	2,072,162
		13,188,054	12,894,109
Current		**823,778**	872,231
Non-current		**12,364,276**	12,021,878
		13,188,054	12,894,109

Notes:

(a) At 26 May 2016, the Group issued the second type of its first tranche (the "First Tranche Issue") of domestic corporate bonds ("2016 Corporate 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 30 June 2023, 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.

22. LONG-TERM BONDS (continued)

(b) At 30 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued the second tranche of drawdown note under the Euro medium-term note programme (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.

(c) 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.

23. DEFERRED INCOME

Deferred income consists of 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 the revenue of the Group. The deferred income received from the 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 are credited to other income of the Group.

	Government grant related to assets	**Government grant related to income**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2022 (Audited)	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 (Audited)	**137,646**	**16,026**	**50,907**	**204,579**
Additions	**–**	**2,500**	**–**	**2,500**
Credited to profit or loss	**(4,050)**	**–**	**(3,300)**	**(7,350)**
Exchange realignment	**–**	**–**	**–**	**–**
At 30 June 2023 (Unaudited)	**133,596**	**18,526**	**47,607**	**199,729**

24. ISSUED CAPITAL

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
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

25. COMMITMENTS

Capital commitments

The Group had the following capital commitments, principally for construction and purchases of property, plant and equipment, at the end of the reporting period:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for	**1,551,333**	1,241,992

26. RELATED PARTY TRANSACTIONS

As disclosed in Note 1, the Company is a subsidiary of CNOOC, which is a SOE subject to the control of the State Council of the PRC Government. The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties. The Directors are of the opinion that the transactions with related parties were conducted in the ordinary course of business.

(A) Related party transactions and outstanding balances with related parties

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial information, the following is a summary of significant transactions carried out between the Group and (i) CNOOC Limited Group; (ii) CNOOC and its subsidiaries, excluding the CNOOC Limited Group (the "CNOOC Group"); (iii) the Group's associate and joint ventures; and (iv) associates invested by CNOOC.

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

a. Included in revenue

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
i. CNOOC Limited Group		
Provision of drilling services	**3,881,450**	3,291,320
Provision of well services	**8,991,432**	6,659,371
Provision of marine support services	**1,628,022**	1,500,469
Provision of geophysical acquisition and surveying services	**764,142**	802,553
	15,265,046	12,253,713
ii. CNOOC Group		
Provision of drilling services	**6,472**	232,247
Provision of well services	**95,102**	69,903
Provision of marine support services	**59,412**	9,488
Provision of geophysical acquisition and surveying services	**26,052**	18,685
	187,038	330,323
iii. Joint ventures and an associate		
Provision of drilling services	**679**	1,007
Provision of well services	**1,247**	13,250
Provision of marine support services	**230**	353
Provision of geophysical acquisition and surveying services	**119**	170
	2,275	14,780
iv. Associates invested by CNOOC		
Provision of drilling services	**917**	58,515
Provision of well services	**22,771**	43,753
Provision of marine support services	**1,710**	–
	25,398	102,268

During the six months ended 30 June 2023, the revenue arising from operating leases from CNOOC Limited Group was RMB30,000,000 (six months ended 30 June 2022: RMB45,250,000).

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

b. Included in operating expenses

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
i. CNOOC Limited Group		
Materials, utilities and other ancillary services	**6,125**	23,610
Transportation services	**164**	295
Management services	**138**	–
	6,427	23,905
Property services	**17,056**	13,361
	23,483	37,266
ii. CNOOC Group		
Materials, utilities and other ancillary services	**760,929**	722,887
Transportation services	**18,692**	21,523
Leasing of equipment	**102,696**	13,309
Repair and maintenance services	**8,219**	847
Management services	**26,426**	33
Labour services	**10,115**	20,132
	927,077	778,731
Property services	**56,189**	79,220
	983,266	857,951
iii. Joint ventures and an associate		
Materials, utilities and other ancillary services	**187,155**	70,430
Leasing of equipment	**8,040**	5,065
	195,195	75,495
iv. Associates invested by CNOOC		
Materials, utilities and other ancillary services	**22,082**	42,627
Transportation services	**6,059**	–
Repair and maintenance services	**4,291**	–
Management services	**884**	–
Labour services	**2,463**	–
	35,779	42,627

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

c. Included in interest income

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
CNOOC Finance Co., Ltd. ("CNOOC Finance", a subsidiary of CNOOC)		
Interest income	**7,588**	4,834

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

d. Dividend income from joint ventures

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Dividend income from joint ventures	**37,380**	54,969

e. Included in finance costs

During the six months ended 30 June 2023, the finance costs on the loan from a related party which has been disclosed in Note 22 were US$8,275,000 (six months ended 30 June 2022: US$1,742,000), which was equivalent to approximately RMB57,340,000 (six months ended 30 June 2022: RMB11,366,000).

During the six months ended 30 June 2023, the finance costs on the lease liabilities due to related parties were RMB576,000 (six months ended 30 June 2022: RMB7,609,000).

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

f. Other income

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Compensation for equipment dropping into wells when rendering services		
CNOOC Limited Group	**1,189**	–
CNOOC Group	**2**	–
	1,191	–

g. Deposits included in cash and cash equivalents

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Deposits placed with CNOOC Finance as at the end of the reporting period	**1,764,361**	1,199,983

h. Right-of-use assets

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

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
CNOOC Group	**–**	10,050

Except for items in a(iii), b(iii) and d above, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

i. Commitments with related parties

The Group had the following capital commitments with related parties, principally for the construction and purchases of property, plant and equipment at the end of the reporting period:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted, but not provided for	**1,629**	831

As at 30 June 2023, the Group had no guarantees granted to related parties.

j. Outstanding balances with related parties

Accounts receivable

Included in accounts receivable are amounts due from related parties which arose from the ordinary course of business and are repayable on similar credit terms to those offered to independent third party customers.

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due from CNOOC Limited Group	**14,061,928**	10,160,288
Due from CNOOC Group	**206,626**	154,487
Due from joint ventures	**5,225**	20,607
Due from associates invested by CNOOC	**25,769**	59,976
	14,299,548	10,395,358

Prepayments, deposits and other receivables

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due from CNOOC Limited Group	–	7
Due from CNOOC Group	**45,179**	3,061
Due from joint ventures and an associate	–	411
	45,179	3,479

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

j. Outstanding balances with related parties (continued)

Trade and other payables

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due to CNOOC Limited Group	**28,025**	65,532
Due to CNOOC Group	**754,444**	687,966
Due to joint ventures and an associate	**225,192**	237,447
Due to associates invested by CNOOC	**92,721**	70,092
	1,100,382	1,061,037

Loans from related parties

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Unsecured loans due to CNOOC Group *(Note 22)*	**4,809,544**	4,633,869

Contract liabilities

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Due to the CNOOC Limited Group	**156,007**	65,172
Due to the CNOOC Group	**299,182**	346,629
	455,189	411,801

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

j. Outstanding balances with related parties (continued)

Other non-current liabilities

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Due to the CNOOC Limited Group	–	106,394

Lease liabilities

	30 June 2023 ***RMB'000*** **(Unaudited)**	31 December 2022 *RMB'000* (Audited)
Due to the CNOOC Group	**249,556**	321,312

The Group and the above related parties are within the CNOOC Group and the CNOOC Limited Group and are under common control (except for the joint ventures of the Group) of the same ultimate holding company.

The balances with related parties at 30 June 2023 included in accounts receivable, prepayments, deposits and other receivables, trade and other payables and contract liabilities of the Group are unsecured, interest-free, and have no fixed terms of repayment. The loans from related parties bears interest at 1M LIBOR+0.5%, 1M SOFR+0.4% and 3M SOFR+0.6% per annum. Lease liabilities have fixed terms of repayment and are measured at the present value of lease payments that are unpaid using the incremental borrowing rate at the lease commencement date.

The Company entered into several agreements with the CNOOC Group and the CNOOC Limited Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

The lease expenses relating to agreements with the CNOOC Group and the CNOOC Limited Group in respect of variable lease payments determined by utilisation days and day rates as well as short-term leases are disclosed in Note 28(A).

The Directors are of the opinion that the above transactions with related parties were conducted in the normal course of business.

26. RELATED PARTY TRANSACTIONS (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

k. Transactions with other SOEs in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services of vessels and drilling rigs, purchases of goods, services or property, plant and equipment in the PRC, other than the CNOOC Group and the CNOOC Limited Group, in the normal course of business on terms comparable to those with other non-SOEs. None of these transactions are material related party transactions, individually or collectively, that require separate disclosure.

In addition, the Group has certain of its cash, time deposits and certificates of deposit and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 30 June 2023 and 31 December 2022, as summarised below:

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Cash and cash equivalents	**1,050,809**	1,155,816
Time deposits	**1,646,008**	1,419
Certificates of deposit	**1,431**	1,616,347
	2,698,248	2,773,582
Long-term bank loans	**163,195**	168,994
Current portion of long-term bank loans	**3,652,914**	3,515,710
	3,816,109	3,684,704

Deposit interest rates and loan interest rates are at the market rates.

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Finance costs	**94,665**	1,364

26. RELATED PARTY TRANSACTIONS (continued)

(B) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Short-term employee benefits	**3,092**	3,174
Post-employment benefits	**687**	677
Total compensation paid to key management personnel	**3,779**	3,851

27. FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in an active market for identical assets or liabilities;

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

27. FINANCIAL INSTRUMENTS (continued)

(a) Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	Fair value as at 30 June 2023 *RMB'000* (Unaudited)	Fair value as at 31 December 2022 *RMB'000* (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL – monetary funds	**1,212,164**	200,025	Level 1	Quoted bid prices in an active market
Receivables at fair value through other comprehensive income – notes receivable	**45,378**	8,200	Level 2	Discounted cash flows at a discount rate that reflect the credit risk of the drawee of notes at the end of the reporting period
Financial assets at FVTPL – floating rate corporate wealth management products	**1,319,592**	4,906,011	Level 3	Discounted cash flows of the future cash flows estimated based on estimated return

Reconciliation of Level 3 fair value measurements is as follows:

	Financial assets at FVTPL *RMB'000*
At 31 December 2022 (Audited)	4,906,011
Purchase	–
Redemption	(3,600,000)
Change in fair value	13,581
At 30 June 2023 (Unaudited)	1,319,592

27. FINANCIAL INSTRUMENTS (continued)

(b) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

The fair value of loans from related parties and interest-bearing bank borrowings at floating rates is approximately equal to their carrying amounts. And considering the short remaining maturity, the fair value of the current portion of interest-bearing bank borrowings at fixed interest rates is approximately equal to the carrying amounts.

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the condensed consolidated financial information approximate to their fair values.

	Carrying amounts		**Fair values**	
	30 June 2023	31 December 2022	**30 June 2023**	31 December 2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)
Financial liabilities				
Long-term bonds *(Note 24)*	**13,188,054**	12,894,109	**12,589,058**	12,153,699
Interest-bearing bank borrowings – non-current *(Note 23)*	**163,195**	168,994	**159,606**	164,235
Total	**13,351,249**	13,063,103	**12,748,664**	12,317,934

The fair value of long-term bonds issued by the Group and non-current interest-bearing bank borrowings, with fair value measurements categorised within Level 2, are determined by reference to the present value valuation technique under the income approach and by applying the prime rate as adjusted to reflect the credit risk of the issuers as key inputs.

28. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

The interim condensed consolidated financial information was approved and authorised for issue by the board of directors on 23 August 2023.

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Lu Tao
Xiong Min
Chiu Lai Kuen, Susanna
(Independent Non-Executive Director)
Kwok Lam Kwong, Larry
(Independent Non-Executive Director)
Yao Xin
(Independent Non-Executive Director)
Fan Baitao
Liu Qiudong

Audit Committee
Chiu Lai Kuen, Susanna (Chairman)
Kwok Lam Kwong, Larry
Yao Xin

Remuneration and Assessment Committee
Kwok Lam Kwong, Larry (Chairman)
Chiu Lai Kuen, Susanna
Yao Xin
Liu Qiudong

Nomination Committee
Yao Xin (Chairman)
Zhao Shunqiang
Kwok Lam Kwong, Larry

Supervisory Committee
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Cheng Xinsheng
Ma Xiuen

Senior Management
Zhao Shunqiang
Lu Tao
Xu Yingbo
Xiong Min
Yang Dexing
Chong Xiaojie
Shang Jie
Sun Weizhou

Joint Company Secretary
Sun Weizhou
Ng Sau Mei

Note: For details of changes in directors, supervisors and senior management, please refer to the chapter headed "Supplementary Information" of this interim report.

中海油田服務股份有限公司
China Oilfield Services Limited
(Stock Code 股票代號 A股：601808；H股：2883)

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