COSL

CHINA OILFIELD SERVICES LIMITED

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

2023 ANNUAL REPORT

SHAPING

FUTURE

Company Profile

INTRODUCTION

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

OUR PERFORMANCE

In 2023, COSL provided clients with single, bundled, integrated and general contracting business services in each phase of exploration, development and production of oil and gas through business in four segments (drilling services, well services, marine support services and geophysical acquisition and surveying services). Furthermore, the Company's performance in some broaden operating aspects such as society and environment has also fulfilled its expectation (for details please refer to the Financial Statements and the Environmental, Social and Governance (ESG) Report).

PROSPECT

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

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

STRATEGIC TARGET

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

CORPORATE GOVERNANCE

Corporate governance of COSL includes not only those set out in the Corporate Governance Code of Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Company Law of the PRC and the Articles of Association of COSL, but also stricter and self-established standards.

Content

Business Overview

COSL not only provides services of single operation for the clients, but also offers integrated services and general contracting business services.

DOMESTIC

In 2023, the Company maintained the leading position in China oilfield services market and provided drilling services, well services, marine support services and geophysical acquisition and surveying services for oil and gas field exploration and development. The Company also gave full play to the advantage of integration ability to provide clients with integrated oilfield full life-cycle services.

INTERNATIONAL

In 2023, the Company achieved breakthroughs in exploring new businesses, markets and clients with the constant development of international business and the even growing regional markets.

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

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

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

Europe region: Businesses involve drilling services and related services.

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

2023 PERFORMANCES

Total revenue:
RMB
44,042.2
million

Profit from operations:
RMB
4,855.2
million

Profit for the year:
RMB
3,282.6
million

Basic earnings per share:
RMB
63.15
cents/share

Total assets:
RMB
83,245.8
million

Total equity:
RMB
42,256.1
million

Financial Highlights

Unit: RMB million

	2023	2022 (Restated)	Change %
Revenue			
Domestic revenue	**34,571.9**	29,335.6	17.8
International revenue	**9,470.3**	6,274.5	50.9
Total	**44,042.2**	35,610.1	23.7
Operating expenses	**(39,496.7)**	(33,228.9)	18.9
Profit from operations	**4,855.2**	2,723.4	78.3
Profit before tax	**4,242.9**	2,981.5	42.3
Income tax expense	**(960.2)**	(482.3)	99.1
Profit for the year	**3,282.6**	2,499.2	31.3
Basic earnings per share (cents/share)	**63.15**	49.43	27.8
Net assets per share (RMB/share)	**8.9**	8.4	6.0
Ratio			
Return on equity (%)	**8.0**	6.4	
Return on asset (%)	**4.1**	3.3	
Gearing ratio (%)	**41.9**	43.6	
Price/earnings ratio	**11.5**	17.1	
Dividend yield (%)	**2.9**	1.9	
Dividend payout ratio (%)	**33.3**	32.4	

Notes:

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

FIVE-YEAR FINANCIAL POSITION REVIEW

Unit: RMB million

Major financial data and indicators	2023	2022 (Restated)	Change over the same period last year (%)	2021	2020	2019
Revenue	**44,042.2**	35,610.1	**23.7**	29,168.5	28,925.3	31,075.8
Profit from operations	**4,855.2**	2,723.4	**78.3**	1,541.3	4,141.9	3,895.2
Profit for the year	**3,282.6**	2,499.2	**31.3**	322.1	2,718.3	2,528.0
Basic earnings per share (cents/share)	**63.15**	49.43	**27.8**	6.56	56.65	52.44
	As at the end of 2023	As at the end of 2022 (Restated)	**Change over the end of the same period last year (%)**	As at the end of 2021	As at the end of 2020	As at the end of 2019
Total equity	**42,256.1**	39,976.0	**5.7**	38,216.3	38,688.8	36,910.3
Total assets	**83,245.8**	77,160.7	**7.9**	73,311.7	75,942.3	76,101.8

Chairman's Statement

Zhao Shunqiang
Chairman and Chief Executive Officer

Dear Shareholders,

In 2023, the world's economic growth slowed down, the adjustment of the global oil and gas industry layout accelerated, and the oilfield services industry continued to recover. Facing the complicated and changeable economic environment and industry situation, we have anchored the goal of building a world-class enterprise, thoroughly implemented the five development strategies of "technology-driven", "cost leadership", "integration", "internationalization" and "regional development", and coordinated the work of production and operation, corporate governance and reform and innovation, creating a new situation of high-quality development and creating considerable value returns for shareholders.

We firmly implemented the technology-driven strategy, and scientific and technological innovation has entered a virtuous circle. We actively cultivated new quality productive forces, focused on the key and difficult points of oil and gas resources development, established and improved the integrated scientific and technological tackling key problems system of "I^4R" research, production, use and reform that meets the Company's development needs, and continuously optimized the four maps of "technology, products, intellectual property rights and digitalization", so that the main technical system cluster was more perfect, the coverage of mainstream technologies has been constantly improved, the incubation of characteristic technological achievements was accelerated, the input-output ratio of full-caliber scientific research continued to increase, the industrialization ability of technological products has been significantly improved, and the "key variable" of scientific and technological innovation was accelerating to be transformed into the "maximum increment" of high-quality development. "Xuanji" system and "Haijing" system were included in the "Top Ten Achievements of National Oil and Gas Exploration and Development in 2023".

We firmly implemented the cost leadership strategy, and the lean management ability has been continuously enhanced. We were deeply rooted in the philosophy of creating value for customers, integrated the Company's businesses into the customer value chain, established a structural, systematic and long-term cost reduction mechanism covering "research, production, use, service, repair and storage" horizontally and "strategy-operation-execution" vertically, and deeply implemented the characteristic management measures such as profit/cost center management, "4P (Per well, Per rig, Per project, Per business line)" management and full lifecycle management of overseas projects, so that the Company's cost control ability and all staff's operation awareness and cost awareness have been significantly improved. We actively built an industrial and supply chains ecosystem of "co-discussion, co-construction and sharing", and new formats and new achievements were constantly emerging.

We firmly implemented the integration strategy, and the development momentum was becoming increasingly robust. We adhered to the goal of customer asset appreciation, organically integrated industrial resources, gave full play to the comparative advantages of the industrial chain, constantly innovated service models, actively built a development pattern of "domestic and foreign businesses going hand in hand and the whole industrial chain developing synergistically", promoted the scaling and multi-dimensional development of integrated business, and provided customers with low-cost and "one-stop" comprehensive solutions.

We firmly implemented the strategy of internationalization and regional development, and the quality of overseas business operations has been greatly improved. We unswervingly implemented the strategy of "going global" and "integrating in", and formed a new pattern of "1+2+N" market with the domestic market as the "overall performance" and the Middle East and Southeast Asia as the two wings, which promoted the benign development of several potential overseas regions. We have promoted the overseas business to present a good development trend of fast growth, comprehensive business fields, good customer structure and new service model. The revenue proportion of integrated business and technology segments has steadily increased, and the geophysical service, drilling, oilfield chemicals and other businesses have repeatedly broken the record of the largest contract amount in key regional markets, and have become a new growth pole supporting the Company's development.

We actively implemented the national arrangements of "carbon emission peak and carbon neutrality", and made steady progress in green and low-carbon transformation and upgrading. We managed large-scale equipment in a "normalized, serialized, standardized, modular, information-based, automated, digitized, and intelligent" manner. The world's largest LNG-powered standby fleet has been put into full operation, the transformation and upgrading of traditional large-scale equipment has been accelerated, EPS technology has entered the stage of industrialization and integration, and the green and low-carbon transformation path of "green equipment + green technology + green products + green operations" has become clearer. The Company was selected in the "Pioneer 100 of ESG-Listed Companies in China" and the "Constituent of Hang Seng (China A) Corporate Sustainability Benchmark Index" for the twelfth consecutive year.

We deeply promoted the modernization of corporate governance system and governance capacity, and the new momentum and new superiority for development became more accentuated. We persisted in stimulating new development vitality through deepening reform, actively promoted the construction of modern corporate system with distinctive Chinese features, gave full play to the functions of the Board of Directors, coordinated the allocation of resources, optimized the management processes and business processes, deeply stimulated the efficiency of management elements such as science and technology, talents and resources, and effectively prevented and resolved potential risks. The corporate governance level and operational efficiency have been significantly improved, and we were selected as the "Professional Leading Model Enterprises" by the State-owned Assets Supervision and Administration Commission of the State Council and continued to be awarded the title of the benchmark of "Double Hundred Enterprises".

The year of 2024 is a crucial year for the implementation of the "14th Five-Year Plan". We will adhere to the hard principle of high-quality development in the new era, fully, accurately and comprehensively implement the new development concept, serve and integrate into the new development pattern, thoroughly implement the new national energy security strategy, persist in striving for progress while maintaining stability and upholding integrity and innovation, and create value returns for all shareholders and all sectors of society with new improvements in the modernization of governance system and governance capacity, new actions in building a world first-class energy service company with Chinese characteristics and new achievements in high-quality development.

Zhao Shunqiang
Chairman and Chief Executive Officer
26 March 2024

President's Statement

Lu Tao
President, Executive Director

Dear Shareholders,

In 2023, COSL actively responded to the new trends, changes and challenges in the global economy and oilfield services industry, solidly implemented the new development philosophy, keenly grasped the opportunity of sustained demand recovery, improved the service quality from the perspective of customers, enhanced the service capacity from the perspective of value creation, and consolidated the operation quality from the perspective of asset appreciation, achieving a substantial increase in its operation scale, rapidly improving its profitability and realizing a new upgrade in its operation and management quality.

I. DEEPLY CULTIVATE THE "DOMESTIC + INTERNATIONAL" MARKETS AND COORDINATE THE NEW STRUCTURE OF REGIONAL DEVELOPMENT

Taking the 10th anniversary of "The Belt and Road Initiative" as an opportunity, the Company deeply practiced the strategy of internationalization and regional development, built a "1+2+N" market layout, and built a new growth pole for leap-forward development.

Domestically, relying on the advantages of integrated solution, the Company continuously strengthened the development of the domestic market, further expanded the scope of cooperation with core customers, ensured high-quality services through technological progress and industrial upgrading, won high praise and recognition from customers, and was awarded a wide variety of honors such as "Excellent Drilling and Completion Service Team".

Internationally, based on the localization demand and with the service capability of high-end drilling rigs and the technical advantages of integrated whole industrial chain, the Company explored differentiated competition methods, paid attention to cooperation with high-end customers in various regions, and focused on the construction of unique service capabilities such as high-end technology promotion, deep-water and integrated services in the Middle East, Asia Pacific, America, Europe and Africa, so as to build the international brand power and form the regional influence.

II. STRENGTHEN THE ABILITY TO GUARANTEE SERVICE RESOURCES BASED ON THE "LARGE-SCALE EQUIPMENT + ADVANCED TECHNOLOGY"

With the goal of supporting and guaranteeing the diversified demand for strengthening reserves and production of China's offshore oil and gas and comprehensively improving the production efficiency, the Company continuously released the value-added potential of large-scale equipment, realized the excellent supply of quality and quantity of large-scale equipment, completed the purchase of several high-performance and first-class drilling rigs, ranked first in the world in terms of the quality and quantity of large-scale equipment, and stabilized the "overall performance" of operations.

The Company insisted on placing the scientific and technological innovation at the core of the overall development, making continuous breakthroughs in key core technologies and accelerating the transformation of scientific and technological achievements. As of the end of 2023, the Company has obtained more than 1,300 licensed patents in total, won more than 20 scientific and technological awards at the provincial and ministerial levels, and achieved several world-class core technologies. "Haimai" ocean bottom node acquisition equipment system completed the product finalization ahead of schedule and completed the first demonstration application task in Bohai Sea. The complete set of towing equipment system of "Haijing" first domestic deep-water high-precision marine seismic exploration completed 3,000-meter deep-water geological exploration, realizing technical autonomy in the field of seismic exploration. The systematization and industrialization of the "Xuanji" rotary steering and well logging while drilling system were accelerated, and high-end tools were exported to the counterparts in the international oilfield services industry.

III. FOCUS ON THE VALUE CREATION OF THE MAIN RESPONSIBILITY AND BUSINESS AROUND THE "INDUSTRY + STRATEGY"

The Company aimed to enhance the industrial control and market control, maintained the leading edge in cost, adhered to taking the full life-cycle management and control and profitability as the core, improved the operational efficiency, enhanced the operational quality, and effectively promoted the Company's transformation from mass scale to quality and efficiency.

During the year, the Company refined and implemented the cost leadership strategy, established a structural, systematic and long-term mechanism covering the whole process of "research, production, use, service, repair and storage", innovated a business model of risk sharing and coordinated development, built a modern supply chain system with more than 120 partners around the world, promoted the efficiency improvement with scientific drilling and refined management of drilling and completion, promoted overseas scale development in an integrated way, and guided the primary units to focus on improving their asset efficiency by relying on the management of "4P", effectively enhancing the core competitiveness under the new situation.

IV. OUTLOOK

Looking forward to 2024, the Company will strengthen the supply chain and gather wisdom, make integration and innovation and focus on the main responsibility and business by centering on strengthening the core functions and improving the core competitiveness, accelerate the establishment of a modern industrial system that is self-controllable, safe, reliable and competitive, effectively prevent and resolve risks, focus on improving the sensitivity in market competition, give full play to the unique industry advantages of the whole industry chain, promote the iterative upgrading of the collaborative mode of various operation elements, realize a virtuous circle of overseas operations, promote the lean and refined management thinking, give play to the strategic value of technology-driven business, expand the functional boundary of quality and safety management, maximize the operational efficiency and benefit, give full play to the supporting role of scientific and technological innovation, industrial control and safety support in building a new development pattern, and forge ahead courageously towards the goal of building the Company into a world first-class energy service company with Chinese characteristics.

Lu Tao
President, Executive Director
26 March 2024

Management Discussion and Analysis

INDUSTRY DEVELOPMENT OVERVIEW FOR 2023

In 2023, under the influence of multiple factors such as the frequent global geopolitical conflicts, deep adjustment of the global industrial and supply chain, fluctuations in the international oil and gas industry, and accelerated transformation of the energy industry, international oil companies increased their investments in oil and gas exploration and development, the international oilfield service market continued to improve, and the competition in the international oilfield service remained fierce. Driven by climate emission reduction, oilfield service companies all over the world began to adopt new production methods and new technical services, and sought transformation and adjustment in the following ways: first, divest the non-core businesses and focus on the main business; second, speed up the digitalization and intelligence of industries, apply digital technology to transform and upgrade and improve the efficiency; third, business diversification under the background of low-carbon transformation, mainly involving the emerging markets such as wind power, solar energy, hydrogen, geothermal energy and CCUS (Carbon Capture, Utilization and Storage) in the field of renewable energy; fourth, transformation of the commercial mode of the new energy business. Domestically, the oilfield service market continuously driven by the "Seven-year Action Plan" for guaranteeing national energy security and strengthening reserves and production continued to grow steadily.

BUSINESS REVIEW

In 2023, against the backdrop of local conflicts, high inflation, tightening financial environment, sluggish growth in trade and other complex factors, the global economy struggled to recover, and international oil price was under pressure with macro economy as well as supply and demand showing a trend of drastic fluctuation. The scale of global upstream exploration and development investment continued to increase steadily as a whole, the capital expenditure of offshore oil and gas exploration and the scale of oilfield services market continued to expand, and the utilization rate of drilling rigs maintained steady recovery. During the upward cycle of the industry, the Company took the initiative to plan the layout of domestic and overseas markets, and continuously improved the structure of large equipment. In addition, the Company accurately solved technical problems to create new momentum for development, built an integrated service brand for the oilfield full life-cycle oriented to customer needs by taking advantage of the complete industrial chain, and effectively promoted the synergistic development of the equipment segment and the technology segment. In 2023, the operating revenue amounted to RMB44,042.2 million, representing a year-on-year increase of RMB8,432.1 million or 23.7%, while net profit amounted to RMB3,282.6 million, representing a year-on-year increase of RMB783.4 million (restated) or 31.3%.

Drilling Services

DRILLING SERVICES SEGMENT

The Company is the largest offshore drilling contractor in China and one of the internationally well-known drilling contractors. It mainly provides relevant drilling and well completion services such as jack-up drilling rigs, semi-submersible drilling rigs and land drilling rigs. At the end of 2023, the Company operated and managed a total of 60 drilling rigs (of which 46 are jack-up drilling rigs, and 14 are semi-submersible drilling rigs), etc.

In 2023, revenue from drilling services amounted to RMB12,051.2 million, representing an increase of 16.6% as compared with RMB10,334.1 million in 2022.

During the period, the Company firmly grasped the good opportunities brought from the continued active global drilling market and the steady increase in demand for rigs, effectively matched the supply of operational equipment with market operation demand, signed a series of long-term and high-value contracts and gradually formed a diversified core customer group. At the same time, the Company actively promoted the automation transformation and upgrading of traditional large-scale equipment, built the industry alliance of deep-water oil and gas equipment and continued to improve operation and maintenance efficiency and equipment management capabilities. The "NH4" rig successfully installed the first

Drilling Services

shallow-water underwater wellhead water injection tree in China, realizing the industrial application of the shallow-water underwater wellhead water injection system; the "HYSY943" rig successfully completed the operation of "new, excellent and fast" project, the first unmanned rig of CNOOC, speeding up 22.15%; the "KAI XUAN YI HAO" rig successfully completed the operation of a certain well section in the Bohai Sea, shattering a new record for the longest open-hole section in the Bohai Sea; the "HYSY982" rig successfully completed the drilling of the first deepwater high-pressure development well of CNOOC; the "China Merchants Hailong 7" rig completed the operation of a high-value well in the Americas with high standards; various rigs in the Middle East were gradually put into operation; the Company continued to explore high-end customers in European region and obtained various high-value medium and long-term drilling rigs service contracts in the North Sea.

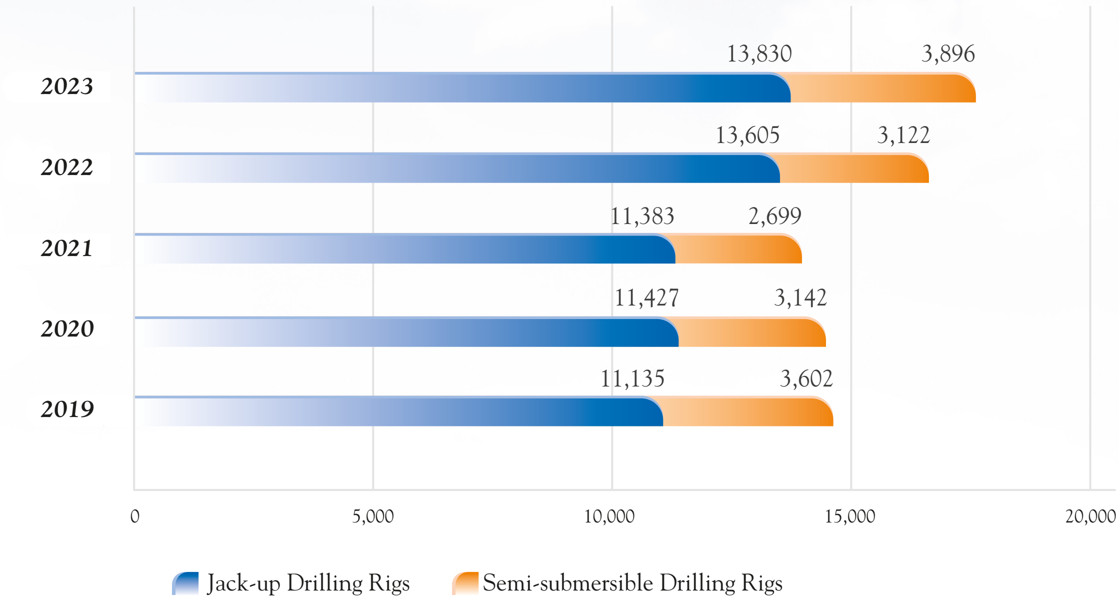
At the end of 2023, the Company had 41 drilling rigs in China and 19 drilling rigs overseas.

With the impact of the continuous rebound in the offshore oil and gas industry, the Company's drilling rigs operated for 17,726 days in 2023, representing a year-on-year increase of 999 days or 6.0%.

In 2023, the Company's jack-up drilling rigs operated for 13,830 days, representing a year-on-year increase of 225 days; semi-submersible drilling rigs operated for 3,896 days, representing a year-on-year increase of 774 days. Available day utilisation rate of drilling rigs was 85.2%, representing a year-on-year increase of 1.7 percentage points. Among which, the utilisation rate of jack-up rigs was 85.9%, representing a year-on-year decrease of 2.3 percentage points, which was due to the impact of cross-border towing and inspection of vessels of overseas customers, and available day utilisation rate shall be 89.2% after excluding such impact, representing a year-on-year increase of 1.0 percentage point. Operational details are as follows:

	2023	2022	Change	Percentage change
Operating days (day)	17,726	16,727	999	6.0%
Jack-up drilling rigs	13,830	13,605	225	1.7%
Semi-submersible drilling rigs	3,896	3,122	774	24.8%
Available day utilization rate	85.2%	83.5%	Up 1.7 percentage points	
Jack-up drilling rigs	85.9%	88.2%	Down 2.3 percentage points	
Semi-submersible drilling rigs	83.0%	67.6%	Up 15.4 percentage points	
Calendar day utilization rate	79.9%	78.5%	Up 1.4 percentage points	
Jack-up drilling rigs	80.9%	83.3%	Down 2.4 percentage points	
Semi-submersible drilling rigs	76.2%	63.0%	Up 13.2 percentage points	

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS



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

Average daily revenue (ten thousand US$/day)	2023	2022	Change	Percentage change
Jack-up drilling rigs	7.4	6.9	0.5	7.2%
Semi-submersible drilling rigs	13.3	11.4	1.9	16.7%
Drilling rigs average	8.7	7.8	0.9	11.5%

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

(2) *USD/RMB exchange rate was 1:7.0827 as at 31 December 2023 and 1: 6.9646 as at 31 December 2022.*

Well Services

WELL SERVICES SEGMENT

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

In 2023, revenue from the well services increased by 31.4% to RMB25,717.5 million from RMB19,571.2 million in 2022. The Company adhered to taking the needs of target customer groups as the guide and carried out forward-looking technology research and development. Both of the two technologies that participated in the competition for the first time won the 2024 OTC Asia New Technology Award. The Company strengthened research on key core technologies and "Xuanji" was selected into the "Top Ten Achievements of National Oil and Gas Exploration and Development in 2023" promulgated by the National Energy Administration. The Company accelerated the construction of the industrialization capacity of technological products and promoted the continuous growth of integrated business scale with differentiated competitive advantages.

The Company has consistently practiced the technology-driven strategies, promoted the large-scale application of independent technologies, and continued to improve the efficiency of transformation of scientific research achievements. The Company has achieved leaping development of self-developed "Xuanji" high-end drilling technical equipment, and further realized the large-scale marine application, achieving more than 1,700 well times and accumulated footage of over 1.6 million meters, and the good run ratio was improved to 95.11%, which opened new ground for the application of domestic self-developed equipment in directional drilling operations of high difficulty. The Company continued to improve the resistance to high temperature of high-temperature electric imaging logging instruments, and the well temperature for operations by high-temperature multi-dimensional nuclear magnetic instrument exceeded 190°C. The Company has applied the high-temperature high-end wireline logging technology in more than 400 well times throughout the year. High-temperature large-diameter coring technology broke a number of records all year round with respect to core recovery in a single operation and in a single well, as well as the highest formation temperature, giving effective help to the exploration and development of offshore oil and gas resources under complicated conditions. The Company promoted the in-depth integration of digital and intelligent technologies with the manufacturing business of well completion tools, optimized more than 90 manufacturing process routes, extended the automated machining capacity to process over 60 key components, and assisted in the transformation of the achievements of independent high-end technology products and high-quality industrialization output. Cementing technology made a successful debut in China's first offshore CCS demonstration project, breaking many industry records such as the shallowest offshore CCS re-injection layer, the thinnest compartment thickness, and the longest horizontal section. The Company successfully applied the high-performance oil-based drilling fluid, and the ultra-high pressure, low density and anti-diversion cement slurry technology in "SHEN DI YI HAO" project, helping set two records in terms of the deepest well along hole depth and horizontal displacement in ultra-deep drilling wells in Asia. The Company realized the first successful application of the expandable screen pipe technology for subsidized sand control for the secondary sand control of old wells in offshore oilfields with loose sandstone, and adopted the diversion acidization technology to solve the problem of enhancing the production of high water cut oil wells, which effectively enhanced the comprehensive capability of oilfield treatment.

The continuous enhancement of the technology brand effect and the large-scale application of self-developed technology products have contributed to the steady expansion of overseas market. The Company has been awarded a number of overseas regional sales contracts for technical products, further expanding the shares of "Xuanji" system high-end series tools in the external market; realized the large-scale sales of self-developed multi ultra-sonic imaging logging (the "MUIL") instruments with the global popularity and recognition raised, specially developed potential high-end customer groups and broadened the scope of regional sales business, leading to continuous breakthroughs in the operation service market; successfully signed the contract on integrated drilling and completion service in Middle East; successfully signed the contract on drilling and completion fluid and cementing service in Southeast Asia, which broke the Company's record of the highest contract amount of this business in the local market; successfully won the bid for high-value disposal integration project in the Southeast Asia; successfully signed the contract for onshore integrated technology service project in the Americas, which was the first time of the Company to provide integrated services to customers outside the system in this region, and the integrated capability was fully recognized by customers.

Marine Support Services

MARINE SUPPORT SERVICES SEGMENT

The Company operates and manages the largest offshore operation fleet with the most comprehensive functions in China, with over 170 vessels including AHTS vessels, platform supply vessels and standby vessels at the end of 2023. The Company can provide comprehensive support and services, including anchor handling for different water level, towing of drilling rigs/engineering barges, offshore transportation, oil/gas field standby, firefighting, rescue, oil spill assisting, for offshore oil and gas exploration, development, construction and oil/gas field production, which can fulfill multidimensional needs of clients.

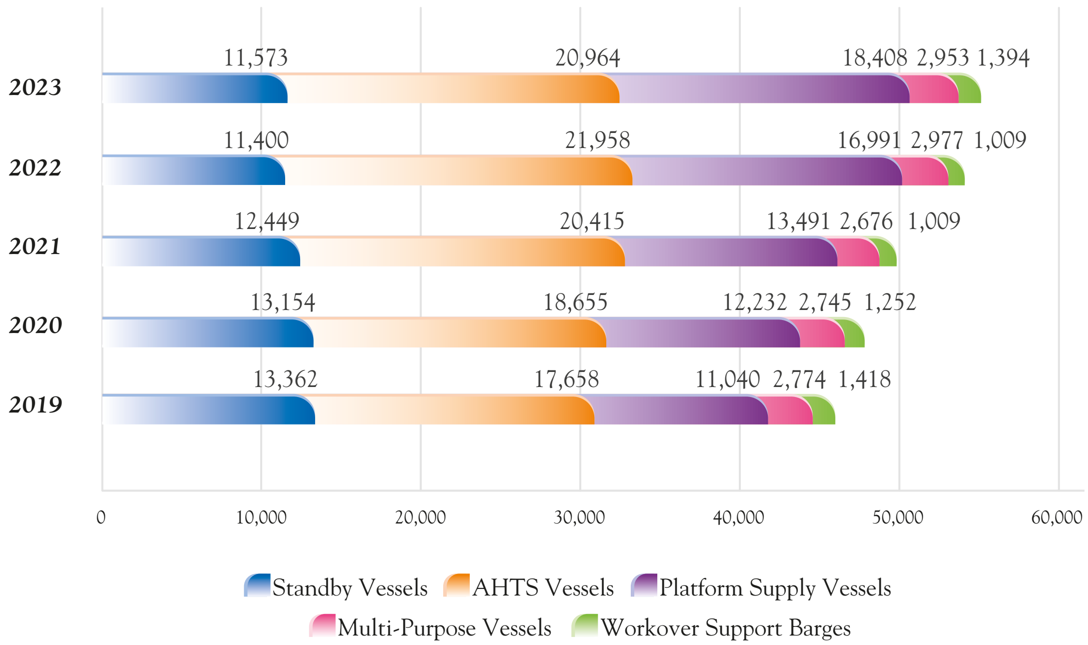
In 2023, revenue of marine support services increased by 5.9% to RMB3,938.8 million from RMB3,719.9 million in 2022.

The Company continued to consolidate the reserve scale of the resource pool, comprehensively strengthened the overall coordination of domestic maritime vessel services and the ability to develop overseas markets, improved the market response speed, and ensured the construction of a maritime power. The Company operated the world's largest LNG-powered standby fleet, and the green and low-carbon transformation path of "green equipment + green technology + green products + green operations" was clearer. "HYSY661" vessel won the written praise of "SHEN HAI YI HAO" gas field for its excellent operation performance. The case of the Company's "carrying out the strategy of low-carbon emission reduction and pioneering the COSL fleet" was successfully selected as a typical case of the "Excellent Practice Case of Green and Low-carbon Development of Enterprises 2023" of the China Enterprise Confederation. After 12 LNG vessels were put into operation, carbon dioxide emissions could be reduced by more than 10,000 tonnes and nitrogen oxides and sulfur oxides emissions could be reduced by more than 500 tonnes every year, opening a new chapter in energy conservation and environmental protection. The Company successfully signed the first overseas high-value marine support services contract, and officially started the "14+10" -month Oceania marine support services project at the end of the year.

In 2023, the operational details of vessels of the Company are as follows:

Operating days (day)	2023	2022	Change	Percentage Change
Standby vessels	11,573	11,400	173	1.5%
AHTS vessels	20,964	21,958	(994)	(4.5%)
Platform supply vessels	18,408	16,991	1,417	8.3%
Multi-purpose vessels	2,953	2,977	(24)	(0.8%)
Workover support barges	1,394	1,009	385	38.2%
Total	55,292	54,335	957	1.8%

NUMBER OF OPERATING DAYS FOR UTILITY VESSELS IN RECENT YEARS



Geophysical Acquisition and Surveying Services

GEOPHYSICAL ACQUISITION AND SURVEYING SERVICES SEGMENT

The Company is a major supplier for China offshore geophysical acquisition and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical exploration. At the end of 2023, the Company owns 5 towing streamer vessels, 4 submarine seismic vessels, 4 integrated marine surveying vessels and 2 support vessels for operation in deep water. Services for clients include but not limited to providing services of wide azimuth, broadband, high density seismic acquisition services, ocean bottom cable and ocean bottom node multi-component seismic acquisition services, as well as integrated offshore surveying services.

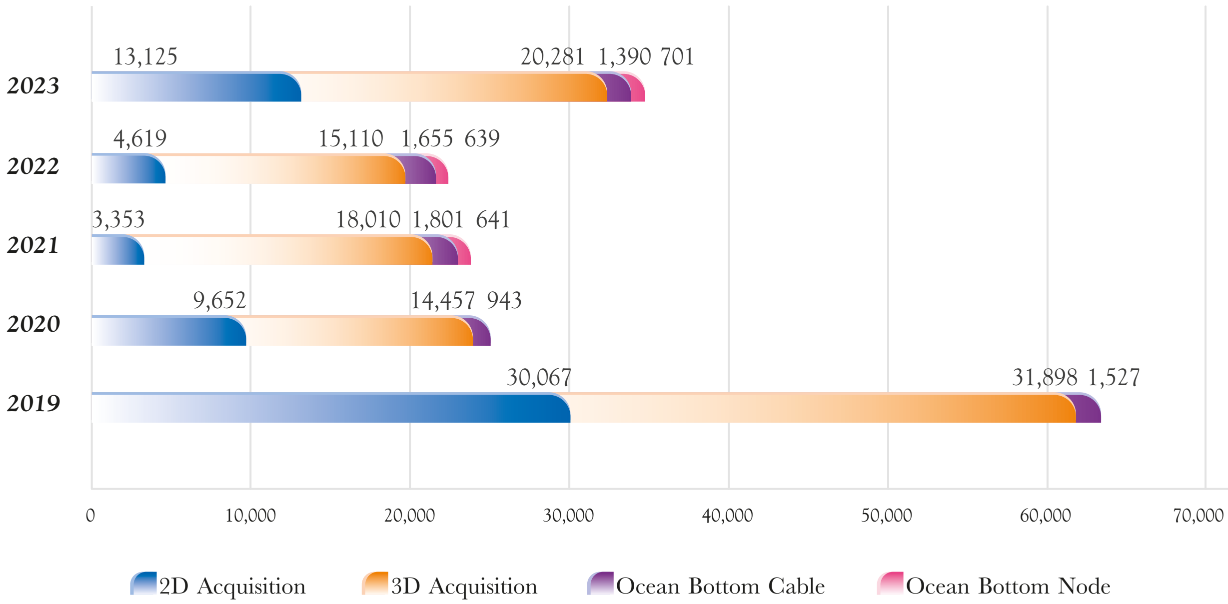
In 2023, revenue of geophysical acquisition and surveying services increased by 17.6% to RMB2,334.7 million from RMB1,984.9 million in 2022, of which, the surveying services recorded revenue of RMB698.0 million, representing an increase of 23.7% as compared with RMB564.1 million in 2022.

The Company actively adapted to the new trend of geophysical globalization, promoted the accelerated digital intelligent geophysical construction, continuously promoted the independent control of key core technologies and the transformation of scientific and technological achievements, and promoted the technical level of marine exploration equipment. "HYSY720" vessel was equipped with the "Haijing" system, a marine towed streamer seismic exploration acquisition equipment independently researched and developed by the Company, completing the seismic exploration operation in ultra-deep water for the first time and achieving the independent research and development, production and application of a complete set of marine seismic exploration towed streamer acquisition equipment. The "Haimai" ocean bottom seismic exploration node digital intelligent production line independently researched and developed by the Company was selected as the excellent scenario of intelligent manufacturing of central enterprises in 2023. "Haimai" has been officially put into use in Bohai Sea, marking a key step in China's high-end offshore oil and gas exploration technology, and further improving the Company's self-controllable offshore oil and gas exploration equipment system. The Company successfully completed the acquisition operation of the first land unconventional seismic exploration project, filling the gap in the Company's land exploration. Based on the development advantages of self-developed equipment, the Company opened up a new situation of overseas development and helped countries along "The Belt and Road Initiative" to explore and develop oil and gas. "HYSY721" vessel entered 3D seismic exploration service market in West Africa for the first time, and successfully signed 2D and 3D seismic acquisition contracts in Southeast Asia, realizing continuous acquisition operations in Southeast Asia.

In 2023, the details of geophysical acquisition of the Company are as follows:

Businesses	2023	2022	Change	Percentage Change
2D acquisition (km)	13,125	4,619	8,506	184.2%
3D acquisition (km^2)	20,281	15,110	5,171	34.2%
Ocean bottom cable (km^2)	1,390	1,655	(265)	(16.0%)
Ocean bottom node (km^2)	701	639	62	9.7%

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



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 at 31 December 2023, the total assets of China Oilfield Services (BVI) Limited amounted to RMB7,696.4 million and equity was RMB1,418.2 million. China Oilfield Services (BVI) Limited realized revenue of RMB4,980.0 million in 2023, representing an increase of RMB1,126.1 million compared with last year. The net profit amounted to RMB69.9 million, representing a decrease of RMB245.7 million (restated) compared with last year.

As at 31 December 2023, the total assets of COSL Hong Kong International Limited amounted to RMB7,558.6 million and equity was RMB7,558.6 million. COSL Hong Kong International Limited realized revenue of RMB34.5 thousand in 2023, representing an increase of RMB1.1 thousand compared with last year. The net profit amounted to RMB124.5 thousand, representing a decrease of RMB35,104.2 thousand compared with last year.

As at 31 December 2023, the total assets of CNA amounted to RMB7,513.5 million and equity was RMB-5,333.6 million. CNA realized revenue of RMB1,399.6 million in 2023, representing an increase of RMB791.0 million or 130.0% as compared with last year. The net profit amounted to RMB-595.7 million, representing a decrease in loss of RMB93.1 million compared with last year.

As at 31 December 2023, the total assets of COSL Singapore Limited amounted to RMB20,145.7 million and equity was RMB-4,326.6 million. COSL Singapore Limited realized revenue of RMB2,685.9 million in 2023, representing an increase of RMB851.7 million or 46.4% compared with last year. The net profit amounted to RMB-954.5 million, representing an increase in loss of RMB327.3 million compared with last year. COSL PROSPECTOR PTE. LTD. is a major drilling rig subsidiary of COSL Singapore Limited.

As at 31 December 2023, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,135.7 million and equity was RMB-6,833.6 million. COSL PROSPECTOR PTE. LTD. realized revenue of RMB749.9 million in 2023, representing an increase of RMB230.6 million compared with last year. The net profit amounted to RMB-605.3 million, representing an increase in loss of RMB211.2 million compared with 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 at 31 December 2023, the total assets of China France Bohai amounted to RMB1,391.8 million and equity was RMB555.3 million. In 2023, China France Bohai realized revenue of RMB1,874.1 million and net profit amounted to RMB487.6 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 at 31 December 2023, the total assets of Hainan Company amounted to RMB2,754.2 million and equity was RMB1,378.1 million. Hainan Company realized revenue of RMB3,152.5 million in 2023, representing an increase of RMB2,033.1 million compared with last year. The net profit amounted to RMB175.9 million, representing an increase of RMB165.5 million compared with last year.

FINANCIAL REVIEW

1. ANALYSIS ON CONSOLIDATED STATEMENT OF PROFIT OR LOSS

1.1 Revenue

For the year 2023, revenue of the Group amounted to RMB44,042.2 million, representing an increase of RMB8,432.1 million or 23.7% as compared with last year. The detailed analysis is set out below:

Analysis by business segments

Unit: RMB million

Business segments	2023	2022	Change	Percentage change
Drilling services	12,051.2	10,334.1	1,717.1	16.6%
Well services	25,717.5	19,571.2	6,146.3	31.4%
Marine support services	3,938.8	3,719.9	218.9	5.9%
Geophysical acquisition and surveying services	2,334.7	1,984.9	349.8	17.6%
Total	44,042.2	35,610.1	8,432.1	23.7%

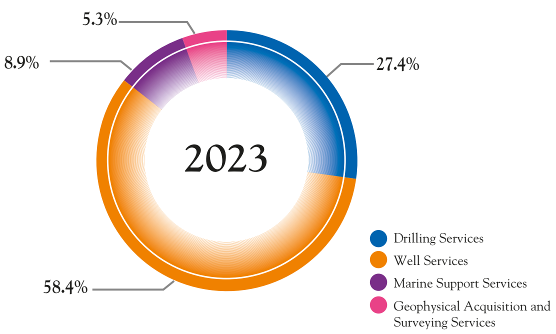
- Revenue generated from drilling services increased by 16.6% as compared with last year. With the impact of the continuous recovery of the offshore oil and gas industry, drilling rigs operation volume and utilization rate were improved and revenue increased steadily during the year.

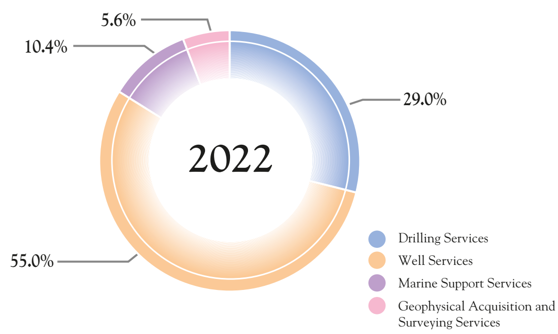
- Revenue from well services increased by 31.4% as compared with last year. The Company adhered to taking the needs of target customer groups as the guide, strengthened research on key core technologies, and facilitated to make new progress in market breakthroughs with the industrial application of its own technology, resulting in the increase in operation volume of various business lines.

- Revenue from marine support services increased by 5.9% as compared with last year, which was mainly due to the increase in operation volume of self-owned vessels and chartered vessels during the year.

- Revenue of geophysical acquisition and surveying services business increased by 17.6% as compared with last year, which was mainly due to the increase in operation volume of 2D and 3D acquisition overseas during the year.

Revenue analysis – by business segments



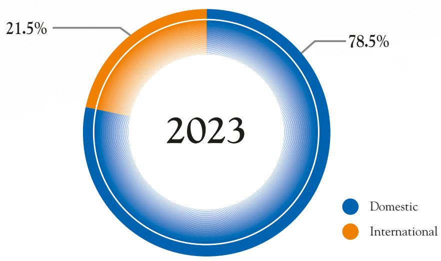


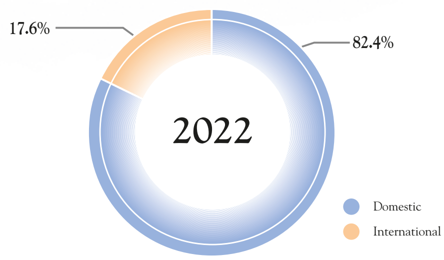
Analysis by operation area

Unit: RMB million

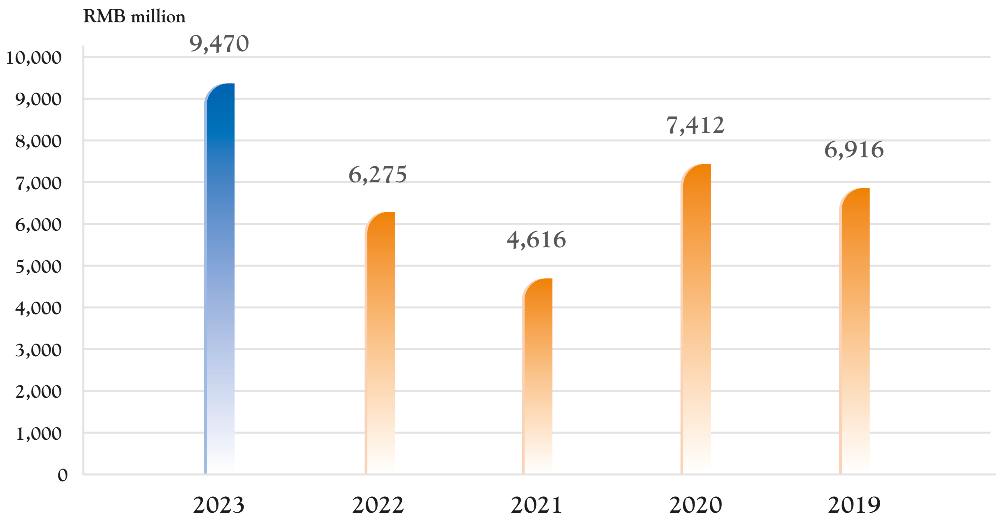
Region	2023	2022	Change	Percentage change
Domestic	34,571.9	29,335.6	5,236.3	17.8%
International	9,470.3	6,274.5	3,195.8	50.9%
Total	44,042.2	35,610.1	8,432.1	23.7%

In terms of operation area, the Group's main source of revenue was from China offshore, accounting for 78.5% of the Group's total revenue. In 2023, the Group's international business recorded revenue of RMB9,470.3 million (compared with RMB6,274.5 million over last year, representing an increase of 50.9% as compared with last year), accounting for 21.5% of the Group's revenue for the year.





THE LATEST FIVE YEARS' INTERNATIONAL REVENUE



1.2 Operating expenses

For the year 2023, operating expenses of the Group amounted to RMB39,496.7 million, representing an increase of RMB6,267.8 million or 18.9% as compared with RMB33,228.9 million of last year.

The table below shows the comparison of the breakdown of the Group's operating expenses in 2023 and 2022:

Unit: RMB million

	2023	2022	Change	Percentage change
Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library	5,195.3	4,685.6	509.7	10.9%
Depreciation of right-of-use assets	415.3	367.1	48.2	13.1%
Employee compensation costs	8,202.0	7,414.0	788.0	10.6%
Repair and maintenance costs	601.6	594.8	6.8	1.1%
Consumption of supplies, materials, fuel, services and others	10,101.8	9,080.6	1,021.2	11.2%
Subcontracting expenses	11,420.8	8,164.6	3,256.2	39.9%
Lease expenses	2,147.5	1,666.9	480.6	28.8%
Other operating expenses	1,355.8	1,175.7	180.1	15.3%
Impairment loss of property, plant and equipment	–	30.2	(30.2)	(100.0%)
Impairment loss under expected credit losses model, net of reversal	56.6	49.4	7.2	14.6%
Total operating expenses	39,496.7	33,228.9	6,267.8	18.9%

Depreciation of property, plant and equipment and amortisation of intangible assets and MultiClient library for the year increased by RMB509.7 million or 10.9% as compared with last year.

Depreciation of right-of-use assets for the year increased by RMB48.2 million or 13.1% as compared with last year.

Employee compensation costs for the year increased by RMB788.0 million or 10.6% as compared with last year.

Repair and maintenance costs for the year increased by RMB6.8 million as compared with last year, basically keeping stable.

Consumption of supplies, materials, fuel, services and others for the year increased by RMB1,021.2 million or 11.2% as compared with last year, mainly due to the increase in operation volume.

Subcontracting expenses for the year increased by RMB3,256.2 million or 39.9% as compared with last year, mainly due to the increase in operation and personnel subcontracting input of the Company as a result of the increase in the operation volume.

Lease expenses for the year was RMB2,147.5 million, representing an increase of RMB480.6 million as compared with last year.

Impairment loss of property, plant and equipment for the year decreased by RMB30.2 million as compared with last year, mainly due to the absence of impairment loss of property, plant and equipment for the year.

Impairment loss of credit for the year increased by RMB7.2 million or 14.6% as compared with last year.

Other operating expenses in 2023 amounted to RMB1,355.8 million, which mainly included nearly 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 RMB180.1 million as compared with last year. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB498.0 million, accounting for 36.7%; travel expenses amounted to RMB263.8 million, accounting for 19.5%; transfer fees for technology amounted to RMB223.4 million, accounting for 16.5%; business trip expenses amounted to RMB73.8 million, accounting for 5.4%; consulting fees amounted to RMB63.5 million, accounting for 4.7%; collective expenses, office expenses, audit fees and other fees amounted to RMB233.3 million in total. The increase in other operating expenses during the year was mainly due to the increase in investment in safety.

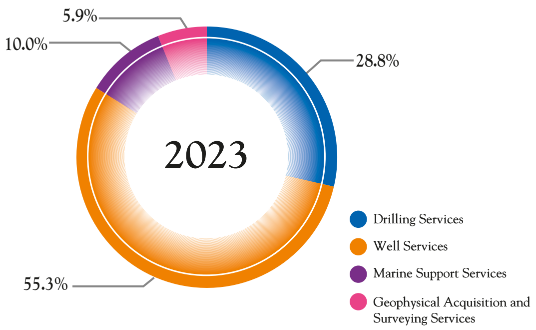
Other operating expenses in 2022 amounted to RMB1,175.7 million, which mainly included nearly 30 cost items including travel expenses, business trip expense, office expenses, expenses for library materials, health, safety and environmental protection expenses, weather guarantee fees, consulting fees, audit fees and so on. Of the total other operating expenses, health, safety and environmental protection expenses amounted to RMB366.5 million, accounting for 31.2%; transfer fees for technology amounted to RMB179.2 million, accounting for 15.2%; collective expenses amounted to RMB132.1 million, accounting for 11.2%; travel expenses amounted to RMB85.6 million, accounting for 7.3%; business trip expenses, consulting fees, audit fees and other fees amounted to RMB412.3 million in total.

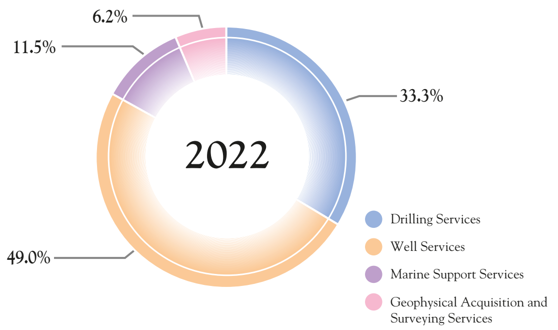
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segments	2023	2022	Change	Percentage change
Drilling services	11,387.8	11,059.7	328.1	3.0%
Well services	21,851.0	16,281.0	5,570.0	34.2%
Marine support services	3,928.1	3,813.6	114.5	3.0%
Geophysical acquisition and surveying services	2,329.8	2,074.6	255.2	12.3%
Total	39,496.7	33,228.9	6,267.8	18.9%

Analysis of operating expenses – by business segments





1.3 Profit from operations

For the year 2023, the Group's profit from operations amounted to RMB4,855.2 million, representing an increase of RMB2,131.8 million as compared with RMB2,723.4 million of last year.

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

Unit: RMB million

Business segments	2023	2022	Change	Percentage change
Drilling services	739.7	(635.5)	1,375.2	216.4%
Well services	4,052.0	3,483.8	568.2	16.3%
Marine support services	38.0	(58.8)	96.8	164.6%
Geophysical acquisition and surveying services	25.5	(66.1)	91.6	138.6%
Total	4,855.2	2,723.4	2,131.8	78.3%

1.4 Financial expenses, net

Unit: RMB million

	2023	2022	Change	Percentage change
Exchange gains or losses, net	37.1	(565.8)	602.9	106.6%
Finance costs	996.8	777.1	219.7	28.3%
Interest income	(181.1)	(123.4)	(57.7)	(46.8%)
Financial expenses, net	852.8	87.9	764.9	870.2%

The exchange gains decreased by RMB602.9 million as compared with last year as affected by the change of exchange rates during the year.

1.5 Share of profits of an associate and joint ventures, net of tax

The Group's share of profits of an associate and joint ventures was RMB178.3 million in 2023, representing a decrease of RMB109.3 million as compared with RMB287.6 million of last year, which was mainly attributable to the decrease in gains from long-term equity investments accounted for using the equity method as a result of acquisition of the effective control of certain joint ventures in the second half of 2022.

1.6 Profit before tax

The profit before tax of the Group was RMB4,242.9 million in 2023, representing an increase of RMB1,261.4 million as compared with RMB2,981.5 million of last year.

1.7 Income tax expense

The income tax expense of the Group in 2023 was RMB960.2 million, representing an increase of RMB477.9 million as compared with RMB482.3 million (restated) of last year, mainly due to the Company applied the Announcement on Increasing Pre-Tax Deduction to Support Innovation in Science and Technology by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology (the Announcement No.28 of 2022 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology) last year and there was no impact of such policy during the year.

1.8 Profit for the year

For the year 2023, profit of the Group was RMB3,282.6 million, representing an increase of RMB783.4 million as compared with RMB2,499.2 million (restated) of last year.

1.9 Basic earnings per share

For the year 2023, the Group's basic earnings per share were approximately RMB63.15 cents, as compared with RMB49.43 cents (restated) of last year.

1.10 Dividend

In 2023, the Board of Directors of the Company recommended a final dividend of RMB0.21 per share (tax inclusive), totaling approximately RMB1,002.0 million. The final dividend will be paid on or before 30 June 2024 upon approval at the general meeting of shareholders.

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

2. ANALYSIS ON CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023, the total assets of the Group amounted to RMB83,245.8 million, representing an increase of RMB6,085.1 million or 7.9% as compared with RMB77,160.7 million (restated) as at the end of 2022. The total liabilities amounted to RMB40,989.7 million, representing an increase of RMB3,804.9 million or 10.2% as compared with RMB37,184.8 million (restated) as at the end of 2022. Total equity amounted to RMB42,256.1 million, representing an increase of RMB2,280.1 million or 5.7% as compared with RMB39,976.0 million (restated) as at the end of 2022.

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

Unit: RMB million

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
Assets						
1	MultiClient library	**131.8**	216.1	**(84.3)**	**(39.0%)**	Mainly due to the amortisation of MultiClient library during the year.
2	Contract costs (non-current assets)	**919.2**	496.8	**422.4**	**85.0%**	The increase in contract performance costs arising from renovation of drilling rigs during the year.
3	Other non-current assets	**415.9**	1,829.2	**(1,413.3)**	**(77.3%)**	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
4	Deferred tax assets	59.1	26.6	32.5	122.2%	Mainly due to the increase in deductable temporary difference from overseas subsidiaries.
5	Notes receivable	115.9	22.8	93.1	408.3%	Mainly due to the increase in bills received from clients in the course of normal production and operation during the year.
6	Receivables at fair value through other comprehensive income	352.0	8.2	343.8	4,192.7%	Mainly due to the increase in bills received from clients in the course of normal production and operation during the year.
7	Contract costs (current assets)	30.6	47.4	(16.8)	(35.4%)	Mainly due to transfer of mobilisation costs during the year.
8	Other current assets	333.9	1,771.3	(1,437.4)	(81.1%)	Mainly due to recognition of monetary funds as financial assets held for trading at fair value through profit or loss during the year.
9	Time deposits	2,226.4	548.5	1,677.9	305.9%	Mainly due to the reclassification of certificates of large amount deposit due within one year into time deposits.
10	Cash and cash equivalents	5,977.5	3,561.7	2,415.8	67.8%	Mainly due to the increase in revenue and the increase in payment collection during the year.

Items	2023	2022 (Restated)	Change	Percentage change	Reasons
Liabilities					
1 Notes payable	7.3	11.9	(4.6)	(38.7%)	Mainly due to the acceptance of bills at maturity.
2 Tax payable	454.4	94.9	359.5	378.8%	Mainly because the Company applied the Announcement on Increasing Pre-Tax Deduction to Support Innovation in Science and Technology by the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology (the Announcement No.28 of 2022 of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology) last year and there was no impact of such policy during the year.
3 Long-term bonds (current liabilities)	140.7	872.2	(731.5)	(83.9%)	Mainly due to the bonds due for payment.
4 Lease liabilities (current liabilities)	305.0	437.2	(132.2)	(30.2%)	Mainly due to the lease liabilities due for payment.
5 Contract liabilities (current liabilities)	1,207.4	759.7	447.7	58.9%	Mainly due to the increase in mobilization revenue and equipment sales received in advance during the year.
6 Deferred tax liabilities	387.7	244.5	143.2	58.6%	Mainly due to the parent company utilized tax losses arising from tax preference in 2022, represented by net amount at the end of the period.
7 Lease liabilities (non-current liabilities)	742.2	569.6	172.6	30.3%	Mainly due to the increase in lease drilling rigs during the year.

Items		2023	2022 (Restated)	Change	Percentage change	Reasons
8	Contract liabilities (non-current liabilities)	**1,292.8**	458.7	**834.1**	**181.8%**	Mainly due to the increase in mobilization revenue during the year.
9	Other non-current liabilities	**11.4**	20.7	**(9.3)**	**(44.9%)**	Mainly due to the transfer of onerous contracts in other current liabilities over the term of contract during the year.
10	Employee benefit liabilities	**15.4**	7.6	**7.8**	**102.6%**	Employee benefit liabilities were accrued by overseas subsidiaries in accordance with local policies.

3. ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

At the beginning of 2023, the Group held cash and cash equivalents of RMB3,561.7 million. During 2023, the net cash inflows from operating activities amounted to RMB13,091.7 million; the net cash outflows from investing activities amounted to RMB7,457.2 million; the net cash outflows from financing activities amounted to RMB3,283.8 million and the impact of foreign exchange rate fluctuations resulted in an increase of cash of RMB65.1 million. As at 31 December 2023, the Group's cash and cash equivalents amounted to RMB5,977.5 million.

3.1 Cash flows from operating activities

In 2023, the net cash inflows from operating activities of the Group amounted to RMB13,091.7 million, representing an increase of 89.8% as compared with last year, mainly due to the increase in cash received from sales of goods and rendering of services during the year.

3.2 Cash flows from investing activities

In 2023, the net cash outflows from investing activities of the Group amounted to RMB7,457.2 million, representing an increase of outflows of RMB3,724.5 million as compared with last year, which was mainly due to the increase of RMB5,158.1 million in cash paid for purchase of property, plant and equipment and other intangible assets, the decrease of RMB2,603.0 million in cash paid for purchase of floating rate corporate wealth management products, monetary funds, debt instruments and time deposits, the decrease of cash received from the disposal of/matured investments in floating rate corporate wealth management products and monetary funds of RMB688.7 million, and the total increase of cash outflows from other investment activities of RMB480.7 million.

3.3 Cash flows from financing activities

In 2023, the net cash outflows from financing activities of the Group amounted to RMB3,283.8 million, representing a decrease of outflows of RMB1,584.1 million as compared with last year. During the year, cash received from the new borrowings from related parties decreased by RMB1,724.9 million, cash received from new bank loans decreased by RMB298.6 million, cash paid for repayment of long-term bonds decreased by RMB7,566.3 million, cash paid for repayment of bank loans and borrowings from related parties increased by RMB3,657.8 million and cash outflows from other financing activities increased by RMB300.9 million in total as compared with last year.

3.4 The effect of foreign exchange rate fluctuations on cash during the year was an increase of cash of RMB65.1 million.

3.5 The Group provides operation capital mainly through cash from operating activities, investment activities and financing activities and interest-bearing borrowings. For details of the Group's borrowings for the year ended 31 December 2023, please refer to Notes 35 and 36 to the consolidated financial statements of this annual report.

4. CAPITAL EXPENDITURE

In 2023, the capital expenditure of the Group amounted to RMB9,746.0 million, representing an increase of RMB5,666.8 million or 138.9% as compared with last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segments	2023	2022	Change	Percentage change
Drilling services	6,167.0	1,371.7	4,795.3	349.6%
Well services	2,781.6	2,208.9	572.7	25.9%
Marine support services	311.9	243.7	68.2	28.0%
Geophysical acquisition and surveying services	485.5	254.9	230.6	90.5%
Total	9,746.0	4,079.2	5,666.8	138.9%

The capital expenditure of drilling service business is mainly used for the purchase of drilling rigs and the transformation and renovation of equipment. The capital expenditure of well services business is mainly used for the construction and purchase of well technology services equipment relating to such business segment. The capital expenditure of the marine support services business is mainly used for the transformation and renovation of vessels. The capital expenditure of the geophysical acquisition and surveying services business is mainly used for the transformation and renovation of operation vessels and equipment.

BUSINESS PLAN

In 2023, the capital expenditure of the Company amounted to RMB9,746 million, representing 105.1% of the annual budget for the year, and the overall target had been basically achieved. On 30 January 2024, the World Economic Outlook report issued by the International Monetary Fund (IMF) predicted that the world economic growth rate would be 3.1% in 2024. In terms of oil supply and demand, the transition to green and low-carbon energy will accelerate, the growth of the global demand will further slow down, and the uncertainty about the trend of international oil price will increase. The global oilfield services market size will continue to show a recovery trend. According to the report issued by Spears & Associates, a consulting company, all segments of the global oilfield services market will show a growing trend in 2024, and it is expected that the segments of geophysical services, drilling, well completion and production and equipment and tools will reach US$8.1 billion, US$128.3 billion, US$97.3 billion, US$36.7 billion and US$57.6 billion in 2024, representing a year-on-year increase of 17%, 9%, 9%, 6% and 13%, respectively.

In 2024, it is estimated that the Company's capital expenditure will be approximately RMB7.4 billion, which will be mainly used for equipment investment and transformation and renovation, technical equipment transformation and renovation, investment in technology research and development, as well as base construction. The Company's internal capital liquidity will be stable and the external financing channels will be sufficient, which can ensure the safety of cash flow.

The Company will continue to implement the five development strategies, continuously enhance the strength of equipment, constantly promote scientific and technological innovation, and build the integrated service capability for the oilfield full life-cycle oriented to customer needs. The Company will adhere to green and low-carbon development, promote industrial transformation and upgrading, and gradually move towards becoming a world first-class energy service company with Chinese characteristics, so as to achieve multi-party win-win and value maximization with customers, employees, business partners and shareholders.

2024 BUSINESS OUTLOOK

According to the International Monetary Fund (IMF), it is anticipated that the growth of global economy will remain at 3.1%, the economic growth of developed economies is expected to fall to 1.5% and the growth of emerging markets and developing economies is expected to remain at 4.1% in 2024. In 2023, the overall economy of China recovered with a positive trend of growth, and the gross domestic product exceeded RMB126 trillion with a growth rate of 5.2%, ranking top among the major economies in the world in terms of the growth rate. The economic growth is expected to remain at around 5% in 2024. In 2023, the merger and acquisition transactions in connection with oil and gas resource in the global market was quite active and the transaction amount reached the highest level since 2013. According to the research report of S&P Global, it is expected the global petroleum demand will continue to increase in 2024, and the oil company will continuously expand the exploration of oil and gas, especially the ultra-deep water oilfield exploration and unconventional oil and gas exploration. It is anticipated that the global upstream capital expenditure of exploration and development will be approximately US$607.9 billion, representing a year-on-year increase of 5.7%. The global oilfield services market size will continue to expand, and Spears & Associates, a consulting company, predicts that the global oilfield services market size will increased by 7.1% year-on-year in 2024. Looking forward, it is forecasted that the international oil price is likely to fluctuate within a wide range in 2024, and the International Energy Agency (IEA) expects that the average price of Brent crude oil will be US$83/barrel in 2024 under a benchmark scenario. Domestically, it is emphasized the role of fossil energy to ensure the satisfaction of basic needs. According to the Guiding Opinions on Energy Work in 2024 issued by the National Energy Administration, the oil and gas industry will deeply study and implement the medium and long-term development strategy of increasing reserves and production of oil and gas, enhance the oil and gas exploration and development, promote the stable production of mature oil field, accelerate the construction and production of new ones, and strengthen the construction of production capacity in the key areas of "deep sea, deep layer, unconventional and mature" oil and gas, and it is anticipated that the domestic oilfield service market will continue to show a positive momentum.

Corporate Governance Report

As a domestic and overseas listed company, the Company has reviewed the compliance with the Corporate Governance Code (hereinafter referred to as the "Code") contained in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (hereinafter referred to as the "Listing Rules") and the regulatory documents on listed companies governance issued by China Securities Regulatory Commission. Upon the review, the Board is of the view that the corporate governance of the Company has generally met the requirements set out in the Code and the regulations during the reporting period. During the 12 months ended 31 December 2023, the Company has complied with the principles and code provisions as set out in the Code in Appendix C1 of the Listing Rules, and also explained the implementation of Code provision C.2.1 under Part 2 of the Code.

The Board is of the view that the improvement in corporate governance in 2023 was mainly reflected in the following aspects:

1. Continuously implemented the Company's medium-and long-term development strategy, further strengthened the "four centers" positioning of overseas branches, optimized the combination mode of the equipment sector and technology sector, widened the channels through scientific product strategy and appropriate price strategy, optimized the customer portfolio, and continued to build a positive brand image with refined international business operation. The Company continued to pay attention to the global upstream exploration and development capital expenditure, deeply implemented the internationalization and regional development strategy of the Company, and proactively deployed the overseas business strategy layout with the focus on the high-quality development.

2. Strengthened risk analysis and research and judgement of investment projects, attached importance to risk assessments of the international situation on the regional market, enhanced the management and control of new overseas projects and major overseas service projects at the source; coordinated all functional departments to identify hidden risks in each areas, strengthened overseas risk identification and counter, and improved risk management and control measures; strengthened the review and risk assessment of continuous connected transactions, reduced financing costs and made great efforts to achieve revenue maximization of the Company; strengthened risk management and control of operating matters and ensured stable cash flow through complete processes; continuously promoted the progress of the technology research and development, strengthened the integration of digital technology and production processes and focused on information network security and protection.

3. Deepened the construction of the Board, implemented all functions and powers of the Board in accordance with the law, standardized decision-making procedures, and improved the governance efficiency of the Board; amended the Administrative Measures for the Authorization of the Board of Directors and a list of authorized decision-making matters, and improved the authorization mechanism with the "system + list" management model to meet the high-quality development needs of the Company; formulated the Program for Guaranteeing the Duties Performance of External Directors, continued to standardize the construction of the Board, improved the working mechanism of external directors, and guaranteed the supervisor function of external directors; continuously improved the internal control and management system, amended the internal control systems such as the Articles of Association, the Rules of Procedure for Shareholders' General Meeting and the Rules of Procedure of the Board of Directors, standardized the corporate compliance governance, improved the efficiency of corporate governance and protected the legitimate rights and interests of stakeholders.

4. Continuously improved information disclosure and investor relationship, attached importance to the shareholders communication, and enhanced the management and registration of inside information. The Company attached great importance to information disclosure, strictly abided by the requirements of information disclosure laws and regulations, and published regular reports and temporary announcements in accordance with the law. According to the industry environment and actual operation situation, the Company made risk alerts to investors in a timely manner, expressing the sincerity to be accountable to investors and the idea of offering maximum protection

to small and medium investors. In combination with its production and operation, the Company proactively disclosed the voluntary announcement on entering into contracts to deliver the business update of the Company; actively held high-quality reverse roadshow activities, enhanced the investors' in-depth knowledge of the Company's business, and ensured the smooth and efficient communication bridge between the Company and the capital market. During the reporting period, the Company carried out insider management and registration in accordance with regulatory requirements and Company rules. During the reporting period, there was no evidence of insiders using inside information to buy or sell the Company's shares.

The Company adhered to the philosophy of sustainable development, constantly improved the corporate governance, enhanced the core competitiveness of the Company, promoted various work such as the production and operation, reform and development and scientific and technological innovation in a coordinated manner, thus the sound corporate governance level and high-quality development of the Company were highly recognised by the capital market. In 2023, the Company won the awards of "Tianma Award for Investor Relations of Chinese Listed Companies" and "New Media Award for Investor Relations" in the selection of 14th Tianma Award for Investor Relations of Chinese Listed Companies. The Company was successfully listed among "Pioneer 100 of ESG-Listed Companies in China" at the "China ESG (Corporate Social Responsibility) Release" and grand ceremony. The Company won the "2023 ESG Model Enterprise Award" at the 2nd International Green Zero-Carbon Festival, and was awarded the "2023 Outstanding Listed Company Awards" at the 12th China Finance Summit. The Company was included in the Central Enterprises ESG • Vanguard 100 Index and excellent ESG cases in terms of "Building Responsible Supply Chain". The Company was included in the "Constituent of Hang Seng (China A) Corporate Sustainability Benchmark Index" for twelve consecutive years. The Company won the awards of "ESG Golden Bull Award Carbon Neutral Top 50" at the first Guoxin CSI ESG Golden Bull Summit, "Excellent Management Team of Listed Companies in China" in the 17th Awards of the Value of Listed Companies in China and "2023 China Business Top 100 Enterprises" Award at the 23rd China Business Top 100 Listed Companies Summit Forum. The Company was awarded "2023 Social Responsibility Award of Listed Companies" at the 13th Philanthropy Festival and 2023 ESG Impact Annual Conference and the 18th Golden Prize of Round Table of Chinese Boards of Listed Company and "the Special Contribution Award for Corporate Governance". The Company was rated A in the 2022-2023 information disclosure work evaluation of listed companies by the Shanghai Stock Exchange.

(I) DIRECTOR'S INVOLVEMENT IN SECURITIES TRANSACTIONS

Following specific enquiries with all directors, the Directors confirmed that during the 12 months ended 31 December 2023, the provisions of the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules were observed. The Company currently has adopted a code of conduct for securities transactions by Directors that is stricter than the provisions set out in the Model Code. In addition, Directors, Supervisors and Senior Management of the Company confirmed that during the 12 months ended 31 December 2023, they complied with the "Management Rules with regard to the Holding of and Changes in the Company's Shares by Directors, Supervisors and Senior Management of Listed Companies (Revised in 2022)" regulated by the China Security Regulatory Commission.

(II) PERFORMANCE OF THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

The composition of the Board of Directors during 2023 and on the date of this report is as follows:

Chairman:	Zhao Shunqiang
Executive Directors:	Zhao Shunqiang
	Lu Tao (appointed at the 2023 First EGM)
	Xiong Min
Independent Non-executive Directors:	Chiu Lai Kuen, Susanna
	Kwok Lam Kwong, Larry
	Yao Xin
Non-executive Directors:	Fan Baitao (appointed at the 2023 First EGM)
	Liu Qiudong (appointed at the 2023 First EGM)

During the reporting period, Mr. Wu Wenlai and Mr. Liu Zongzhao resigned Non-executive Directors on 17 August 2023, respectively.

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

The Articles of Association of the Company clearly define the duties and functions of the Board of Directors and the Management, which provides for an adequate check and balance mechanism to ensure good corporate governance and internal control.

The Board is responsible for deciding the Company's business and investment plans, determining the establishment of internal management department of the Company, establishing the basic management system of the Company, resolving major business and administrative issues of the Company, exercising powers and duties within the scope of authorization of the general meeting and supervising the management. The management is responsible for implementing various proposals made by the Board and organizing daily operation and management of the Company. For details, please refer to the Articles of Association of the Company on the Company's website.

Besides, the Company has a specified system to divide responsibilities between the Board and the Management towards making investment decisions: all equity investment shall be approved by the Board (approval from shareholders is required if such investment exceeds a certain amount); large-scale equipment projects and base construction projects with an investment amount of more than RMB300 million (inclusive) may be approved by the Board.

3. Board Meetings

The Board of Directors convened seven meetings during the year. Please see Table I of this Report for details of Board meeting attendance and general meeting attendance of Directors. For other items not within the scope of the regular Board meeting's agenda and require approval from the Board, the Chairman may serve to the members of the Board the proposed resolutions in written form in accordance with the related requirements of the Articles of Association, and the items will become valid resolutions upon signing by the directors which meets the quorum as stated in the Articles of Association. To create more opportunities for the Independent Non-executive Directors to express their views and make recommendation in respect of the Company's affairs, the Chairman hold several meetings with Independent Non-executive Directors in the absence of Executive Directors every year so as to listen to the advice of Independent Directors in respect of the corporate governance and management (this practice has adopted the Code provision C.2.7 under Part 2 of the Code). In 2023, two meetings were held in such regard. The Board is of the view that meeting proceedings and resolutions of the Board complied with requirements of laws, regulations and the Articles of Association, which ensured prudent discussion by Directors before making decisions on material items, and performance of integrity and due diligence and act in the interests of the Company and shareholders as a whole by Directors in the related decision-making process. Please see Table II for detailed resolutions adopted by the Board in 2023.

4. Performance of Independent Directors

The Board currently has three Independent Directors. All of them have rich professional experience in the fields of accounting, law and energy field, and are very familiar with the operation of board of directors and duties of independent directors of listed companies. During the reporting period, the Independent Directors effectively performed their due diligent and attentive responsibilities as directors, and provided various professional advice to the Company, especially in the review of financial reports, the review of connected transactions, the internal audit and the management of risks, among which, please see section VII of this report for details of related reviews of financial reports, the review of connected transactions, internal audit and risk management, as well as sections V and VI of this report for other relevant work. In 2023, the Independent Directors reviewed the Company's continuing connected transactions, re-appointment of the auditor, entering into the

Financial Services Framework Agreement, report on the continuous risk assessment of connected persons and others and expressed their independent opinions. Please see the section headed "Summary of General Meetings" of this annual report for the details of the Independent Directors' attendance of the general meetings during the reporting period. Please see Table I of this report for details of Board meetings and special committee meetings attendance of Independent Directors.

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

5. Policy on Diversification of Board and Employee Composition

The Board of Directors held discussion with regards to the diversification policy of Board composition, and considered it could play a positive role for the Company in recruiting different types of talents, improving corporate governance level and achieving sustainable development to the largest extent. The Board considered that the Company should have different perspectives at the time of selecting Directors (measurable objectives include but not limited to factors of educational background, professional experience, age, gender, location and race, etc.), so as to achieve and maintain a policy of diversification among the directors. The Board will endeavour to implement and promote the policy of Board diversification. Each year, the Nomination Committee of the Company was responsible for monitoring the implementation of this policy and making recommendations to the Board on assessing the implementation process at an appropriate time. The Company carried out the nomination and election of Directors in 2023 (Mr. Zhao Shunqiang was re-appointed as an executive Director, Mr. Lu Tao was appointed as an executive Director, Mr. Fan Baitao and Mr. Liu Qiudong were appointed as non-executive Directors), and the Nomination Committee considered that when the Company handled the Director nomination process, the policy of diversification of Directors was adequately considered. As at 31 December 2023, the Board comprised eight Directors, among whom one is female director. The female Director accounted for 12.5% of the members of the Board, and the female Director acted as the Chairman of the Audit Committee, therefore, the Board achieved gender diversification. The Board will make reference to the shareholders' expectation, the need of the Company's development and the best practice of corporate governance, and proactively explore the feasibility of increasing the proportion of the female Director to realize proper balance of gender diversification, so as to achieve the broader diversity goal.

The Company has also taken, and will continue to take, steps to promote the employee diversity. All employees are entitled to equal opportunities for employment, training and career development without discrimination. During the year, the proportion of the Chinese female employees was 7.9%. In order to facilitate the diversity of composition of the Company's management and employees, the Company will take into full consideration of multiple factors such as gender, age, educational background, professional experience, region, and race when recruiting employees.

6. Internal Control and Risk Management

The Company has established and continuously improved the risk management and internal control systems to prevent that the Company may face. The Company has established the Board and its affiliated Audit Committee. The Company established the Committee on Rule of Law Construction, Internal Control Compliance and Risk Management, and the Chairman and Chief Executive Officer of the Company served as the chairman. The committee sets the rule of law construction and compliance management office and risk management office. All direct subordinate units establish corresponding rule of law construction, internal control compliance and risk management organizations and the general manager of direct subordinate units shall serve as the officer in charge, so as to guarantee the effective operation of the internal control and risk management. The risk management office organized all functional departments to hold a risk evaluation meeting on a quarterly basis, and monitored and reviewed the information security risk (including content of fraud, etc.) and ESG-related risks (quality, health, safety and environmental protection risk, etc.) on a regular basis. The Board is responsible for the risk management and internal control systems and reviewing their effectiveness, and conducts a review on risk management and internal control systems every year. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and only provide reasonable and not absolute assurance against material misstatement or loss. For more details of ESG-related risks, please refer to the "ESG Risk Management" of "ESG Governance" as set out in the section head "Environmental, Social and Governance (ESG) Report 2023" of this annual report.

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

In terms of risk management, the Company established a comprehensive risk management organization system, formulated and appropriately improved comprehensive risk management systems including the "Comprehensive Risk Management Measures" and the "Management of Reports and Response on Major Business Risk Events". The Company established a systematic and comprehensive risk management organization and built a risk management network from horizontal to edge and vertical to the end. The Company organizes annual risk identification and assessment and reports the annual risk control to the Board. It conducts quarterly comprehensive risk identification and assessment and submits the "Quarterly Comprehensive Risk Management Report" to the Board. The Company actively carries out special investigation and control of major risks, continuously strengthens risk identification and early warning capabilities; holds risk work meetings and exchanges and trainings through various channels and forms to publicize the risk management culture and enhance the risk prevention awareness; establishes and improves comprehensive risk emergency management mechanism, continuously improves emergency disposal capabilities and continuously strengthens the coordinated risk management to improve our ability and level of prevention and resolution of major risks.

With the support of the Audit Committee and the Internal Control Compliance and Risk Management Committee and based on the results of the daily internal evaluation, the Board is of view that the current internal control and risk management are effective, and has not noticed any material issues such as the significant weaknesses in systems that should bring to its attention through reviewing the risk management and internal control system annually. During the year, there were no major revisions or changes to the current internal control and risk management, and the effectiveness of systems were confirmed by senior management. The Board will continue to check its effectiveness and make amendments or improvements as appropriate.

7. Directors and General Meetings

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

8. Procedure Mechanism of the Board

All Directors have timely access to relevant information as well as the advice and services of the Company Secretary, with a view to ensuring compliance with Board procedures and all applicable laws and regulations. The Board has established a number of committees, including the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All committees under the Board were established with defined written terms of reference. The committees under the Board are provided with sufficient resources to perform their duties. Upon reasonable requests, the committees under the Board may seek independent professional advice in appropriate circumstances at the expense of the Company.

During the reporting period, the Board is of view that such Procedure Mechanism was implemented effectively.

9. Other Matters

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

The Board is responsible for the corporate governance functions of the Company, and regularly reviews the corporate governance practices to ensure that the Board fully performs the corporate governance responsibilities contained in the Code provision A.2.1 under Part 2 of the Code.

(III) CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Chairman and the Chief Executive Officer of the Company are currently held by Mr. Zhao Shunqiang alone. This is different from the Code provision C.2.1 under Part 2 of the Code which states that the roles of chairman and chief executive officer should be different and should not be performed by the same person at the same time. However, the Board believes that, the roles of chairman and chief executive officer being assumed by the same person can help to meet the Company's overall production and operation needs in current phase, and guarantee the effective formulation and vigorous promotion of the Company's strategies. At the same time, all major decisions of the Company are discussed by the Board, the special Board Committees and Senior Management, and other members of the Board or the Independent Non-executive Directors shall also play a role in balancing and supervising the above major decisions. In addition, the internal control structure of the Company plays a supervisory and review role in the decision-making and implementation of major decisions and the Independent Non-executive Directors shall also express objective, fair and independent opinions on the matters discussed by the Company. The Board believes that the current structure does not reduce the balances of power and authorization, and allows the Company to make timely and effective decisions and implementations.

(IV) TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of Ms. Chiu Lai Kuen, Susanna is three years since the 2020 AGM. The term of office of Mr. Kwok Lam Kwong, Larry is three years since the 2021 AGM. The term of office of Mr. Yao Xin is three years since the 2022 First EGM. The term of office of Mr. Fan Baitao is three years since the 2023 First EGM. The term of office of Mr. Liu Qiudong is three years since the 2023 First EGM.

(V) DIRECTORS' REMUNERATION

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

(1) The Remuneration and Assessment Committee of the Company consists of four members, all of them are non-executive directors, namely Kwok Lam Kwong, Larry, Chiu Lai Kuen, Susanna, Yao Xin and Liu Qiudong. Three of them are independent non-executive directors. Kwok Lam Kwong, Larry acts as Chairman.

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

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

During the reporting period, the committee held two meetings (please see Table I for meeting summaries) to review and approve the performance appraisal indicators of managers in 2023 and review the report on the completion of performance appraisal indicators of managers in 2023. In addition, the remuneration of Directors, Supervisors and senior management for the year of 2022 as disclosed in the 2022 annual report was considered and approved by way of written resolutions.

(VI) NOMINATION OF DIRECTORS

1. The Composition and Functions of the Nomination Committee

(1) To ensure that the members of the Board possess of the professional experience and educational background as required for the business development of the Company and achieve and maintain the diversity of the Board, the Company established the Nomination Committee which assessed the implementation of policies and provide advices to the Board in due course. The Nomination Committee of the Company consists of three members, namely Yao Xin, Zhao Shunqiang and Kwok Lam Kwong, Larry. Two of them are independent non-executive directors and Yao Xin acts as Chairman.

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

2. The work of the Nomination Committee during the year

During the reporting period, the Nomination Committee held two meetings (please see Table I for meeting summaries) and discussed matters involving the diversity policy of the Directors, the confirmation of the independence of Independent Directors and the nomination of Directors. In addition, the Nomination Committee nominated the appointment of the senior management of the Company in the form of written resolution.

(VII) THE AUDIT COMMITTEE

1. The Composition and Functions of the Audit Committee

(1) The Audit Committee consists of three members, namely Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry and Yao Xin. All of them are independent non-executive directors, and Chiu Lai Kuen, Susanna acts as Chairman.

(2) The functions of the Audit Committee are to supervise and evaluate the work of external auditors; to review and express opinion on the Company's financial information; to review relevant matters of connected transactions; supervise the Company's financial reporting system and internal control system; to supervise and evaluate the internal control of the Company; to supervise and evaluate the internal audit work; to coordinate the communication between the management, internal audit department, relevant departments and external auditor; to check the Company's compliance with legal and other statutory obligations; to take charge of the engagement or dismissal of external auditors and submit to the Board for consideration; and other functions and duties stipulated by laws, regulations and the stock exchange and granted by the Board (please refer to documents of relevant Terms of Reference under the column of Corporate Governance on the Company's website).

2. The Work of the Audit Committee during the year

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

(1) Reviewed the annual financial results of 2022, the first quarterly report, the interim financial results and the third quarterly report of 2023 of the Company. During the review process, the committee performed sufficient and necessary communication with the Company's external auditors and

the management of the Company and fulfilled the committee's duties in ensuring the Company's compliance with regulations, completeness and accuracy of the financial results disclosed by the Company.

(2) Reviewed and discussed the work for internal audit and risk management of the Company and considered and approved the 2022 annual internal audit report and the 2022 annual internal control assessment report of the Company. During the reporting period, the committee listened to the internal control and internal audit working report, required the Company to continuously pay attention to the debts in light of the industry situation, conduct compliance risk management and control, and avoid the overseas operation risk. The Company should focus on the environmental protection work and relevant investment cost, and steadily promote business transformation and low carbon development. Meanwhile, the Company should strengthen the cash flow management to ensure the stable operation of the Company.

(3) Reviewed the connected transactions of the Company and kept attention to the asset impairment. The committee required the Company to focus on the growth points of the new business and new market under the new industry development trend. The committee reviewed the daily connected transactions in 2023, and deliberated matters regarding entering into the Financial Services Framework Agreement with CNOOC Finance Corporation Limited.

(4) Regarding the re-appointment of the auditors, the committee unanimously approved the re-appointments of Ernst & Young Hua Ming LLP and Ernst & Young as domestic and international auditors of the Company for 2023.

(VIII) TRAINING FOR DIRECTORS

In 2023, the Directors, Supervisors and senior management of the Company participated in relevant trainings to obtain continuous professional development. In July, the Company's Directors, Supervisors and senior management participated in the "Training on Internal Control for Directors and Relevant Personnel of Listed Companies in Tianjin" hosted by Tianjin Association for Public Companies and China Association for Public Companies; in July, the senior management of the Company participated in the "2023 Fourth Session of Follow-up Training for the Board Secretary of Listed Companies by Shanghai Stock Exchange"; in September, Directors and senior management of the Company participated in the "2023 Fifth Session of Initial Appointment Training for Directors, Supervisors and Senior Management by Shanghai Stock Exchange"; in October, the Company's Directors, Supervisors and senior management participated in the "Special Training on Reform of Independent Director System of Listed Companies in Tianjin" hosted by Tianjin Association for Public Companies; in November, the chairman of the Board of the Company participated in "2023 Special Training for Chairman and General Manager" jointly organized by Tianjin Securities Regulatory Commission and China Association for Public Companies and the chairman of the Supervisory Committee of the Company participated in "Special Training for Supervisors" jointly organized by Tianjin Securities Regulatory Commission and China Association for Public Companies; in December, the Company's Directors, Supervisors and senior management participated in the "Training Class for the Board" hosted by the Company and the "Special Training on Reform of Independent Director System and Duty Performance Ability of Listed Companies" hosted by Tianjin Association for Public Companies.

(IX) BOARD SECRETARY

On 21 January 2022, the Company convened the first meeting of the Board of 2022, appointed Mr. Sun Weizhou as the Board Secretary and Joint Company Secretary and appointed Ms. Ng Sau Mei as the Joint Company Secretary with effect from 21 January 2022. Biography of Mr. Sun Weizhou and Ms. Ng Sau Mei are set out in the section "Directors, Supervisors, Senior Management and Employees" in this Annual Report. The Board Secretary of the Company reports to the Chairman and Chief Executive Officer and makes recommendation to the Board in respect of completing corporate governance, improving the quality of listed companies and strengthening Director training, etc., and continues to promote corporate governance compliance operation. For the year 2023, Mr. Sun Weizhou and Ms. Ng Sau Mei has confirmed that they have taken not less than 15-hour relevant and professional training.

(X) CORPORATE CULTURE

The corporate culture of the Company takes "Always Do Better" as the corporate spirit, "Do Everything Diligently" as the performance guideline, "win-win with customers, employees, business partners and shareholders" as the core values, and "integrity, dedication, teamwork and self-discipline" as the code of conduct. Through in-depth study and implementation of the core value concept of corporate culture and focusing on the Company's development strategy, the Company encourages and stimulates the enthusiasm and creativity of employees, effectively promotes the coordination from the management to employees and the cooperation among employees, thus forming a strong corporate internal driving force and action force to ensure the Company's long-term sustainable development.

The Company's corporate culture is consistent with the corporate objectives, values and strategies, and covers governance, internal control, moral integrity and other aspects. The development plans and decisions formulated and made by the Board of Directors are consistent with the corporate culture of the Company. The Board of Directors believes that the corporate culture fully considers the characteristics of the industry, the development of the Company and employees, the realization of the Company's long-term value, the win-win with cooperative partners, the Company's sustainable development and other aspects, and conforms to the corporate objectives, values and strategies. During the reporting period, the Company continued to strengthen the promotion of corporate culture by formulating the Implementation Plan of COSL Brand Building Action, organizing employees to hold high-quality development seminars and carrying out other activities.

For more details of the corporate culture of the Company, please refer to "Company Profile" of "About COSL" under the section headed "Environmental, Social and Governance (ESG) Report 2023" in this annual report.

(XI) PROTECTION ON THE SHAREHOLDERS' INTERESTS

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

In accordance with the regulatory provisions and combined with the routine work practices, the Company formulated the Investors and Public Relations Management Measures and other management systems to regulate the management of investor relations. The Company has dedicated employees to receive the visiting shareholders and investors, and made its contact numbers publicly available. Meanwhile, the Company established a "Investor Communication Column" on its website to publish the latest information. During the reporting period, the Company organized and convened annual results, interim results and quarterly results presentations, and the Directors and senior management of the Company attended such presentations and actively communicated with shareholders and investors to answer the commonly concerned questions of investors. In addition, during the reporting period, the Company proactively organized roadshows and reverse roadshows to introduce the development strategy and production and operation of the Company and conduct in-depth exchanges with shareholders and investors. The Board has reviewed the implementation and effectiveness of the shareholder communication policy, and the Board considered that the above policies were effectively implemented and executed during the reporting period.

During the reporting period, the Company made amendments to the Articles of Association, please refer to the announcements of the Company dated 21 July 2023 and 17 August 2023 for details. For details of the Articles of Association, please visit the Company's website.

(XII) THE REMUNERATION OF AUDITORS

In 2023, the Company has appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2023, and authorized the Board to fix their remuneration. The fees for the audit and non-audit services provided by the auditors to the Company during the reporting period were as follows:

Audit services – The fees totaled RMB15.00 million for audit/review of the annual and interim financial statements in 2023 and internal control.

Non-audit services – The fees totaled RMB1.67 million for provision of professional service for tax compliance and tax advice in 2023.

(XIII) RESPONSIBILITIES UNDERTAKEN

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

Table I: Summary of the Board Meetings & Special Committee Meetings

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Board of Directors	13 January 2023	Yanjiao	Zhao Shunqiang, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Wu Wenlai, Liu Zongzhao	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Second Meeting of Board of Directors	23 March 2023	Shenzhen	Zhao Shunqiang, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Wu Wenlai, Liu Zongzhao	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Third Meeting of Board of Directors	27 April 2023	Yanjiao	Zhao Shunqiang, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Wu Wenlai, Liu Zongzhao	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Fourth Meeting of Board of Directors	21 July 2023	Yanjiao	Zhao Shunqiang, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Wu Wenlai, Liu Zongzhao	Zhao Shunqiang	Two supervisors attended as non-voting delegates
Fifth Meeting of Board of Directors	23 August 2023	Shenzhen	Zhao Shunqiang, Lu Tao, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Fan Baitao, Liu Qiudong	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Sixth Meeting of Board of Directors	26 October 2023	Yanjiao	Zhao Shunqiang, Lu Tao, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Fan Baitao, Liu Qiudong	Zhao Shunqiang	Three supervisors attended as non-voting delegates
Seventh Meeting of Board of Directors	13 December 2023	Haikou	Zhao Shunqiang, Lu Tao, Xiong Min, Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin, Fan Baitao, Liu Qiudong	Zhao Shunqiang	Two supervisors attended as non-voting delegates
First Meeting of Audit Committee	22 March 2023	Shenzhen	Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin	Chiu Lai Kuen, Susanna	Three supervisors attended as non-voting delegates
Second Meeting of Audit Committee	26 April 2023	Yanjiao	Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin	Chiu Lai Kuen, Susanna	Two supervisors attended as non-voting delegates
Third Meeting of Audit Committee	21 August 2023	Yanjiao	Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin	Chiu Lai Kuen, Susanna	Three supervisors attended as non-voting delegates

Meeting	Time	Place	Attendant	Moderator	Notes
Fourth Meeting of Audit Committee	25 October 2023	Yanjiao	Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin	Chiu Lai Kuen, Susanna	Two supervisors attended as non-voting delegates
Fifth Meeting of Audit Committee	13 December 2023	Haikou	Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry, Yao Xin	Chiu Lai Kuen, Susanna	Two supervisors attended as non-voting delegates
First Meeting of Remuneration and Assessment Committee	22 March 2023	Shenzhen	Kwok Lam Kwong, Larry, Chiu Lai Kuen, Susanna, Yao Xin, Wu Wenlai	Kwok Lam Kwong, Larry	Two supervisors attended as non-voting delegates
Second Meeting of Remuneration and Assessment Committee	13 December 2023	Haikou	Kwok Lam Kwong, Larry, Chiu Lai Kuen, Susanna, Yao Xin, Liu Qiudong	Kwok Lam Kwong, Larry	Two supervisors attended as non-voting delegates
First Meeting of Nomination Committee	22 March 2023	Shenzhen	Yao Xin, Zhao Shunqiang, Kwok Lam Kwong, Larry	Yao Xin	Three supervisors attended as non-voting delegates
Second Meeting of Nomination Committee	21 July 2023	Yanjiao	Yao Xin, Zhao Shunqiang, Kwok Lam Kwong, Larry	Yao Xin	Two supervisors attended as non-voting delegates

		Participation in Board Meetings						Participation in General Meetings
	Independent director or not	No. of Board Meetings Participations for This Year	No. of In-person Attendance	No. of Participation by Communication	No. of Delegated Attendance	No. of Absences	Whether or not absent in-person from two consecutive meetings	No. of General Meetings Participations
Zhao Shunqiang	No	7	7	0	0	0	No	4
Lu Tao	No	3	2	1	1	0	No	0
Xiong Min	No	7	5	1	2	0	No	4
Chiu Lai Kuen, Susanna	Yes	7	7	4	0	0	No	4
Kwok Lam Kwong, Larry	Yes	7	7	5	0	0	No	3
Yao Xin	Yes	7	7	2	0	0	No	4
Fan Baitao	No	3	2	0	1	0	No	0
Liu Qiudong	No	3	3	0	0	0	No	0
Wu Wenlai	No	4	4	1	0	0	No	4
Liu Zongzhao	No	4	3	1	1	0	No	4

Notes: Mr. Lu Tao, Mr. Fan Baitao and Mr. Liu Qiudong were elected as Directors of the Company at the First EGM held on 17 August 2023, and there was no general meeting in which they should participate during the reporting period.

Table II: Particulars of the Board resolutions

Meeting	Matters considered	
First Meeting of Board of Directors	1	Approving the resolution of formulating the Rules of Procedure for Special Topic Meetings of the Chairman (Trial)
	2	Approving the resolution of the execution of management of the authorization of the Board of Directors
Second Meeting of Board of Directors	1	Approving the resolution of the audited 2022 Financial Report of the Company
	2	Approving the proposal of re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors of the Company for 2023, and authorizing the Board to fix their remuneration at the general meeting
	3	Approving the resolution of the 2022 annual results disclosure of the Company
	4	Approving the resolution of the dividend distribution of the Company for the year 2022
	5	Approving the resolution of the Continuous Risk Assessment Report on CNOOC Finance Corporation Limited
	6	Approving the resolution of entering into the USD loan agreement between the Company and members of CNOOC
	7	Approving the resolution of the USD loans extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company
	8	Approving the resolution of provision of guarantees for the wholly-owned subsidiaries of the Company
	9	Approving the resolution for the Corporate Governance Report and the Report of the Board of Directors for the year 2022
	10	Approving the resolution of the Environmental, Social and Governance (ESG) Report 2022 of the Company
	11	Approving the resolution of the Internal Control Assessment Report for the year 2022
	12	Approving the resolution of the Comprehensive Risk Management Work for the year 2023
	13	Approving the resolution of the extension plan of the term of joint venture
	14	Approving the resolution of absorption and merger of COSL Offshore Crew AS by COSL Drilling Europe AS
	15	Approving the proposal to authorize the Board to further issue 20% of H shares at the general meeting
	16	Approving the proposal to authorize the Board to repurchase 10% of A shares and 10% of H shares at the general meeting
	17	Approving the resolution of setting manager performance appraisal indicators for the year 2023
	18	Approving the proposal for convening the 2022 Annual General Meeting and 2023 Class Meetings

Meeting		Matters considered
Third Meeting of Board of Directors	1	Approving the resolution of the 2023 First Quarterly Financial Report of the Company
	2	Approving the resolution of the 2023 First Quarterly Results disclosure of the Company
	3	Approving the resolution of providing credit facility to subsidiaries
	4	Approving the resolution of the risk disposal plan for development of financial business with CNOOC Finance Corporation Limited
	5	Approving the resolution of renewal of the Financial Services Framework Agreement with CNOOC Finance Corporation Limited
	6	Approving the resolution of entering into the revolving loan agreement with CNOOC Finance Corporation Limited
Fourth Meeting of Board of Directors	1	Approving the resolution of amendments to the Articles of the Association
	2	Approving the resolution of amendments to the Rules of Procedure for Shareholders' General Meeting
	3	Approving the resolution of amendments to the Rules of Procedure of the Board of Directors
	4	Approving the resolution of amendments to the Connected Transactions Decision-making Mechanism
	5	Approving the resolution of amendments to the Independent Director System
	6	Approving the resolution of increasing investment in the purchase of four JU2000E jack-up drilling rigs
	7	Approving the resolution of addition of terms for extension of the agreement and amendments of the article of association of China Offshore Fugro Geosolutions (Shenzhen) Company Ltd.
	8	Approving the resolution of absorption and merger of COSL Drilling Strike Pte. Ltd. by COSL Singapore Limited
	9	Approving the resolution of establishment of a company in Tianjin Dongjiang Comprehensive Bonded Zone
	10	Approving the resolution of the 2022 performance appraisal results and annual remuneration standard for managers
	11	Approving the resolution of nominating Mr. Zhao Shunqiang as a candidate for executive Director of the Company
	12	Approving the resolution of nominating Mr. Liu Qiudong as a candidate for non-executive Director of the Company
	13	Approving the resolution of nominating Mr. Fan Baitao as a candidate for non-executive Director of the Company
	14	Approving the resolution of convening the EGM

Meeting		Matters considered
Fifth Meeting of Board of Directors	1	Approving the resolution of the 2023 Interim Financial Report of the Company
	2	Approving the resolution of the 2023 interim results disclosure of the Company
	3	Approving the resolution of the Continuous Risk Assessment Report on CNOOC Finance Corporation Limited
	4	Approving the resolution of the entrusted loans to the subsidiary in Dongjiang
	5	Approving the resolution of amendments to the Terms of Reference for the Audit Committee of the Board
	6	Approving the resolution of amendments to the Management System on the Company's Securities Transactions by Specific Persons
	7	Approving the resolution of amendments to the Job Duties of the Senior Management
	8	Approving the resolution of amendments to the Working Rules for the Board Secretary
	9	Approving the resolution of amendments to the Information Disclosure Management System
	10	Approving the resolution of amendments to the Administrative Measures for Suspension and Exemption of Information Disclosure
Sixth Meeting of Board of Directors	1	Approving the resolution of the 2023 Third Quarterly Financial Report of the Company
	2	Approving the resolution of increasing registered capital of COSL Hainan Ltd. and COSL Hainan Technical Services Ltd.
	3	Approving the resolution of application for RMB loans with the Export-Import Bank of China
	4	Approving the resolution of the 2023 Third Quarterly Results disclosure of the Company
	5	Approving the resolution of convening the EGM
Seventh Meeting of Board of Directors	1	Approving the resolution of the amendments to the Rules of Procedure for Special Topic Meetings of the Chairman
	2	Approving the resolution of provision of entrusted loans to the subsidiaries
	3	Approving the resolution of the 2024 wealth management amount of the Company
	4	Approving the resolution of the 2024 credit extension program of the Company
	5	Approving the resolution of increasing of registered capital of COSL Hainan Ltd. and COSL Hainan Technical Services Ltd.
The matters to be voted by written resolutions approved in 2023	1	Approving the resolution of the appointment of Mr. Lu Tao as the president of the Company
	2	Approving the resolution of nominating Mr. Lu Tao as a candidate for executive Director of the Company
	3	Approving the resolution of the project feasibility study on the purchase of three CJ50 jack-up drilling rigs

Summary of General Meetings

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2022 AGM	24 May 2023	**As ordinary resolutions:** 1. To consider and approve the audited financial statements and the report of the auditor for the year ended 31 December 2022. 2. To consider and approve the proposed profit distribution plan and final dividend distribution plan for the year ended 31 December 2022. 3. To consider and approve the report of the Board of Directors for the year ended 31 December 2022. 4. To consider and approve the report of the Supervisory Committee for the year ended 31 December 2022. 5. To re-appoint Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors of the Company for the year 2023 and authorisation to the Board to fix the remuneration thereof. 6. To consider and approve the resolution in relation to the US Dollar loans extension by the wholly-owned subsidiary, COSL Middle East FZE, and the provision of guarantee by the Company thereof. **As special resolutions:** 1. To consider and approve the provision of guarantees for the wholly-owned subsidiaries of the Company. 2. To consider and approve the resolution of granting the Board a mandate to issue further H shares representing up to 20% of the aggregate amount of the H shares in issue during the relevant period. 3. To consider and approve the resolution of granting the Board a mandate to buy back 10% of A shares and 10% of H shares.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and the Articles of Association of the Company. There were 15 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 3,453,952,684 shares or 72.39% of the total number of shares of the Company with voting rights. The aforesaid resolutions were approved by way of on-site and online voting by poll. All directors and supervisors of the Company attended the AGM.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2023 First A Shareholders' Class Meeting	24 May 2023	**As a special resolution:** 1. To consider and approve the resolution of granting the Board a mandate to buy back 10% of A shares and 10% of H shares.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and the Articles of Association of the Company. There were 15 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 2,523,849,817 shares or 85.25% of the total number of A shares of the Company with voting rights. The aforesaid resolution was approved by way of on-site and online voting by poll. All directors and supervisors of the Company attended the Class Meeting.	www.sse.com.cn www.hkex.com.hk
2023 First H Shareholders' Class Meeting	24 May 2023	**As a special resolution:** 1. To consider and approve the resolution of granting the Board a mandate to buy back 10% of A shares and 10% of H shares.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and the Articles of Association of the Company. There was one shareholder in attendance either in person or by proxy at the meeting, representing 930,102,967 shares or 51.36% of the total number of H shares of the Company with voting rights. The aforesaid resolution was approved by way of on-site voting by poll. All directors and supervisors of the Company attended the Class Meeting.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2023 First EGM	17 August 2023	**As a special resolution:** 1. To consider and approve the resolution in relation to the amendments to the Articles of Association. **As ordinary resolutions:** 1. To consider and approve the resolution in relation to the amendments to the Rules of Procedure for Shareholders' General Meeting. 2. To consider and approve the resolution in relation to the amendments to the Rules of Procedure of the Board of Directors. 3. To consider and approve the resolution in relation to the amendments to the Connected Transactions Decision-making Mechanism. 4. To consider and approve the resolution in relation to the amendments to the Independent Director System. 5. To consider and approve the resolution in relation to the amendments to the Rules of Procedure of the Supervisory Committee. 6. To consider and approve the appointment and re-appointment of directors 6.1 To consider and approve the re-appointment of Mr. Zhao Shunqiang as the executive director of the Company. 6.2 To consider and approve the appointment of Mr. Lu Tao as the executive director of the Company. 6.3 To consider and approve the appointment of Mr. Liu Qiudong as the non-executive director of the Company. 6.4 To consider and approve the appointment of Mr. Fan Baitao as the non-executive director of the Company.	The convening of this meeting was in compliance with the Company Law and other relevant laws, administrative regulations and the Articles of Association of the Company. There were 27 shareholders (including on-site attendance and online voting) in attendance either in person or by proxy at the meeting, representing 3,506,925,558 shares or 73.50% of the total number of shares of the Company with voting rights. The aforesaid resolutions were approved by way of on-site and online voting by poll. Mr. Kwok Lam Kwong, Larry, the independent non-executive director, was unable to attend the EGM due to other business matters, and Mr. Peng Wen, the chairman of the Supervisory Committee, was unable to attend the EGM due to other business matters, while other directors and other supervisors of the Company attended the EGM.	www.sse.com.cn www.hkex.com.hk

Environmental, Social and Governance (ESG) Report 2023

ABOUT THIS REPORT

This is the second environmental, social and governance (ESG) report and the 18th sustainable development report released by China Oilfield Services Limited (hereinafter referred to as "COSL", "the Company" or "we").

Scope of This Report

This report covers the performance of COSL and its subsidiaries in aspects like economy, environment, social responsibilities and corporate governance. The time range of this report is from 1 January 2023 to 31 December 2023. Part of the content data is beyond the above range.

Principle of This Report

During the preparation of this report, the principles of importance, quantification, balance and consistency are followed to ensure that the information in this report is objective, standardized, honest and transparent. The Company responses to the principle of "importance" through analysis of material issues matrix, responses to the principle of "quantification" through quantification of materials and lists, responses to the principle of "balance" through description of each issue based on the principles of accuracy, objectivity and fairness, and responses to the "consistency" principle through consistent data disclosure standard and statistical method, so as to ensure that readers could reasonably assess the overall performance of the Company.

References

GRI Standards issued by the Global Reporting Initiative (GRI)

The UN Global Compact's 10 Principles

The Environmental, Social and Governance Reporting Guide and relevant consultation papers of provisions of the Listing Rules of the Hong Kong Stock Exchange

The Self-Regulatory Supervision Guidelines for Listed Companies No. 1 – Standardised Operation issued by the Shanghai Stock Exchange

The Guide for Corporate Social Responsibility Report of China (CASS-ESG5.0) from the Chinese Academy of Social Sciences

The Recommendations of Task Force on Climate-related Financial Disclosures (TCFD)

Sources of Information and Descriptions

All information used in the report was obtained from official Company documents and statistical reports. Unless otherwise stated, all financial information in the report is stated in RMB. The key financial results in this report are sourced from the annual report of the Company, while other data are sourced from the internal management system of the Company. No significant adjustment is made to the disclosure scope of this report compared with the Company's ESG reports in previous years, and this report adopts consistent disclosure statistical methods.

Languages

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

Access to the Report

This report will be available for viewing and downloading from the website of the Shanghai Stock Exchange (http://www.sse.com.cn), the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the official website of the Company (http://www.cosl.com.cn).

For information on COSL's corporate governance system, measures and results, please refer to the "COSL 2023 Annual Report – Corporate Governance Report".

STATEMENT BY THE BOARD OF DIRECTORS

The Board of Directors of the Company makes the following statement in accordance with the requirements of the Environmental, Social and Governance Reporting Guide of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

The Company and the Board of Directors continue to promote the construction of the environmental, social and governance (ESG) governance system, strengthen the participation of the Board of Directors in the Company's ESG and sustainable development affairs, and proactively integrate the ESG into the Company's development strategy, major decisions and production and operation in compliance with the requirements of the Code of Corporate Governance for Listed Companies issued by the China Securities Regulatory Commission, and the Corporate Governance Code and the Environmental, Social and Governance Reporting Guide issued by the Hong Kong Stock Exchange.

● Board's Role in ESG Governance

As the highest decision-making authority of the Company's ESG, the Board of Directors is responsible for considering the Company's ESG strategy, objectives and risks, and supervising and approving the implementation and progress of ESG planning, supervising the Company's commitments, actions and performance on key issues such as compliance management and tackling of climate change, paying attention to the ESG issues related to the Company's businesses and considering the Company's ESG reports, cooperating with special committees and management departments to include ESG into the Company's production and operation, and implementing the Company's ESG management.

● ESG Management Strategy and Policies

The Company's new strategic goal of "becoming a world first-class energy services provider with Chinese characteristics" established in 2021 conforms to the consensus of global economic green transformation, emission reduction and carbon reduction and new energy development, and established ESG as one of the cornerstones of the Company's strategy. In accordance with the principles of connection strategy, comprehensive integration, driving development and continuous improvement, the Company organically combined the ESG targets with the Company's strategic targets, actively promoted the comprehensive integration of ESG with the Company's management and operation, explored new markets and opened up new tracks with good ESG practices, accelerated the Company's high-quality development by supporting customers' low-carbon transformation, and continuously improved the ESG management by combining the identification of ESG risks, the macro policies and the results of communications with stakeholders.

● Targets, Indicators and Review of ESG

Since 2022, the Company released and implemented the targets and tasks of "carbon emission peak and carbon neutrality" for two consecutive years, and constantly cultivated and improved the service capabilities of new energy and "carbon emission peak and carbon neutrality" businesses. The Company focused on green and low-carbon energy transformation, resource saving and utilization and green and low-carbon infrastructure construction by combining the macro policies and economic environment, industry development trends, strategic planning and production and operation of the Company, and actively explored the new energy market business and green and low-carbon technological innovation. The Company carried out analysis and evaluation in environmental protection, production safety management, occupational health and safety, resource utilization, anti-corruption and compliance, etc. on a regular basis.

The Board of Directors of China Oilfield Services Limited
26 March 2024

ABOUT COSL

Company Profile

COSL is one of the leading integrated oilfield services providers in the world and dedicated to providing customers with full lifecycle services. The Company is listed on the Hong Kong and Shanghai stock exchanges, and has more than 50 years of experience in oil and gas exploration, development and production. Its business currently encompasses geophysical acquisition and surveying services, drilling services, well services, marine support services and integrated and new energy services. It has a strong oil service equipment group. As well as providing single-operation services to customers, COSL also offers one-stop solution and general contracting service. COSL is incorporated in Tianjin, the PRC, and its services cover the China offshore and onshore area and have expanded to Asia Pacific, the Middle East, the Americas, Europe and Africa, with activities taking place in more than 40 countries and regions around the globe.

Corporate Culture

Corporate Spirit
Always Do Better

Performance Guideline
Do Everything Diligently

Core Value
Win-win with customers, employees, business partners and shareholders

Code of Conduct
Integrity, dedication, collaboration and self-discipline

COSL integrated the corporate culture into the Company's development strategy, adhered to the two-way interaction between culture and brand, and accelerated the construction of the brand communication system with media integration and extensive interconnection. COSL created "Top 100 Publicity Projects" based on production and operation, took the "employee logo behavior" as the starting point, produced a series of brand books with the "Brand Building at the Grassroots" as the representative and created cultural and creative products with the microfilm "Wandering Tarim" and the original music work "Take Responsibility and Forward to Deep Sea (《碧海丹心志担当》)" as the representative, organized advanced typical image film shooting and publicity of deeds, and lighted up the cultural background of "enterprising, people-centered, national identity, and strive in unity" in the new era.

Brand Building

The Company vigorously implemented the brand strategy and strove to enhance the brand management level, achieving an increase in both the quantity and quality of large-scale brand building events of the Company. The Company successfully created various technical product brands such as “Xuanji”, “Haimai” and “Haijing”, which were widely recognized by customers at home and abroad. The Company issued an initiative on competing for our image spokesperson and held press releases for our brand book, so as to stimulate the employees’ brand awareness and guide them to become the creators, disseminators and guardians of our brand image.

Outstanding employees

The Company established and improved the Mechanism of COSL for Recommending and Selecting Outstanding Employees, with the aim to establish a standardized and normalized mechanism for outstanding practices, provide clear guidelines for frontline work, scientific research, overseas operation, commitment, contribution and employees, as well as encourage all employees to actively make new progress and inspire all cadres to shoulder responsibilities. Due to such efforts, a group of advanced models stood out in the Company, including Yao Xiaojiang, a young scientist who contributed to boosting China’s strength, Shan Liangliang, a craftsman of COSL, and Ruan Fuming, a model worker in the offshore oil industry and one of the most admirable persons of COSL, all of whom demonstrated their relentless pursuit of becoming “world first-class” with highly-skilled work style, good-natured work ethic, high technical and skill levels as well as excellent work performance.

Potential in humanistic aspect

The Company regulated employees’ behaviors with the philosophy of “following our standards for every act and promoting our brand with every little step”. The Company strengthened the brand building by designating model workers as the spokesperson and shooting promotional videos of model workers, in a bid to give play to the modelling and leading role of advanced model workers, and showcase the progressive characteristics of frontline employees featuring “riding the wind and breaking the waves for further development”. The Company made more efforts in promoting business lines and launched serial videos of standard onsite operation practices of employees, so as to create an atmosphere of “striving to be a model and contributing to the mission of becoming a first-class provider”. The Company also stepped up the cultural and creative development, and produced posters and micro films under specific themes to promote the enterprise spirit and professional code of conduct.

Outstanding Party members, examplary Party workers, and advanced primary-level Party organizations

A group of advanced models with firm convictions, excellent conduct and outstanding performance stood out in the Company, who shouldered missions unswervingly, forged ahead with enterprise and fortitude, stepped forward and took on their responsibilities, fully demonstrating the key role of primary-level Party organizations and the exemplary and vanguard role of Party members in the coordination and implementation of reform and development, Party building and other tasks. 60 comrades including Zhao Zhongxing won the honor of “Outstanding Party Members of COSL”, 30 comrades including Feng Wanze won the honor of “Exemplary Party Workers of COSL”, and 20 Party organizations including the Party branch of HYSY760 vessel fleet of the geophysical acquisition company of Geophysical Division won the honor of “Advanced Primary-level Party Organizations of COSL”.

Innovation by the general public

The Company invested RMB1,387,000 in further building the youth innovation and benefit making studios, resulting in an increase in the number of youth innovation studios from 8 to 22, and the paper on achievements of the Yumeng Youth Innovation Studio project was presented at the IFEDC 2023. The Company improved the whole-chain youth innovation talent development system of “qualified selection”, and carried out the first session of “Youth Innovation Vanguard” selection to guide all young employees to tackle the pain points and difficulties of the Company in technology development, operation and production as well as service management with innovation and practical application. The Company also developed the “Online Application Platform of COSL for Innovation by the General Public”, and actively built a multi-dimensional innovation and benefit making system covering all employees across all levels with effective coverage and closed-loop process by focusing on the whole-process management of “achievement application – qualification review – achievement assessment – achievement publicity – achievement promotion”. In 2023, the Company applied for 680 achievements.

Corporate Strategies

Technology-driven strategy

Always focus on basic scientific exploration, applied scientific verification, and industrial application guidance with perspective of the industry and development, so as to promote the systematization and standardization of research and development system, the Company will continue to enhance the core competitiveness of technology with greater determination and pragmatism and make technology development the core engine that drives the development of COSL.

Cost leadership strategy

Reshape the cost advantage, enhance the ability of cost control and formulate the Company's competitiveness. The Company deeply roots the concept of creating value for customers in its value and well integrates the Company's business into the customer value chain. Relying on our efforts of creating added value for customers, we can improve customer investment efficiency and returns.

Integration strategy

Taking comparative advantage of the Company's complete professional chain, increasing product categories and complete business chain, the Company re-understands, defines and expands the meaning of integration. Establish new integration model, so as to achieve benefits and efficiency to the greatest extent. Promote the development of integrated business of COSL and continuously provide value-added services for customers, making integrated services as breakthrough and value-added tool for the transformation and upgrading of various traditional businesses of COSL, so as to expand the main segment and increase market share for the Company.

International strategy

Expand the simple market internationalization into the internationalization of global comprehensive governance of COSL, building a world first-class governance ability and further developing the space for surviving and operating as the world first-class energy service company. Organically complement the domestic market with the international market for the better development of COSL.

Regional development strategy

Fully exploit domestic oil companies' comparative advantages of solid reserves management, fine reservoir engineering research and practical process technology, complemented by an all-round, fully integrated and partially integrated business model involving exploration, development, engineering and production, together with profitable models of service, product sales and equipment leasing, so as to promote the balanced development of the full range of businesses in the region and the implementation of global strategy with lower costs and risks.

Honours in the Year

Won the "2023 China Business Top 100 Enterprises" Award at the 23rd China Business Top 100 Listed Companies Summit Forum

Won the 14th "Tianma Award for Investor Relations of Chinese Listed Companies" and "New Media Award for Investor Relations"

Won the award of "ESG Golden Bull Award Carbon Neutral Top 50" at the first Guoxin CSI ESG Golden Bull Summit

Included in the Central Enterprises ESG • Vanguard 100 Index and excellent ESG cases in terms of "Building Responsible Supply Chain"

Won the award of "Excellent Management Team of Listed Companies in China" in the 17th Awards of the Value of Listed Companies in China

Won the Special Contribution Award for Corporate Governance at the 18th Golden Prize of Round Table of Chinese Boards of Listed Company by Directors & Boards

The "Emergency Search and Rescue Command System for Man Overboard" and the "Dynamic Positioning of Deepwater Drilling Rigs (High-precision Beidou Position Reference System)" based on Beidou positioning and short message technology were included in the Three-year Beidou Achievement Exhibition of SASAC

The digital operation scenario of drilling rigs won the "Outstanding Digital Transformation Solution Award for Offshore Oil and Gas of the Year" at the 22nd Offshore China Convention & Exhibition

Business Development

Business Presence

Asia-Pacific: Indonesia, Malaysia, Thailand, Singapore, etc.
Middle East: Iraq, Saudi Arabia, Kuwait, United Arab Emirates, etc.
Europe: Norway, UK
Americas: Canada, Mexico
Africa: Uganda

Business Scope

Geophysical Acquisition and Surveying Services

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

Drilling Services

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

Well Services

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

Marine Support Services

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

Integrated Operation Services and New Energy Services

- Integrated E&P Service
- Integrated Oilfield Management Service
- Integrated Drilling, Completion and Workover Service
- Integrated Disposal Service

Key Performance

Market Performance

Total assets
(Unit: RMB100 million)

2023	832.46
2022	771.84
2021	733.12

Operating revenue
(Unit: RMB100 million)

2023	441.09
2022	356.59
2021	292.03

Total profit
(Unit: RMB100 million)

2023	42.43
2022	29.81
2021	10.90

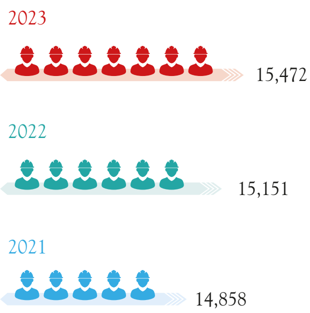
Equity interest
(Unit: RMB100 million)

2023	422.56
2022	398.98
2021	382.16

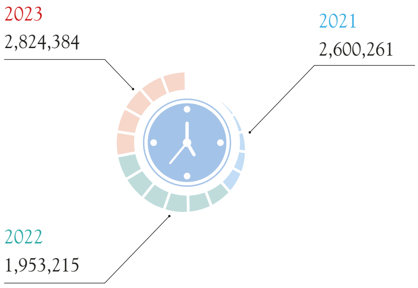
Indicator	Unit	2023	2022	2021
Social contribution value per share	RMB Yuan	2.99	2.55	1.75
Revenue from international business	RMB100 million	94.70	62.75	46.16
Percentage of revenue from international business	%	21	18	16
Total taxation	RMB100 million	12.35	16.76	14.90

Social Performance

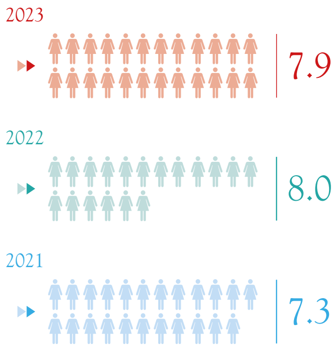
Total number of employees
(Unit: Persons)



Total time of employees' training
(Unit: Hours)



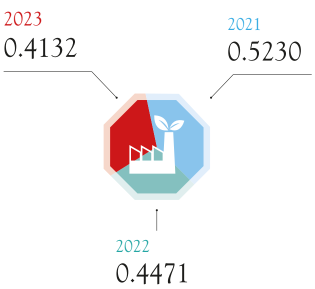
Proportion of Chinese female employees
(Unit: %)



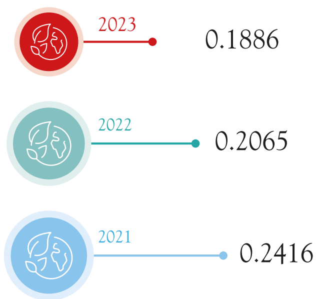
Indicator	Unit	2023	2022	2021
Percentage of social insurance coverage	%	100	100	100
Percentage of labour contracts signed	%	100	100	100
Chinese staff turnover rate	%	0.8	1.1	1.1
Total donation & employee relief fund	RMB10,000	2,510.08	335.33	2,476.4
Number of maritime rescues and salvages	Times	16	18	16
Number of employees participating in volunteer activities	Person-times	3,125	2,953	1,796

Environmental Performance

Emissions of carbon dioxide for an output value of RMB10,000
(Unit: Tonnes/RMB10,000)



Comprehensive energy consumption for an output value of RMB10,000
(Unit: Tonnes of standard coal/RMB10,000)



Indicator	Unit	2023	2022	2021
Environmental investment	RMB10,000	9,780.49	5,185.00	6,412.27
Energy savings	Tonnes of standard coal	25,143.26	17,764.00	9,600.00

ESG Management

A- ESG Governance
B- Analysis of Material Issues
C- Communication with Stakeholders

A ESG Governance

ESG Governance Structure

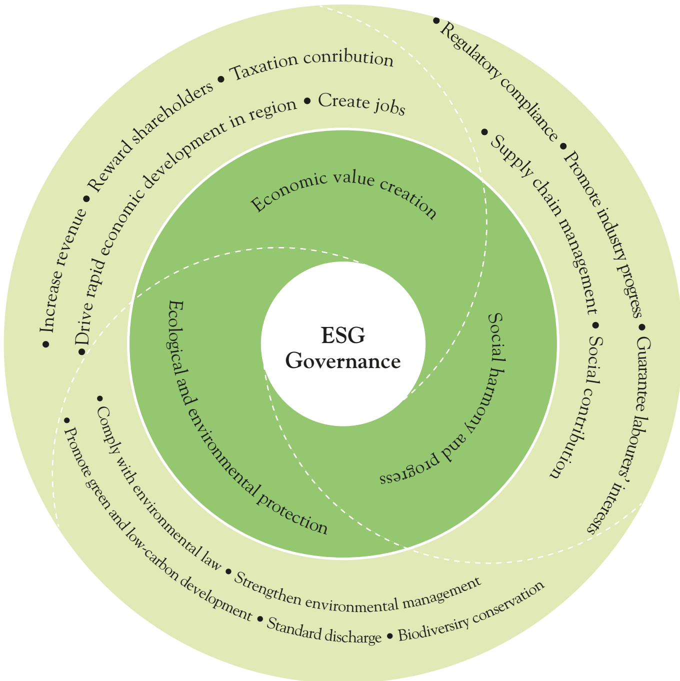
The Company incorporated its corporate spirit of “Always Do Better” into the enterprise development strategy and daily operations, continued to improve the top-level design of ESG, established ESG decision-making bodies and executive bodies and constantly strengthened ESG governance and practice to help achieve the comprehensive value of “Economic value creation, Ecological and environmental protection and Social harmony and progress”.

Decision-making bodies — The Board

- Pay attention to important sustainability information related to the business of the Company
- Make estimation on the significant impact of relevant ESG issues on all stakeholders
- Evaluate and identify the Company’s risks related to ESG
- Monitor and manage ESG related targets and work progress
- Review the annual ESG report of the year

Executive bodies — 12 business departments

- Identify the changes in internal and external environment and assess risks of the Company
- Assess the likelihood of risk occurrence and the consequences in terms of its impact on the environment and staff and corporate reputation
- Follow up and periodically review the implementation of response plans for identified risks, in order to make sure that sufficient supervision and responses will be afforded to risks of the Company at all levels



ESG Risk Management

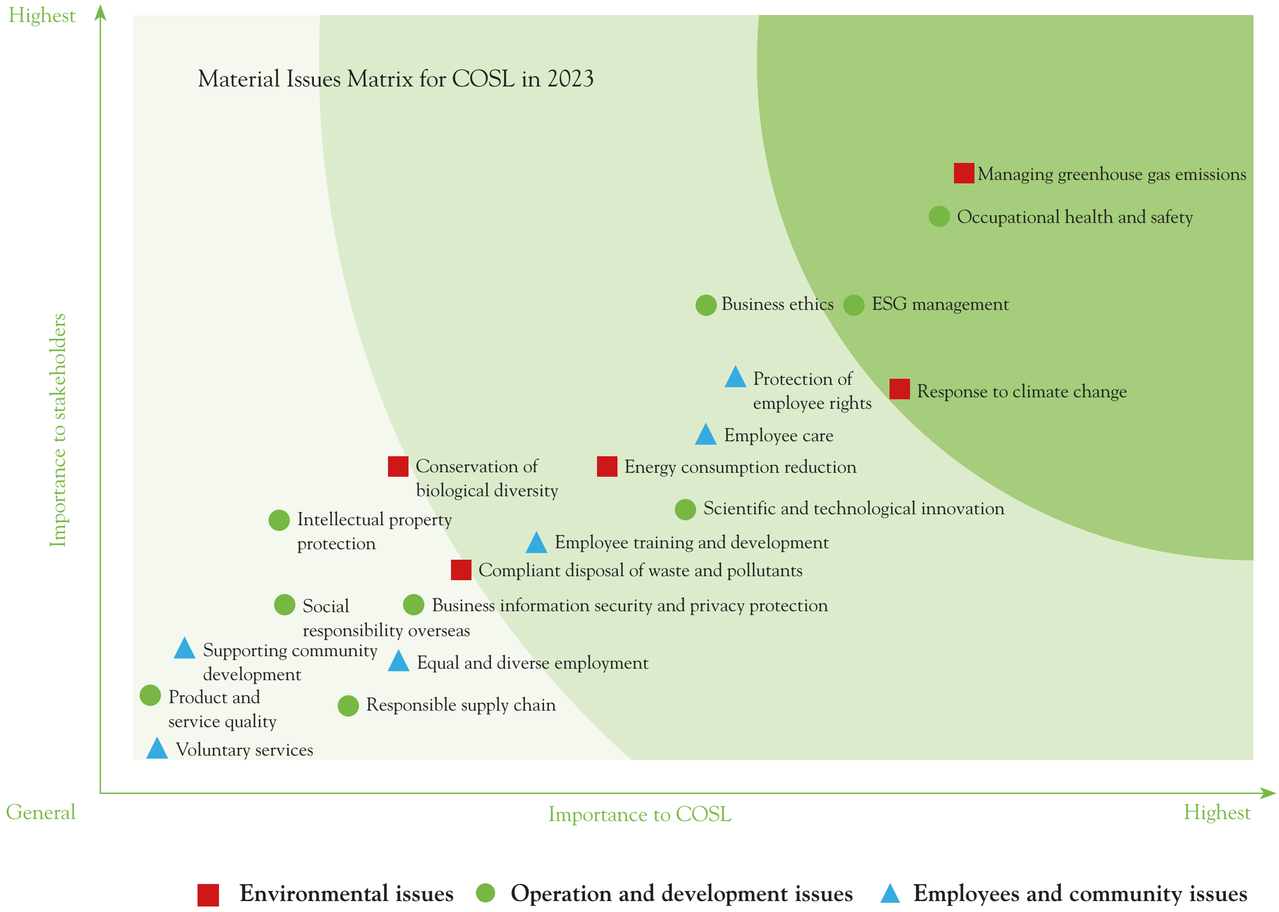
The Board attaches great importance to the ESG risk management, and has established a risk management committee, which meets regularly for risk identification and assessment. Relevant departments are responsible for managing risks in finance, legal issues, anti-fraud, safe production, environmental protection,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

Environmental Risks Management (Example)

In view of the risk that the uncontrolled blowout of drilling and completion operations leads to the massive leakage of crude oil, oil-based mud and oily cuttings, thus polluting the marine ecological environment, the Company supervised all units to strictly implement the responsibility of well control management, strengthened the screening of hidden dangers of well control equipment, strictly implemented the key tasks such as inspection and maintenance, urged all subordinated units to carry out important work such as certificate replacement of equipment, personnel acquisition certificates, emergency drills and personnel training on schedule, continuously strengthened the “zero discharge” capability of offshore facilities, and paid special attention to the progress of projects in important areas such as ecological environment protection zones.

B Analysis of Material Issues

In 2023, the Company carried out the identification, evaluation, screening, review, determination and other steps of the ESG issues in turn by sorting out the orientation of macro policies and combining the enterprise development strategy, industry characteristics and stakeholders' expectations and through questionnaires and analysis and survey of material issues, established a material issue matrix covering 20 key issues from two dimensions of "Importance to stakeholders" and "Importance to COSL", which helped the Company identify and manage risks, formulated an issue management and disclosure strategy, which was distributed to various departments for implementation, and emphatically disclosed and responded to such implementation in the report.



C Communication with Stakeholders

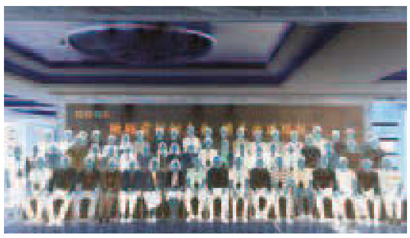
The Company attaches great importance to communication with stakeholders, establishes various channels for daily communication and special communication with stakeholders, fully understands the demands and expectations of stakeholders, and adopts their relevant demands and suggestions as the Company's objectives and incorporates them into plans and proposals for ESG. The Company also maintains ongoing communications with stakeholders on the sustainable development vision of the Company and new developments of its ESG performance to promote the sustainable, stable and healthy development of ESG.

The Company adheres to the information disclosure principle of "truthfulness, accuracy, completeness, timeliness and fairness", continuously improves the Information Disclosure Management System, strengthens voluntary information disclosure, actively responds to the key concerns of customers, suppliers and investors, and continuously transmits the Company's value to the market in various forms, so that investors could keep abreast of the Company's production and operation, increasing their investment confidence.

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

Communication between the Company and Pan American Energy

Communication between the Company and the Petroleum Authority of Uganda



The Company organises reverse roadshow activity

Corporate Governance

A – Strengthen the Leadership of Party Building
B – Improve the Governance Structure
C – Govern the Company in Compliance with Laws and Regulations
D – Comprehensive Risk Management
E – Compliance with Business Ethic

A Strengthen the Leadership of Party Building

The year 2023 was the first year to fully implement the spirit of the 20th National Congress of the Communist Party of China. Guided by Xi Jinping's Thought on Socialism with Chinese Characteristics in the New Era, COSL Party Committee unswervingly adhered to the overall leadership of the Party, strengthened the Party building, continuously enhanced the political and organizational functions of Party organizations, focused on the annual work target of "building up features, taking the lead and building brands", and made the daily work into a characteristic and the characteristic into a brand and the brand into a demonstration, so as to promote the transformation of the Party building's advantages into high-quality development momentum.

Continue to enhance political functions, and loyal to fulfill the glorious mission

- Resolutely implemented the Party's major deployment, studied and formulated a three-year action plan for COSL to build a world-class energy service company with Chinese characteristics, and went all out to increase production, enhance efficiency, strengthen management and prevent risks.
- Took solid steps in high-quality development, and included in the "Specialized, High-end and Innovation-driven Demonstration Enterprises" under the State Council SASAC.

Enhance organizational functions, and forge a first-class oilfield services iron army

- Deeply promoted the construction of the talent team. Established a leading group for talent work of the Party Committee, and studied and formulated the COSL "14th Five-Year Plan" for Talent Development. The Company introduced 2 overseas high-level talents during the year. At present, the Company has 65 experts of 2 levels, 91 young scientific and technological talents and 12 strategic high-level talents.
- Continued to strengthen the construction of grassroots organizations. The Company conscientiously implemented the "Seven Grasps" project of grass-roots Party building in central enterprises, thoroughly implemented the "211" management system of overseas Party building, and established 5 overseas regional Party building leading groups.

Enhance the "five forces of Party building", and expand the integration and deepening project of Party building

- Comprehensively improved the leadership of the Party Committee, the executive power of cadres' learning and application transformation, the fighting capacity of branches, the demonstration power of party members and the cohesion of the masses.
- Formulated and fully implemented the "2+10" livelihood practical plan in 2023, held more than 20 family open days such as "Drilling · Meeting" and "Ship · Family Cultural Happiness Trip", and established local volunteer service stations for overseas employees in 8 regions.
- Promoted the vigorous development of grass-roots league organizations by Party building leading league building. The Youth League Committee of the Company was awarded the honorary title of "Youth League Committee of the May 4th Red Flag of Central Enterprises".

Consolidate the "two responsibilities", and deeply promote the comprehensive strict governance of the Party

- Solidified the long-term mechanism of integrity. The Company established and improved the biweekly warning case mechanism and the normalized screening mechanism of integrity risks, and prepared and published the Reader of Integrity Education for Cadres in Party Members and the Reader of Overseas Typical Cases.
- Deeply cultivated and improved a culture of integrity. The Company steadily promoted the construction of four positions of "learning from integrity, stressing integrity, publicizing integrity and advocating integrity", built the "Integrity Garden"-the Company's first incorruptible culture demonstration education point, opened a lecture hall on Party conduct and integrity construction, and built the "COSL Party conduct and integrity construction network".
- Completed 10 incorruptible culture video works such as "Beyond 8 Hours" and "24 Hours before Putting out to Sea".

B Improve the Governance Structure

Governance System

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

Construction of the Board of Directors

Establishment and responsibilities of the Board of Directors

The Board of Directors of the Company comprises eight directors, and has three special committees, namely the Audit Committee, the Remuneration and Assessment Committee and the Nomination Committee. The Company continuously improves the Implementation Plan for Implementing the Functions and Powers of the Board of Directors, the Management Measures for Authorized Decision-making by the Board of Directors, and a list of authorized decision-making items, implements the decision-making power of the Board of Directors for medium and long-term development, the right to assess the selection and appointment rights of senior management members and other functions and powers, promotes the management to exercise their rights and perform their duties according to law, and improves the efficiency of operation decision-making.

Independence of the Board of Directors

The Company established and continuously improved the Independent Director System. At present, there are three independent directors in the Board of Directors, accounting for more than one-third. They have rich professional experience in the fields of finance, law and energy, and are familiar with the operation of the boards of directors of listed companies and the duties of independent directors. During the reporting period, independent directors effectively performed their duties of diligence and care as directors, and provided professional advice to the Company in the aspects of review of financial reports, reviews of connected transactions, internal control system and risk management.

Validity of the Board of Directors

All members of the Board of Directors of the Company exercised their functions and powers as directors in accordance with the laws and regulation and in a standardized manner, conscientiously implemented the resolutions of the general meeting, provided scientific decisions for the sustainable development of the Company, and actively safeguarded the interests of the Company and shareholders and other stakeholders. The Company prepared and published relevant reports of the Board of Directors regularly to disclose the work performance of the Board of Directors. The Company formulated the Implementation Program for Guaranteeing the Duties Performance of External Directors, continued to regulate the construction of the Board of Directors, and improved the mechanism of external directors to guarantee the supervisory function of external directors.

Diversification of the Board of Directors

The Board of Directors of the Company has fully discussed, highly admitted and gave full effect to the policy of director diversification, and considered various factors (measurable objectives include but not limited to educational background, professional experience, age, gender, region and race) when selecting and appointing directors in order to achieve and maintain the diversification of directors. The Nomination Committee of the Company is responsible for monitoring the implementation of this policy and evaluating the situation at an appropriate time every year, and providing suggestions to the Board of Directors. As of the end of 2023, the proportion of female directors of the Company was 12.5%.

Inclusion of ESG in the Remuneration Assessment of the Board of Directors and Senior Management

The Board of Directors has a Remuneration and Assessment Committee, which is responsible for formulating the assessment standards for directors, supervisors and senior management and conducting assessment, and for formulating and reviewing the remuneration policies and plans of directors, supervisors and senior management and making suggestions. The Company included ESG indicators into operating performance assessment such as production safety, energy conservation and environmental protection, operation in compliance with laws and regulations, comprehensive management, cyber security, risk management, etc. in the form of constraint indicators. For those who fail to complete the assessment objectives, points will be deducted on the basis of comprehensive assessment scores, and a certain percentage of performance bonus will be deducted for each deduction of points.

C Govern the Company in Compliance with Laws and Regulations

Compliance with Relevant Laws and Regulations

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

Construction of the Compliance System

Based on its commitment to governance in respect to the law, the Company strengthened its system of lawful compliance. The Company established and improved a compliance management system that is in line with its actual situation, successively issued compliance management system documents such as the Legal Compliance Management System, the Compliance Management Measures, and the Trade Compliance Management Guidelines, formulated and revised relevant systems and norms such as legal dispute management, legal person authorization management, joint venture management, enterprise industrial and commercial registration management, and overseas intermediary service fee management, and promoted the exploration and construction of legal, compliance, internal control and risk collaborative operation mechanisms through systems and mechanisms. Based on its principal activities, the Company resolved the primary risks, strengthened internal control management to reduce secondary risks, extended compliance management to prevent derivative risks, ensured that the construction of compliance management system conformed to the Company's actual development, highlighted the management of key areas, key links and important personnel, and effectively implemented the compliance responsibilities. The Company organized and conducted legal compliance trainings, including eight kinds of special trainings such as economic sanctions, import and export control, anti-corruption and anti-commercial bribery, and cross-border data transmission, and carried out compliance publicity activities to strengthen the concept of rule of law and compliance spirit of the Company's employees.

COSL convened the conference on rule of law for 2023 and the regular meeting for compliance management

D Comprehensive Risk Management

Internal Control Management

System and institutional construction

The Company established an institutional system that includes three levels, L1\L2\L3, covering 14 major functional areas, and sets up an ABC classification review and filing mechanism. The Company implements the whole lifecycle management, that is "planning, establishment, amendment, abolishment, interpretation and assessment", establishes expert review mechanism of internal control system, strictly controls the quality of internal control system, continuously improves the "demand-oriented, business-driven" collaborative and efficient globalization system, and promotes an effective connection between the two-level system of the Company. The Company strengthened the top-level design, highlights the new function positioning of the headquarter as "four centers", prepared the implementation scheme of the three-year action plan for improving corporate governance system and governance capacity, built the "Seven Lists of Internal Control", carried out the "Optimization of Incentive Policy Detailed Documents", organized the innovative practice to solidify the systems, launched the selection activity of innovative systems of the Headquarters, and prepare the Company's Process Management Guide.

Internal control training

The Company adopts the mode of "system publicity week + departmental training + list of knowledge and operative skill of positions" to continuously carry out system propaganda at all levels of the Unit. Combined with the needs of different positions and units on system knowledge and operative skill and according to the regulatory rules for listing companies and the requirement of the Board of Directors, the Company continues to carry out targeted trainings. The Company organized and carried out a number of internal control system publicity week activities, and all functional departments and units at all levels arranged and promoted the system in a timely manner after the system has been revised and improved. The Company coordinated the directly affiliated units to actively carry out the publicity of the systems radiating to the front line, and promoted the formation of a new model of company-wide linkage and "all-round, three-dimensional" system publicity.

Internal control evaluation

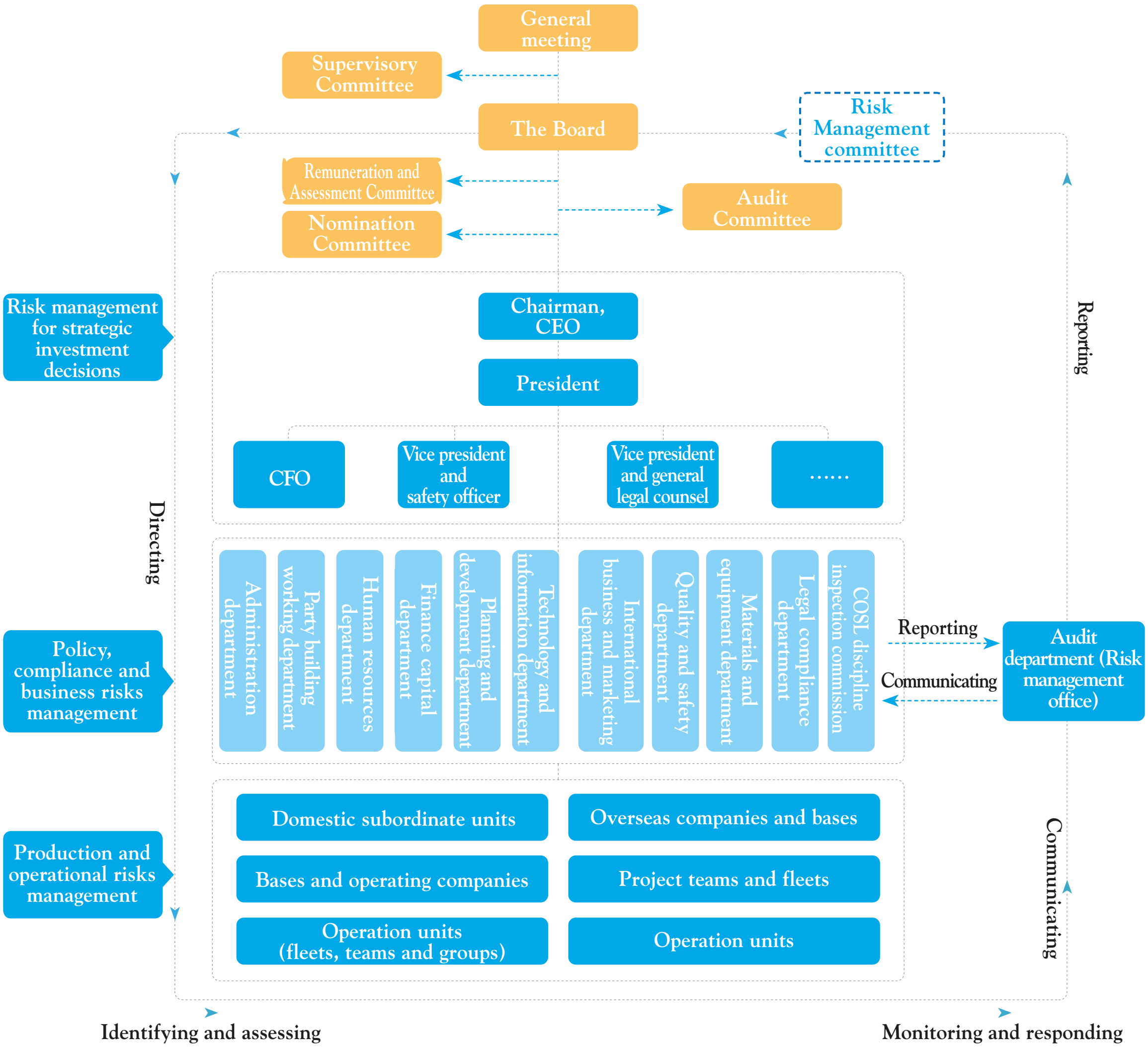
The Company comprehensively used evaluation methods such as interview, walk-through test and critical control point test to carry out inspection and evaluation. The Company implemented the system of identifying and signing internal control defects, determined the responsibilities for the internal control defects found in the inspection process, and verified such internal control defects item by item. During the reporting period, all defects found in the 2022 internal control evaluation of the Company have been rectified, and no significant and serious defects of internal control in the financial report and non-financial report were found in the 2023 internal control evaluation.

Risk Management

Establishing the risk management system

The Company establishes the Committee on Rule of Law Construction, Internal Control Compliance and Risk Management, which has the Office of Rule of Law Construction and Compliance Management and the Office of Risk Management, and all directly affiliated institutions establish corresponding risk management organizations, building a comprehensive risk management framework with the Board of Directors as the core. The Company formulates and revises the Comprehensive Risk Management Measures and the Management Measures for Reporting and Responding to Major Operational Risk Events, prepares the Guidance on the Performance of the Committee on Rule of Law Construction, Internal Control Compliance and Risk Management, conducts study and publicity through system publicity weeks and risk assessment meetings, continuously establishes and improves its major risk prevention and control mechanism, and improves the risk reporting mechanism and the reporting work system that are connected vertically and coordinated horizontally.

Risk Management Organisation Chart



Risk identification

The Company establishes a systematic and comprehensive risk management process, including collecting initial information of risk management, risk assessment, formulating management strategies, proposing and implementing solutions, and monitoring and improving. The Company establishes a normalized early warning and monitoring mechanism for major operational risks, organizes and holds annual and quarterly risk assessment meetings, and reports the management and control of major risks to the Board of Directors and the Committee on Rule of Law Construction, Internal Control Compliance and Risk Management of the Company. The Company continues to strengthen risk control information system and enhances data sharing and analysis and application, so as to realize the informatization of risk preference, annual risk plan, risk information collection, risk identification, risk assessment, risk response and report, etc. The Company strengthens the Headquarters' guidance and tracking of risk management for each unit and overall coordination and linkage. The Company comprehensively strengthens the risk identification and control capabilities of units at all levels, expands the depth and breadth of risk assessment, and the risk awareness and risk assessment capabilities of units at all levels have been continuously improved.

Risk prevention and response

The Company pays attention to cultivating good risk awareness and culture, and enhances its ability to prevent and resolve major operation risks. The Company holds annual corporate risk control work promotion meetings, quarterly risk assessment meetings, comprehensive risk management inspection of overseas institutions and other meetings, continuing to temper the abilities of leading cadres at all levels to identify risks. The Company prepares the Guidance for Preparation of the Comprehensive Risk Management Report and risk management cases, guides units at all levels to better and effectively deal with various risk challenges, and strengthens the bottom line thinking of units at all levels. The Company establishes three lines of defense for risk management formed by various business departments and units, risk management organizations and internal supervision organizations, implements a risk management mechanism of stratification, classification and grading, integrates risk management into its daily production and operation management activities, and forms a normalization mechanism of early warning, evaluation, reporting, response, emergency response and supervision. All major risks can be controlled, and the overall risk management mechanism runs smoothly and effectively.

Statistics of internal control and risk management training

Indicator	Unit	2023	2022	2021
Number of internal control management training	Times	112	118	105
Number of participants in internal control management training	Person-times	2,213	2,465	2,338
Number of risk management training	Times	50	46	48
Number of participants in risk management training	Person-times	1,852	1,762	1,810

E Compliance with Business Ethic

Preventing commercial corruption and bribery

The Company continued to deepen the construction of Party conduct and integrity and the coordination mechanism of anti-corruption, amended the Responsibilities of the Construction of Party Conduct and Integrity and Anti-corruption Work of the Departments of the Headquarters, and built a collaborative work pattern of large supervision. The Company adhered to the guidance of complaint reporting, patrol inspection, internal audit and special inspection to find problems, conducted anti-corruption training, and continued to deeply carry out the anti-corruption and anti-fraud work. The Company amended the Measures for Punishment of Employees (for Trial Implementation), continuously updated the integrity risk database, and audit and pay attention to the separation of duties and responsibilities of incompatible posts. In 2023, the Company did not involve in major corruption, malpractice, fraud or money laundering, and there was no litigation in relation to corruption against the Company or its employees.

Avoiding unfair competition

The Company conforms to the Anti-Unfair Competition Law of the People's Republic of China and the Interim Provisions on the Banning of Commercial Bribery, follows the principles of voluntariness, equality, fairness and integrity, and resolutely oppose to seek trading opportunity or competitive edge by virtue of commercial bribery.

Preventing and controlling corruption and fraud risks on overseas institutes

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

In 2023, every directly managed overseas institution duly created tip off email addresses and telephone numbers and opened channels for reporting ethics compliance issues.

Intensified anti-fraud education

The Company has adhered to enforcing discipline in the workplace and kept an eye on the "critical minority". It attached high importance to key issues and set up a mechanism for monitoring the key persons in-charge of various aspects around every festival. Besides, it intensified the anti-fraud spirit so as to create an ethical workplace with incorruptible culture and strong awareness of compliance, and carried out anti-corruption warning education, special learning activities on the construction of party conduct and clean governance, etc. In 2023, the Company conducted 402 times of integrity warning education and education on Party constitution, Party rules and Party discipline with the attendance of 11,486 person-times.

Statistics of business ethic

Indicator	Unit	2023	2022	2021
Number of anti-fraud trainings	Times	569	237	575
Number of participants in anti-fraud training	Person-times	15,788	13,742	21,380

Reporting protection and compliant policy

The Company announced the acceptance methods and scope of complaint reporting by the discipline inspection commission, the business divisions and the discipline inspection teams of branches, strictly implemented the Working Rules for Handling the Reporting and Complaints by Discipline Inspection and Supervision Organs, kept confidential the whistle-blowers, contents and other information and formulated the Management Rules for Letters and Visits, Reports and Complaints.

COSL Acceptance Process of Reporting and Complaints

Acceptance by the Responsible Department: Receive petition incidents and analyze, classify and screen the petition incidents;
Diversion Tracking: Enter the petition incidents into the reporting and complaints work platform, and keep tracking;
Disposal of Clues: Preliminarily verify the clues, conduct conversations and inquiries, temporarily store the clues for investigation, and finally determine the clues;
Review of Cases: Collect evidence through investigation, and find out the facts of violation of discipline and laws; in case of being suspected of duty-related crimes, report to the superior or transfer the case to the superior discipline inspection and supervision organ for handling;
Result Feedback: Provide the handling situation to the real-name informant within 15 working days after the investigation of the case has been concluded.

Anti-corruption of suppliers

The Company strengthened the mutual self-discipline and mutual supervision with suppliers, seriously dealt with suppliers' violations, eliminated all kinds of bad acts such as violations of discipline and commercial bribery, and worked together with suppliers to build a "cordial and clean" integrity business relationship.

Statistics of anti-corruption of suppliers

Indicator	Unit	2023	2022	2021
Signing rate of the Sunshine Agreement with Suppliers	%	100	100	100

Energy Services and Developing High-quality Products

A – Strengthen Quality Control

B – Improve Customer Experience

C – Insist on Innovation-driven

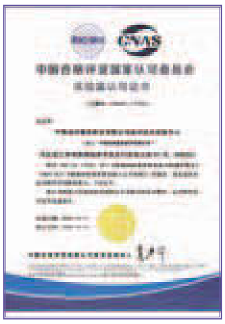
D – Expand the Responsible Supply Chain

A Strengthen Quality Control

COSL established the concept of "service quality is the lifeline of the Company", adhered to its policy of "impeccable credibility, equipment in good condition and quality assurance", strictly complied with the "Product Quality Law of the People's Republic of China" and other relevant laws and regulations, established a sound quality management system, focused on developing high-quality and sustainable products and services, and constantly improved customers' satisfaction.

Improving the Quality Management Organisation

The Company and its direct units established and improved quality management organisational networks and focused on the construction of main responsibility and supervision responsibility interface which unified the coordination, guidance and supervision of the quality management of product and service. In 2023, the Company promoted the COSL Three-year Action Plan for Customer Experience Improvement and established a special working group to improve its core competitiveness from six aspects: customer communication, featured technology, remote support, operation quality, equipment support and professional ability.



2023 COSL Laboratory Certification Certificate

2023 Excellent Achievement Certificate of QC Team

Improving Quality Management Systems

The Company firmly established the quality first consciousness, constructed the COSL Comprehensive Quality Management System, and all direct units followed the latest quality management system standards and the Company's international and industrial management requirements for QHSE management to identify gaps and loopholes, which led to continuous improvements in quality management system documentation. The Company found the defects in systems through evaluation by the superior, internal/external audit, and management appraisal and compliance evaluation, revised and improved the system of Towing Management and the system of Well Control Management, strengthened operation risk control, consolidated the foundation of operation quality control, and further enhanced the suitability, effectiveness and operability of management systems. In 2023, the Company formulated the system of Operation Management at the Company's headquarters level for the first time, strengthened the NPT control and enhanced the service quality.

Conducting Quality Training

The Company organised and conducted various forms of quality trainings on ISO 9001 quality management system, quality management basic knowledge, QC team practice, operating quality case analysis, quality control and quality assurance to promote the service quality improvement activities such as well control skill competition, cross-disciplinary technical teaching and multi-disciplinary joint research and form a top-down monthly quality analysis meeting mechanism.

Advancing Laboratory CNAS Certification

In 2023, the Company continued to strengthen the construction of laboratory system certification. Combined with the internationalization strategy and international market access requirements, Well Tech Experiment Center obtained the CNAS ISO/IEC 17025 certification and the Company continuously accelerated the ISO/IEC 17025 certification of the Geophysical Civil Engineering Experiment Center.

Carrying out QC Team Activities

In 2023, the Company carried out a total of 174 QC team activities. In the "CNOOC 2023 Quality Management Team Activities Outstanding Achievements" selection, 2 QC team activities won the first prize, 4 QC team activities won the second prize, 6 QC team activities won the third prize and 6 QC team activities won the merit prize.

B Improve Customer Experience

As a professional oilfield service company, COSL aims to provide customers with first-class oilfield full life-cycle solutions. The Company focuses on customer needs, actively improve customer communication, deeply understands customer's problems, and makes full use of the advantages of the entire business chain to provide customers with complete technology solutions. Through actively responding to customers' needs, the Company solved the problems encountered in customers' projects from the customer's point of view and accelerated the improvement of the service quality in all business lines.

Integrated Professional Services

With first-class technical strength, high-standard equipment capability and performance of operation quality, the Company gives full play to the advantages of regional development, unifies and coordinates the key resources in the regions to promote the long-term high-quality business cooperation, provide integrated professional services for customers and achieve the win-win of customer value and brand image.

Asia Pacific region

- The services cover Indonesia, Malaysia, Thailand, Singapore and other countries and regions. The Company provides various services such as drilling, workover, stimulation, cementing, mud, chemical agents, logging, directional drilling, supporting vessels and disposal services in the region.

- The Company's self-developed high-end directional "Xuanji" tool while drilling successfully completed the whole well sections operation of a project in Indonesia at one time, achieving a major breakthrough in the operation ability of the "Xuanji" tool in the whole well sections in Indonesia, which was highly appreciated by the field operators with 100% operation time effect.
- COSL Indonesia won the Best HSSE Performance Award for its outstanding HSSE performance in certain regional project in Indonesia.

Middle East region

- **Saudi Arabia:** Provide jack-up drilling rigs service.
- **Iraq:** Provide integrated services of drilling and completion and related services.
- **Kuwait:** Provide jack-up drilling rigs service.

- The Company formed the important equipment layout of 11 jack-up drilling rigs in Saudi Arabia and Iraq.
- A drilling & completion project in Iraq was successfully implemented, and the Company won the technical service contract of Ahdab Oilfield for the first time.
- The combination tool of "Xuanji" system 675 rotary steering and two lines while drilling successfully completed the landing operation of difficult horizontal wells, which was successfully applied in Iraq for the first time.

Europe region

- Mainly serve the North Sea region of Norway and the United Kingdom, and continue to provide drilling rig services to high-end customers such as Equinor.

- The Company successively locked in high-value offshore drilling rig projects in the North Sea, and the regional development potential was further strengthened.

America region

- **Canada:** Provide integrated services of drilling and completion for CNOOC International Limited ("CNOOC International").
- **Mexico:** Provide drilling and completion services and various technical services for Petróleos Mexicanos ("PEMEX") for a long time.

- Implemented CPNA integrated project of drilling and completion in Canada with high quality and efficiency.
- Actively explored onshore integrated and technical sector market in Mexico and maintained a continuous growth of market share.

Africa region

- Provide integrated services and related technical services for CNOOC International and TotalEnergies in Uganda.

- The CNOOC International KF Project (integrated drilling & completion service) and the Total TL Project (wireline logging, cementing and mud services) in Uganda started drilling successively.

Typical project

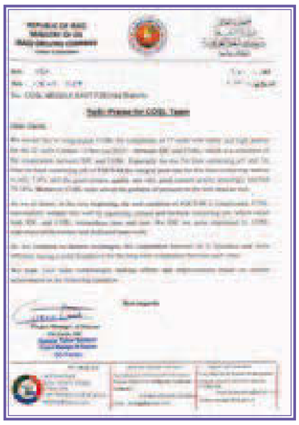
Guoshuo Drilling Rig

Received a letter of commendation issued by Pertamina.

Typical project

COSL Iraq Branch

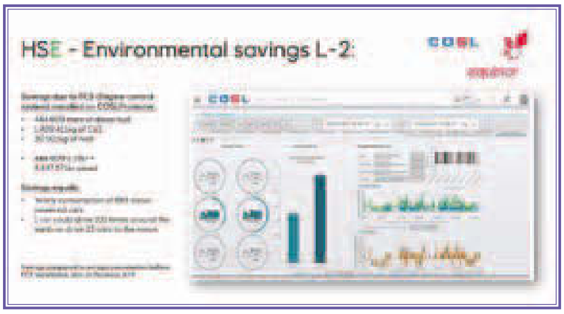
IDC 22 well project won a phased victory, which was praised by Iraqi Drilling Company.



Typical project

COSL Drilling Europe

The L-2 well operation of a project was completed 7 days ahead of schedule, and the energy-saving and emission-reduction achievements were highly recognized by the management of Equinor.



Typical project

Uganda Oilfield Chemicals Project Team

Recognized by Total again and won the 20 million working hours without personal injury award after the 10 million working hours without personal injury award.

Typical project

COSL Mexico S.A. de C.V.

COSL3 Drilling Rig won the letter of commendation from PEMEX.

Help customers strengthen reserves and production

The Company provides customers with full life-cycle oilfield solutions, bases on customer needs, and promotes core technology breakthroughs with "research, production, implementation and reform" to help strengthen reserves and production of oil and gas.

Exploration

Breakthrough was made in tackling key problems in the imaging technology system of deep-water ultra-deep double paleo domain, which effectively improved the imaging quality of the strata below the slope break zone, the insider and basement of the middle-deep double paleo domain. The technical achievements were applied to a number of deep-water processing projects, promoting the strengthening reserves and production of deep-water deep strata exploration targets.

Development

The integrated injection-production technology of 350°C high-temperature electric pump was successfully applied to an oilfield in Bohai Sea, which effectively saved the operation time of thermal recovery and marked the further improvement of heavy oil high-temperature lifting technology. This achievement is of great significance to the large-scale and efficient development of offshore heavy oil fields.

Customer Satisfaction

The Company continues to strengthen customer communication, pays attention to customers' needs and deals with their demands on a timely manner. Besides, the Company actively takes advantage of various opportunities such as industry exhibitions and international high-end forums to significantly increase its brand awareness and continuously improve customer relations.

Benign and Efficient Communication

Established a regular communication mechanism with the senior management of customers, communicated and interacted with many international customers such as Saudi Aramco, Total and HESS in time by means of senior management communication meetings, and improved the establishment of customer files, and collected and implemented customers' demands in time.

Appear on High-end Platforms

Focused on key markets and core customers, and successfully appeared at the 2023 Abu Dhabi International Petroleum Exhibition Conference (ADIPEC); in the Asia Pacific region, participated in the International Petroleum Technology Conference (IPTC) held in Thailand and successfully established cooperation with many international oil companies. Appeared at Indonesian Petroleum Association (IPA) Exhibition in Indonesia, fully demonstrated the Company's capabilities and fully exchanged the latest technology with customers.

Responsible Marketing

Implemented responsible marketing, advertising and sales policies, and prohibited providing unfair or misleading sales methods to customers. The Company's products and services strictly complied with relevant national laws and regulations and did not endanger customers' health.

Respond to Customer Complaints

Actively provided feedback for and handles customer complaints with a closed-loop management mode, solved customers' problems in the first time, analyzed the causes of problems and implement rectification and upgrading to avoid the same problems.

Protection of Customer Privacy

Strictly implemented the requirements of relevant system documents, and protected the security of customer data, without incidents of divulgence of customer-related private information.

Note: *As the Company engages in drilling services, well services, marine support services and geophysical acquisition and surveying services, the indicator in terms of the percentage of total products sold or shipped subject to recalls for safety and health reasons does not apply to the Company.*

In March 2023, COSL participated in the International Petroleum Technology Conference (IPTC) in Thailand and focused on introduction of the capacity of full life-cycle oilfield services, which attracted a large number of international customers for exchanges.

In April 2023, the Company participated in Total IPO supplier conference, and made a presentation on the theme of sustainable development at the conference, and communicated with Total and other customers in depth.

In July 2023, COSL participated in the 47th Indonesian Petroleum Association (IPA) Exhibition and fully demonstrated the high-end technical service capability of the Company.

Statistics of Customer Service

Indicator	Unit	2023	2022	2021
Service complaint	case	0	0	0
Resolution rate for customer complaints	%	—	—	—
Customer satisfaction	%	98.9	98.8	98.34

C Insist on innovation-driven

With the "Three-year Action Plan for the Construction of Science and Technology R&D System" as the core, the Company continues to promote the construction of a new science and technology innovation system covering the full life-cycle of technology products and the whole industrial chain, builds a technological development pattern of "comprehensive mainstream technology, outstanding main technology and excellent characteristic technology".

Release Innovation Vitality

The Company led the upgrading of technical system with discipline construction, built a scientific and technological innovation management mechanism with an organic unity of "responsibility, power and benefit", vigorously implemented the open competition mechanism to select the best candidates for scientific and technological innovation research, and accumulated world-class source power. The Company formulated the COSL Guiding Opinions on Strengthening Discipline Construction in the New Period, strengthened basic research, and optimized and adjusted the technical system. The "development of large-diameter directional rotary steering system for offshore oil" was specially supported by the national key research and development plan, and the density logging technology after casing achieved industry leadership.

Foster a Culture of Innovation

The Company issued 26 guiding opinions on cultivating scientific and technological innovation culture in the new period, and comprehensively strengthened the cultivation of innovative culture. The Company established the "Mass Innovation Fund", issued the Regulations on the Management of Innovation and Creation Projects, and established 51 mass innovative projects to stimulate the innovation vitality of all employees with small investment. The Company actively invested in scientific research funds, strengthened high-quality patent declaration and standard formulation, and was granted 7 PCT patents, and continued to promote the revision of international standards for drilling & completion fluids and heavy oil thermal recovery.

Key Technology Research and Achievement Transformation

The Company stepped up key core technology research, accelerated the localization application of major technical equipment and tools and equipment, and carried out the integrated research mode of "**I^{4}R** research, production, implementation and reform" in depth, which greatly improved the iterative speed of technology research and development transformation and the quality of technical services, and accelerated the release of technical value, which was highly recognized by the industry. "Xuanji" system and "Haijing" system of COSL were included in the "Top Ten Achievements of National Oil and Gas Exploration and Development in 2023".

In terms of exploration

- "Haimai" system completed the product finalization and manufacture ahead of schedule and equipped on HYSY771, and completed the first demonstration application task in Bohai Sea.
- "Haijing" system completed the exploration and acquisition task of the ultra-deep water block in the Pearl River Mouth Basin with high quality, and completed the first 3,000-meter deep water geological exploration map mapped by China's independent equipment.
- The storage multi-mode slam logging system realized the first application at sea, and effectively met the logging requirements of severe working conditions in the middle and deep underground.

In terms of development

- The first test of self-developed high-definition multi-boundary edge detection technology was successful.
- The good run ratio of "Xuanji" reached the first-class level of 95% in the industry, and the drilling rate of the reservoir with drilling and edge detection tools remained above 90%.
- Seawater-based fracturing fluid realized the independent processing of core additives, and the field application had obvious oil increase effect.

In terms of drilling and completion

- Breakthroughs were made in the deep-layer and deep-water application of serialized wellbore working fluids such as ultra-high pressure dense low-density cement slurry system, setting the deepest cementing record in Asia (9,131m).
- Ultra-high temperature and Ultra-high pressure completion tools were used for more than 20 well times during the year.

HYSY720 geophysical vessel equipped with "Haijing" system conducted oil and gas exploration in ultra-deep waters

"Xuanji" directional rotary steering instrument was successfully drilled

Statistics of Technical Innovation

Indicator	Unit	2023	2022	2021
Research and development expenses	RMB10,000	164,420	130,440	125,507
Number of new patents	Piece	155	226	130
Number of new invention patents	Piece	125	140	63

D Expand the Responsible Supply Chain

COSL thoroughly implements the state's decision deployment for ensuring the safety of the industrial and supply chain from a strategic perspective, helps the high-quality development of the industrial and supply chain of offshore oil industry in China, strives to build a supply chain management system that integrates risk prevention and control with procurement quality, benefit and efficiency, strives to promote green procurement, green logistics and warehousing, enhances the capacity building of suppliers, and strengthens resource sharing and recycling, so as to provide support to build a world first-class energy service company with Chinese characteristics.

In November 2023, the Company convened the first industrial and supply chain ecological construction conference and proposed to build a modern supply chain ecosystem

Construction of international supply chain

In 2023, focusing on the development strategy, the Company built an international supply chain management system with "technology reaching the standard, optimal cost, local priority and regional overall planning" on a timely, orderly and comprehensive manner, and released 24 domestic supply chain management systems documents and 61 overseas supply chain management systems documents. The Company cooperated with suppliers to reach a consensus on reform, open up the channel from client to supplier, strengthen cross-functional and efficient coordination, fully integrate resources, and build a global supply chain management system that matches "a world first-class energy service company that provides customers with full life-cycle services".

Sustainable Supply Chain Management

The Company is committed to building a "safe, stable, cost-optimized, high-quality and efficient, digital smart" supply chain, standardizing the basic standards, procedures and processes of supply chain management based on the key links of supply chain management such as demand, category, procurement, suppliers, contract execution, warehousing and logistics, import and export, digitalization, performance and compliance, and constantly improving and building an all-round, integrated and intelligent oilfield service industry and supply chain system.

The Company reconstructs the cooperative relationship of "purchase and supply, service and use, production and storage, research and repair", cultivates high-quality supplier resources and expands the "circle of friends". In combination with the advantages of the Company's large-scale equipment and with category management as the core, the Company established a reasonable indicator system, formulated different management schemes, established a perfect monitoring mechanism, implemented classification and hierarchical control of suppliers, and built eight types of supplier evaluation indicators and models. The Company accelerates the cultivation of high-quality supplier resources, jointly promotes the optimization and coordinated development of supply chain, and strives to improve procurement quality and procurement efficiency. In 2023, the number of suppliers examined by the Company as qualified was 8,782.

Supplier Management Mechanism

Supplier Resource Management

- Formulated the Measures for the Management of Suppliers, requiring suppliers entering the stage of access review to meet the elements of quality review, technical review and business review; and strictly implemented the review of operational qualification, business integrity, compliance operation and integrity practice.
- Required suppliers to sign a letter of commitment, strengthened the management of integrity practice of relevant personnel, complied with the business ethics, and prevented and curbed violations of laws, regulations and disciplines from the source.
- Dynamically adjusted and optimized supplier resource management, and improved the supplier effectiveness and competitiveness; carried out "ten publicity" of procurement information and actively introduced market supplier resources.

Supplier Risk Management

- Strengthened the risk management of suppliers, issued notices and announcements to suppliers, clarified the types of violations of laws and regulations and handling standards of such violations, published the list of restricted suppliers from time to time, and timely notified the controlled suppliers who violate laws and regulations and have anomalies of warning risk information.

Supplier Evaluation

- Carried out the "one transaction, one evaluation" mode of supplier performance through the information platform, conducted rolling performance evaluation on the completed projects, adjusted the suppliers' business authorities according to the comprehensive performance evaluation results of suppliers, and improved the standardization of supplier performance.

Suppliers' ESG Capacity Building

- In 2023, the Company organized two centralized trainings to improve the capabilities of suppliers in the areas of quality, health, safety, environment and legal compliance, and to help partners reduce product compliance, negative public opinion and financial risks that may be caused by supply chain problems.

Number of suppliers of COSL by region

Year	Unit	Total number of suppliers as at the end of the year	Overseas	Domestic	Major cities				
					Tianjin	Beijing	Guangdong	Shanghai	Others
2023	Supplier	8,782	5,398	3,384	904	489	433	192	1,366
2022	Supplier	7,528	4,734	2,794	690	431	385	164	1,124
2021	Supplier	7,339	4,490	2,849	671	420	407	165	1,186

Signing agreements with 12 strategic partners on site

Awarding to 12 partners in Deepwater Oil & Gas Industry Alliance

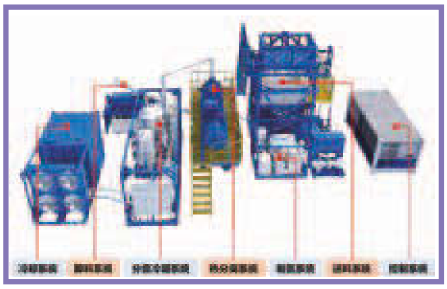
Green Supply Chain Management

The Company strengthens the integration of the green concept in production and operation, procurement business, standardization construction, supplier resource development, resource recycling and warehousing and logistics, and implements the construction of green supply chain to help high-quality development in the supply chain field. In purchasing activities, when selecting suppliers, the Company gives appropriate preferential policies to suppliers of green environmental protection and energy saving products. In the supplier evaluation, the Company sets the scoring items of green environmental protection and energy-saving, lean production, quality, health and safety, and encourages suppliers to respond to the requirements of green and low carbon and develop related technologies or products.

Case

"Green" tailor-made, research and development of new oil-based drilling cuttings treatment equipment

In view of the environmental protection treatment of oil-based drilling cuttings in oil fields, COSL cooperated with an equipment manufacturer to customize a piece of scientific research equipment. The equipment integrates the most advanced technology in the industry and can meet the needs of different environments such as offshore drilling rigs, land well sites and land environmental protection factories. The equipment includes seven systems: control system, feeding system, nitrogen production system, thermal separation system, grading condensation system, discharging system and cooling system. The solid-liquid separation rate is as high as over 99%, and the oil content of the treated dry slag can be as low as below 0.3%. The recovered oil is of good quality and can be reused. The equipment is highly automated, integrated and digital, and the tail gas emission meets the relevant national standards.



Oil-based Drilling Cuttings Treatment Equipment

Case

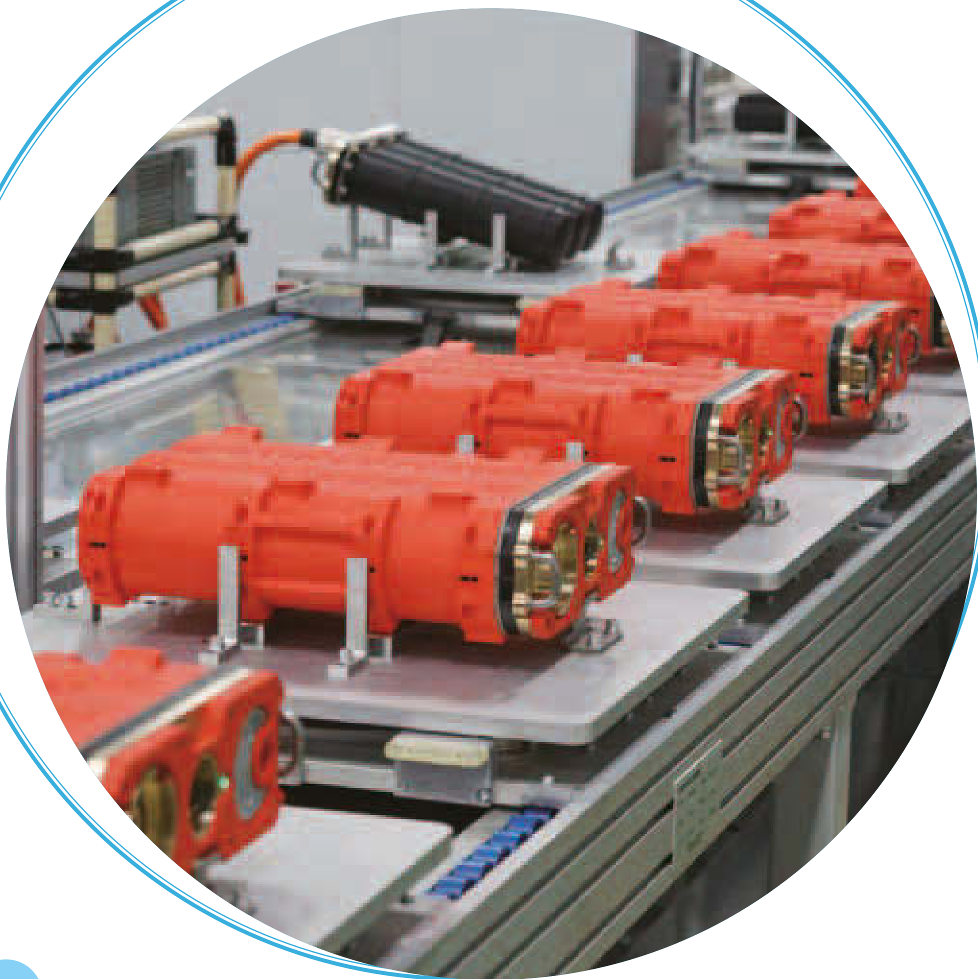
Strategic cooperation to realize green and low-carbon transformation of procurement

COSL Drilling Division puts the concept of green development into the whole procurement process. In order to meet the requirements of the latest national vessel sewage discharge standards and ensure that the black water and grey water of drilling rigs meet the standards, COSL Drilling Division launched a scientific research project suitable for offshore jack-up drilling rigs, i.e. the Research and Application of Domestic Sewage Treatment Device for Drilling Rigs, obtained high-quality equipment through scientific research, signed a strategic cooperation agreement through the horse racing system, shared intellectual property rights, and effectively promoted the transformation of procurement supply chain to green and low carbon by exchanging quantity with price and improving quality and efficiency through the advantages of scale.

Domestic Sewage Treatment Equipment of Drilling Rig

Safety and Environmental Protection and Promoting Sustainable Development

A- Practice the Green Development
B- Adhere to be Eco-friendly
C- Stick to the Safety Production
D- Safeguard the Occupational Health



A Practice the Green Development

COSL conscientiously implemented the major decision-making arrangements of the Central Committee of the Communist Party of China and the State Council on "carbon emission peak and carbon neutrality" and the policy spirit of the relevant ministries and commissions of the central government and the state, integrated the concept of green development and ecological civilization into the mechanism for coping with climate change, embedded such concept in environmental management and daily operation, and carried out in-depth energy green and low-carbon transformation, energy conservation, emission reduction and carbon reduction to help build a beautiful China with blue sky, green land and clear water.

Tackling Climate Change

The Board of Directors of the Company incorporated the response to climate change into its work strategy, continuously strengthened the climate-related internal governance, listen to the report of the executive on climate change and environmental issues, deliberated and supervised related matters, and put forward opinions and suggestions. In combination with the actual development of the Company and the industry, the Company studied and formulated the COSL Work Points of "Carbon Emission Peak and Carbon Neutrality", to promote the implementation of various tasks and measures of the COSL Low-carbon Development Action Plan.

Source of Risks	Description of Risks	Countermeasures and Opportunities
Policies and Laws	● Government management departments actively promote the construction of policies and laws to cope with climate change and promoted green transformation, which may lead to an increase in the Company's investment in energy conservation and emission reduction, thus increasing the Company's compliance operating costs.	● Pay close attention to the changes of laws, regulations and policies related to the environment, thoroughly practice the green and low-carbon development path, and start the preparation of the low-carbon development action plan.
Technology	● Low-carbon transformation drives the rapid development and iteration of technology, and the Company continues to increase R&D and investment in energy-saving and emission-reduction technologies, and the cost of transforming to low-emission technologies may increase.	● Improve the research and development capabilities of new technologies and equipment, and strengthen the exploration of the application of emission reduction technologies such as CCUS.
Market	● Facing the demand of low-carbon transformation, industries and customers may be more inclined to technologies and products with obvious carbon reduction and energy saving effects. The Company may face greater pressure in obtaining market contracts.	● Take customer demand as the starting point to intensify the upgrading and iteration of existing technologies and services and strengthen the research and development reserves of new technologies.
Reputation	● How energy companies cope with climate change is a focus of concern for stakeholders. If the Company's low-carbon development cannot be fully communicated with stakeholders, the Company may be questioned, which will affect the Company's reputation.	● Actively implement the new development concept, strengthen communication with stakeholders, and improve the level and transparency of the disclosure of ESG reports.
Entity	● Natural disasters such as typhoon, rainstorm and flood caused by climate change may destroy the Company's production facilities and office space, thus bringing direct losses to the Company's assets and production and operation. ● Natural disasters, such as typhoon, rainstorm and flood, may lead to the interruption of the Company's production materials, thus indirectly affecting the continuity of operations and bringing operation losses to the Company.	● Closely monitor weather changes, issue early warnings in time, establish emergency plans for natural disasters such as tropical cyclones, and have a sound emergency response mechanism. In 2023, the Company established an emergency duty room to further strengthen its ability to monitor the invasive impact of climate change and natural disasters. ● Establish an emergency response system, improve the material management mechanism, and reserve key materials. At the same time, timely carry out risk judgment and deploy and coordinate production materials in advance according to climate change, so as to minimize the impact of materials. ● According to the severity of risks, the Company organized the identification and purchase of pollution control, property losses and other related liability insurances to further improve the risk response capability.

Statistics of Energy Savings and Carbon Reduction Target and Achievement of COSL for 2022-2023

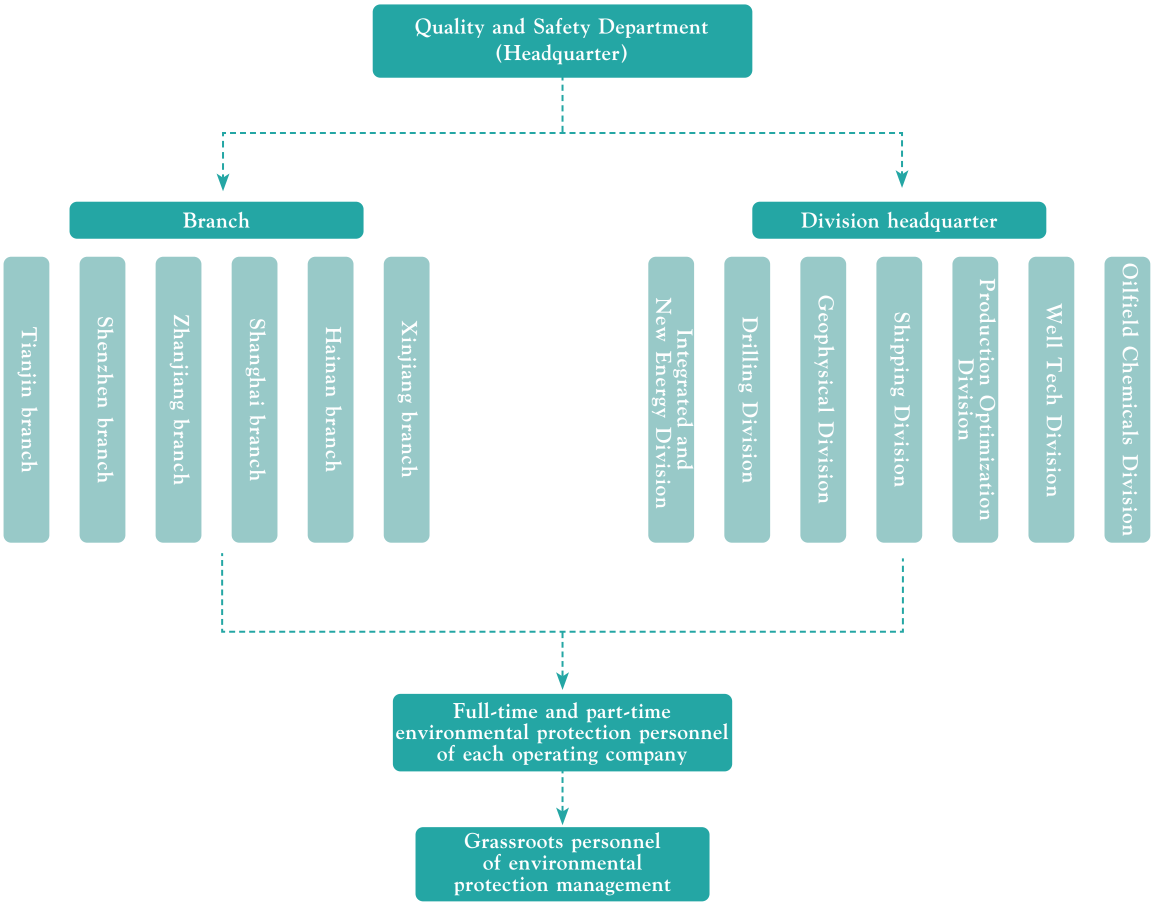
Indicator	Target energy savings		Actual energy savings		Achievement rate	
	2022	2023	2022	2023	2022	2023
Total energy savings (10'000 tonnes of standard coal)	0.6115	1.1560	1.7764	2.5143	290.50%	219.84%
Carbon reduction (10'000 tonnes of CO_2)	3.0594	2.5020	3.5377	4.6311	114.60%	185.10%
Energy consumption for an output value of RMB10,000 (tonnes of standard coal/RMB10,000)	≤0.2503	≤0.2089	0.2065	0.1886	100%	100%
Emissions of carbon dioxide for an output value of RMB10,000 (tonnes/RMB10,000)	≤0.5419	≤0.5371	0.4471	0.4132	100%	100%

Strengthen Environmental Management

Construction of environmental organizations and systems

The Company continued to strengthen the standardization and institutionalization of environmental protection work, established an organizational structure of environmental protection management covering the environmental protection management employees of the Company and its subordinate units, and appointed 446 full-time and part-time environmental protection personnel. In 2023, the Company revised five environmental protection management systems, including "water management", which was the first revision since the establishment of the system focusing on the special management of pollutants in 2022, marking the complete establishment of the environmental protection management system focusing on the control of pollution sources such as "water, gas, noise and slag".

COSL Environmental Protection Organizational Structure



In 2023, the Company's seven main business divisions obtained DNV quality, health and environmental protection certification certificates. The Company organizes the superior review of the integrated management system for its subordinate business divisions every year to dynamically improve the requirements of the integrated management system and ensure that the environmental protection management system meets the requirements of laws and regulations and relevant standards. The certification rate of the environmental protection system of the main business divisions was 100%.

Environmental impact assessment

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

Environmental protection education and training

The Company attaches great importance to environmental protection education and publicity work. It actively organizes and carries out ecological and environmental protection training and continues to improve the quality of ecological and environmental protection management practitioners. During the year, the Company organized eco-environmental training for 5 times, and the full-time and part-time personnel of environmental management participated in the training for no less than 2 times per person. It organized a large-scale study on Xi Jinping's Ecological Civilization Thought within the Company with 12,754 employees participating in the study. By carrying out ecological and environmental protection publicity activities, it vigorously advocated green and low-carbon production and lifestyle and comprehensively enhanced ecological and environmental protection awareness of employees.

Practice Energy Conservation and Emission Reduction

Greenhouse gas management

Promote carbon reduction management and promote the application of clean energy

- The Company's fleet includes 12 LNG powered vessels, making the Company the largest enterprise operating LNG powered OSV vessels in the world. Achieved a carbon reduction of 7,515 tons in 2023 by replacing diesel fuel with LNG fuel.
- Completed the research and development of the formulation of CO_2 intelligent wormlike micelle gel geological storage agent response channeling sealing system, and further improved the technical capacity of CO_2 storage.
- Prepared the COSL Promotion and Guarantee Plan of Energy-saving and Low-carbon Targets for 2023, and implemented the carbon reduction measures from the aspects of production source, production process and emission reduction.

Follow up the application and research of technological innovation, and guide carbon emission reduction in supply chain

- Prepared the special programs such as the COSL Green and Low-carbon Development Path of Engineering Technology and Equipment and the Feasibility Analysis Report on Application of Methanol Fuel in OSV.
- Summarized the experience of shore power application, promoted the application of reverse power supply mode and interface transformation of mobile rigs, and realized the reverse power supply capabilities of 4 drilling rigs and 7 support rigs.
- Accelerated the implementation of energy storage and carbon reduction projects for drilling rigs and vessels, and conducted prospective research on the application of low-carbon fuels such as methanol, hydrogen and ammonia in offshore equipment.

Statistics of Greenhouse Gas Emissions by the Company in Chinese Waters

Indicator	Unit	2023	2022	2021
Carbon dioxide/greenhouse gas emissions	Tonnes	1,218,526.94	1,151,780.48	1,133,346.00
Carbon dioxide/greenhouse gas emission reduction	Tonnes	46,311.00	35,377.00	35,060.00
Carbon dioxide emissions for an output value of RMB10,000	Tonnes/RMB10,000	0.4132	0.4471	0.5230
Total direct greenhouse gas emissions	Tonnes	1,182,609.25	1,129,716.04	1,115,057.00
Total indirect greenhouse gas emissions	Tonnes	35,917.69	22,064.44	18,289.00

Energy and water resource management

The Company strictly abides by the Energy Conservation Law of the People's Republic of China and various energy management regulations and requirements of the countries and regions where it operates, adheres to the environmental protection and energy management policy of "caring for the environment, saving energy and increasing efficiency, and developing in a green way", actively promotes energy and water conservation management measures and establishes and continuously improves management systems such as Energy Saving Management and Water Saving and Electricity Saving. Every year, the Company invests a lot of funds in upgrading and rebuilding energy-consuming equipment and facilities and promoting the implementation of energy-saving projects, and strives to reduce energy consumption. The certification rate of energy-saving system for the main business division reaches 100%.

The Company sets annual water use and water-saving goals, actively strengthens publicity and education and encourages all employees to participate in water-saving campaigns. The Company designates voluntary energy-saving supervisors in grass-roots units to promote the conservation of production water. The Company continuously optimizes water recycling equipment and improves water-saving technology and equipment levels.

Note: As the Company engages in drilling services, well services, marine support services and geophysical acquisition and surveying services and does not involve packaging materials, the indicator in terms of the total amount of packaging materials used for finished products and, the proportion per production unit does not apply.

Case

Utilization of cooling water waste heat, Bohai 4 Drilling Rig achieved good practice of energy saving

The main operation area of Bohai 4 Drilling Rig is relatively cold in winter, and the rig water tank needs heat source to avoid the influence of freezing. The boiler was originally designed as the heat source at the site, but other loads of the boiler are small during idle state of the rig, so starting the boiler alone will cause waste and form additional carbon emissions. After the design and analysis of the drilling vessel equipment system, the Company reformed the process and used the cooling water of the main engine as the heat source for heating the water tank. After the system is put into use, it can ensure the stable operation of the water tank in cold weather without starting the boiler during the idle state period, and realize low emission.

Statistics of Main Energy and Water Consumption

Indicator	Unit	2023	2022	2021
Purchased electricity	10,000 kWh	3,729.99	2,969.31	2,547.00
Diesel fuel	Tonnes	369,309.48	356,752.11	352,221.52
Natural gas	Cubic metres	392,106.00	338,012.00	289,100.00
LNG	Tonnes	7,248.00	2,300.00	243.00
Gasoline	Tonnes	303.60	207.07	289.10
Water	Tonnes	1,311,321.41	1,151,844.38	1,081,583.18
Water consumption for an output value	Tonne/RMB10,000	0.4447	0.4993	0.5648

Note: Comprehensive energy consumption, energy conservation, and output value energy consumption are calculated in strict compliance with national standards such as GB/T 2589 General Principles for Calculation of Comprehensive Energy Consumption, GB/T 13234-2009 Calculation Method for Enterprise Energy Conservation, GB17167-2006 General Rules for Equipping and Management of Energy Measuring Instruments of Energy Users and enterprise standards such as Q/HS 1300-2019 Statistical Indicators and Calculation Methods of Energy Consumption, Q/HS13005-2019 Energy-saving Statistical Management Code issued by CNOOC and other standards.

Managing discharged gas

The Company strictly implemented the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution and provisions of relevant laws, regulations and normative documents of the state and the countries in which it operates, and Air Pollution Prevention Certificates issued by the China Classification Society (CCS) have been obtained for all vessels and drilling rigs of the Company. For the day-to-day operation of vessels and drilling rigs, qualified and low sulphur green fuels meeting the requirements of the countries and regions in which they are operated are used to minimise exhaust of such materials as nitrogen oxides and sulphur oxides. Each diesel engine was delivered with a Diesel Engines Emission Test Report upon factory delivery, and non-toxic and environment-friendly refrigerants were applied to air-conditioner refrigerants. The laboratory and the testing laboratory are equipped with VOCs adsorption devices and VOCs dynamic real-time monitoring systems to further ensure VOCs emission reduction and stable qualified emission.

Statistics of Qualified Rate of Exhaust Emission

Indicator	Unit	2023	2022	2021
Qualified rate of exhaust emission	%	100	100	100

Wastewater management

The Company has provided environmental protection equipment and facilities such as water and oil separators and domestic sewage treatment plants at its operational sites to treat and discharge industrial wastewater and domestic sewage in accordance with standards including the "Effluent Limitations for Pollutants from Offshore Petroleum Exploration and Development", "Discharge Standard for Water Pollutants from Ships", the relevant emission standards of countries and regions in which it operates, and international treaties. In 2023, the Company has fully completed the upgrading and reconstruction of the domestic sewage treatment devices and "zero emission" system of the drilling rigs in the Bohai area.

Statistics of Qualified Rate of Wastewater Discharge and Wastewater Recycling Amount

Indicator	Unit	2023	2022	2021
Qualified rate of wastewater discharge	%	100	100	100
Wastewater recycling amount	Tonnes	2,997.95	2,040.00	1,267.00

Waste management

The Company strictly complied with the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes and various waste management regulations and requirements of the countries and regions where the Company is located, adhered to the principle of "3R (Reducing, Reusing and Recycling)" to implement waste management, and implemented waste resource recycling and utilization as much as possible. The Company entrusted a professional disposal agency to dispose of the waste with no reuse value, and tracked it to the end management to ensure that all wastes were disposed in compliance with laws and regulations and resolutely put an end to the risk of environmental pollution. In 2023, the Company revised the system of Solid Waste Management and the system of Recycling and Reusing Management to strengthen the compliance risk control of waste management and ensure the compliance and legal disposal of solid waste. The waste was reduced by 12,838.9 tonnes and recycled by 9,234.4 tonnes.

The Company set waste reduction targets. The Company actively carried out activities related to "Green, Low Carbon, Cost Reduction and Efficiency Enhancement", and encouraged subordinate units to recycle waste parts and other materials, so as to minimize the production of solid waste and reduce environmental pollution.

Statistics of Qualified Discharged Volume by the Company in Chinese Waters

Indicator	Unit	2023	2022	2021
Qualified discharge of oil polluted water	Cubic metres	287.68	261.48	259.38
Qualified discharge of drilling fluid	Tonnes	72,385.55	64,831.91	56,111.65
Total discharge of waste	Tonnes	88,174.42	84,932.41	89,894.69
Discharge of waste for an output value	Tonnes/RMB10,000	0.03	0.03	0.05
Total discharge of hazardous waste	Tonnes	19,122.19	19,043.09	18,248.98
Discharge of hazardous waste for an output value	Tonnes/RMB10,000	0.01	0.01	0.01
Total discharge of non-hazardous waste	Tonnes	69,052.23	65,889.32	71,645.71
Discharge of non-hazardous waste for an output value	Tonnes/RMB10,000	0.02	0.03	0.04

Case

Automatic upgrade of EPS equipment, effectively helping green and low-carbon development

On 4 September 2023, the EPS operation team of COSL Tianjin Eco-Friendly Technology Co., Ltd. North Business Center completed the first batch of 8 wells reduction and recovery operation of a block adjustment well project in Bohai Sea with high quality, which was highly praised by operators. The 4,100 cubic meters of filtrate generated by this reduction operation was configured into sodium chloride brine, which was fully utilized after being returned to the rig, 70 tonnes of sodium chloride was saved, and more than 2,300 cubic meters of waste drilling fluid and more than 4,500 cubic meters of cuttings were treated, and the waste reduction reached 60%. At the same time, the deck crane resources of the rig were released, which improved the drilling fluid allocation efficiency.

The EPS water-based automatic remote control system was installed on the EPS vessel and put into use in Bohai Sea Oilfield. The system greatly improved the automation and digitization level of EPS technical service and effectively improved the efficiency of operation service. The putting into use of EPS automatic vessel further enhanced the working capacity of pressure filtration and emission reduction, and better improved the service quality of low-carbon environmental protection work.

B Adhere to be Eco-friendly

COSL actively advocates eco-friendliness, creates ecological beauty, resolutely prevents oil leakage and groundwater pollution, takes biodiversity protection as an important part of ESG practice, and speeds up the new path of ecological civilization construction.

Prevention of Oil Leakage

The Company has developed strong and effective measures and procedures for preventing oil leakage in the course of production and operation and implemented comprehensive risk control for related operation after entering oil and gas reservoirs. The Company strengthened the management and control of oil leakage risks by carrying out safety inspections before drilling into oil and gas reservoirs, regular maintenance of oil spill prevention equipment, and oil spill emergency drills from time to time and strengthening well control risk screening. In 2023, no oil leakage occurred.

Prevention of Groundwater Pollution

The Company continuously standardizes groundwater management, takes the protection of groundwater resources as an important consideration, actively invests in research and development funds and applies new technologies and processes to effectively reduce and prevent pollution on groundwater in the process of oil exploration and development. In 2023, no groundwater pollution incidents occurred.

Conservation of Biological Diversity

The Company strictly abides by the Environmental Protection Law of the People's Republic of China and relevant environmental regulations of the countries and regions where it operates, actively improves the environment of animal habitats, carefully identifies and analyzes the possible impact of its work on marine organisms and works with stakeholders to raise awareness of conservation of biological diversity. The Company is committed to reducing or eliminating its negative impacts on biodiversity and ecosystems to the greatest extent, so as to contribute to maintaining the balance and stability of ecosystems.

Case

Improve "Charran" habitat and protect beautiful home

COSL Mexico organized Chinese and Mexican employees to carry out activities such as clearing garbage and weeds and placing species protection signs in Carmen Beach (the habitat of "Charran"), which helped to increase the population of "Charran", enhanced people's awareness of caring for and cherishing "Charran" and helped to maintain the biodiversity of local endangered species. COSL will always practice the concept of "community of human destiny" and fulfill its environmental and social responsibilities in a way that is most recognized by local people.

Case

Play the role of marine mammal observer (MMO) and practice marine life protection

When COSL was carrying out exploration in the Bay of Bengal, MMO found two turtles playing near floating objects at sea on the work boat, which might be trapped by fishing nets and other sundries. The work boat quickly reported the situation to the fleet, cleaned up the floating objects and left.

In the seismic blasting operation, COSL strictly implemented the soft start operation system to avoid harm to marine life. At the same time, COSL strengthen the management of environmental protection equipment and facilities, conscientiously implemented the regulations on the discharge and recovery of pollutants at sea, and actively painted a beautiful picture of harmony between people and sea.

C Stick to the Safety Production

COSL fully fulfilled the main responsibilities and supervisory responsibilities for safety production, implemented the Work Safety Law of the People's Republic of China and other laws and regulations, strengthened QHSE system management and safety production management, consolidated the foundation of safety risk prevention and control and emergency management and promoted the effective implementation of safety production work.

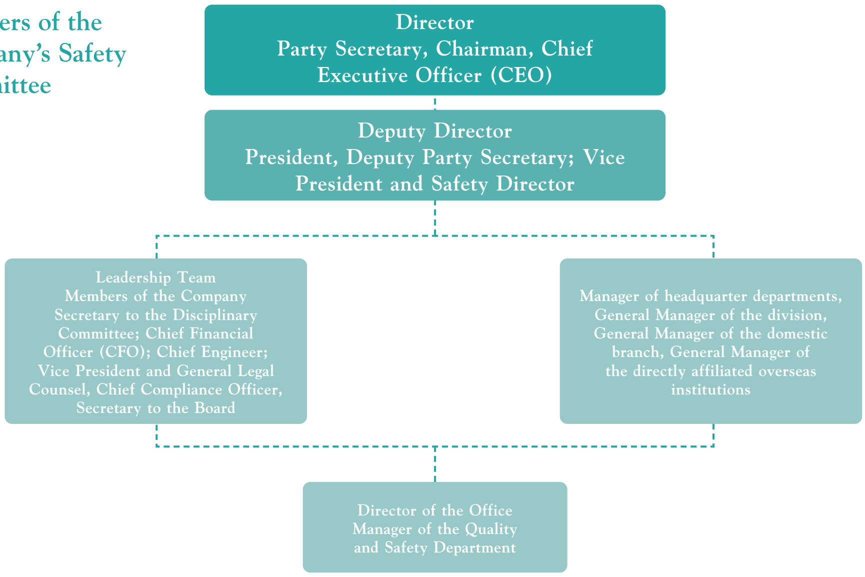
QHSE System Management

QHSE management system

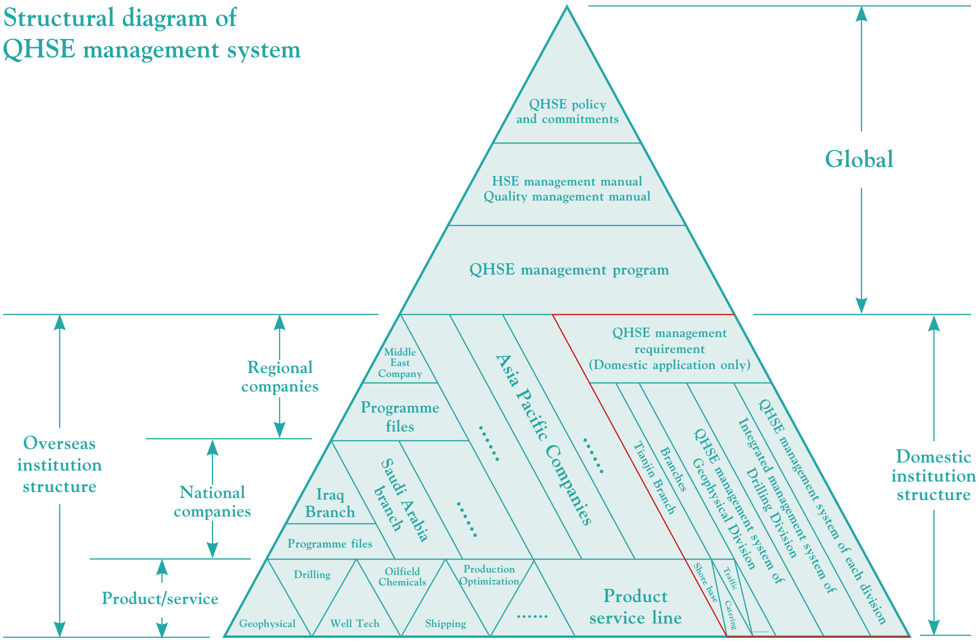
The Company strictly abides by the overall requirements on production safety, environment and health management, matches the requirements of ISO9001, ISO14001 and ISO45001 standards, builds an international structure of the global unified QHSE management system by paying equal attention to domestic and foreign markets and establishes a safety management committee with full participation of senior management. The Company has prepared, published and implemented the Quality Management Manual and HSE Management Manual, and prepared, revised, published and implemented 39 global general management procedures based on the manuals. In accordance with domestic and overseas specific management requirements, the Company has prepared

32 domestically applicable management requirements. The Company has also prepared 10 overseas applicable management requirements. The Company sets up a special quality and safety award for the main purpose of rewarding units or individuals that have made outstanding achievements in quality, health, safety, environmental protection and other work during the year.

Members of the Company's Safety Committee



Structural diagram of QHSE management system



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

Security management systems

The Company continued to strengthen the management and control of overseas public safety and the response to emergencies, sorted out and analyzed the existing overseas public safety systems, and established a public safety system covering the headquarter of the Company and the overseas companies and bases in combination with the actual management needs of the overseas companies and bases, including 1 manual, 9 procedural documents and 3 guidelines. The Company strengthened the security management of new overseas projects, organized 10 public security risk reviews of new overseas projects, and conducted the matching degree assessment of overseas security risks and security and protection.

QHSE practice and effectiveness

The Company fully identified and analyzed its management needs and internal and external environment, continuously and dynamically evaluated the applicability, adequacy and effectiveness of the QHSE management system and carried out improvement and revision. In the whole year, the Company established 2 new system documents and revised 11 system documents, and at the same time, the Company comprehensively and internally inspected the problems of systems, deleted the inapplicable reports, rectified and optimized the self-inspection and self-check problems one by one, and improved the operability of the QHSE management system by eliminating the redundancy of and simplifying and merging the management systems.

Operation Safety Management

The Company is solemnly committed to complying with applicable laws and regulations, and implementing industry standards, norms and best practices in all aspects of its operation. By implementing and promoting a comprehensive management system with integral quality, health, safety and environmental protections, the Company provides customers with quality products and efficient services in a sustainable manner.

The Company continued to improve the organization and construction of safety production, and established a multi-level and full-coverage safety management system including the Safety Production Committee, the Standing Committee of the Safety Production Committee and the Quality and Safety Department to ensure that the Company's safety risks were controllable. The Company actively promoted each subordinate unit to establish a safety and health management system, passed the ISO9001, ISO14001 and ISO45001 certifications, and conducted internal audit and external third-party annual audit every year to ensure the effectiveness of the certification system documents. The certification rates of the occupational health systems of main business divisions with certification requirements were 100%.

We continued to implement the following quality, health, safety and environmental protection policy according to the new development strategy of the Company:

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

Safety Production Targets

- Implementing the full coverage management of operation permit and effectively running the QHSE management system.
- No liability accidents with death of personnel.
- No environmental pollution liability accidents of Grade B or above.
- No property loss liability accidents with direct economic loss of more than RMB3 million.
- The recordable incident rate of OSHA is 0.46.
- The holding rate of health certificates of offshore front-line employees reaches 100%.

In 2023, the Company successfully completed various safety production targets and achieved the best safety performance in the past five years

- Achieved full coverage of operation permits.
- No liability accidents with death of personnel.
- No environmental pollution liability accidents of Grade C or above.
- No property loss liability accidents with direct economic loss of more than RMB3 million.
- The recordable incident rate of OSHA was 0.014.
- The holding rate of health certificates of offshore front-line employees is 100%.

Statistics of Production Safety Performance

Indicator	Unit	2023	2022	2021
Number of production safety accidents	Case	8	19	30
Number of recordable injury incidents	Case	6	15	29
Recordable incident rate of OSHA	%	0.014	0.04	0.08
Accumulated lost working days ratio	%	0.74	1.96	2.56
Number of employee deaths	Person	0	1	1
Mortality rate per million man-hours	%	0	0.0128	0.0132
Number of contractor deaths	Person	0	0	0

Notes: Recordable incident rate of OSHA = Recordable incidents × 200,000/Total manpower hours
Accumulated lost working days ratio = Lost working days × 200,000/Total manpower hours
Mortality rate per million man-hours = Number of death/Total manpower hours × 1 million manpower hours

A safe production responsibility system for all staff

In 2023, COSL continued to strengthen the "red line" awareness and "bottom line" thinking of safety production, continuously revised and improved the list of all employees' job responsibilities for safety production, and clarified the responsibilities for safety production from the main responsible persons to the front-line employees at the grass-roots level, and the tasks and objectives of work were decomposed layer by layer into posts in each operation unit. The Company established a full-coverage safety and environmental protection responsibility system, clarified the frequency requirements for leading cadres at all levels to go to the grassroots level, and established and issued the Interim Measures for the Management of the Responsibility Investigation for Safety and Environmental Protection Responsibility Accidents, the Guidelines for the Construction of Safety Production Supervision and Management of Branches and Directly Managed Overseas Companies and Bases and the Standard Guide for Team Safety Management Construction of China Oilfield Services Limited, helping the Company improve its grassroots basic capabilities.

Improvement on safe production management

Improve the safety indicator system

- Continued to improve the safety indicator system according to the characteristics of specialty, region and season.
- Comprehensively recognized the problems of safety management at the grassroots level, keenly perceived the current situation of safety management at the grassroots level, and found the shortcomings and weak links in management by continuously promoting the application of the safety indicator system.
- Used forward-looking thinking to implement pre-control, timely intervened, reminded, warned and strengthened the role of risk prevention, and eliminated the hidden dangers in the bud.

Strengthen the construction of safety culture

- Incorporated the good practice and experience of QHSE management methods and management concepts into the four issues of QHSE Cultural Journal (Quarterly) and the Safety Monthly Supplement, promoted advanced models, shared good safety practices, and promoted their implementation.

Implement the safety responsibilities of the district (region) branches

- Formulate the Guidelines for the Construction of Safety Production Supervision and Management of Branches and Directly Managed Overseas Companies and Bases, strengthened the extension of safety management functions of branches and directly managed overseas companies and bases, clarifies the contents of HSE supervision and management of district branches and the analysis and evaluation methods based on the safety potential, held regular communication meetings on supervision and management of branches, and timely reported the implementation deviation.

Insisted on promoting safe production with science and technology

- Developed an intelligent anti-collision early warning system for OSV vessels, and reduced the occurrence of rig collision accidents from the technical protection level by taking “HYSY613 Vessel” and “HYSY660 Vessel” as the pilot.
- Built a dual “engine” of personnel prevention and intelligent management in the smart park, accurately identifying and alarming unsafe behaviors such as personnel intrusion and irregular wearing of labor protection products, and realizing the integrated management and control of intelligent security and smart park.

Established a digital intelligent electronic safety supervision system

- Developed and established a set of safety management and control system based on artificial intelligence technology with the Rig “HYSY942” as a pilot, and developed and realized the functions of on-site work status recording, identification of unsafe behaviors and immediate warning, so as to standardize the safety behaviors of on-site operators of offshore drilling rigs and promote the refined and intelligent transformation of safety management of operations of drilling rigs.

Took multiple measures to improve the vitality at the grass-roots

- Achieved a 100% implementation rate of safety culture construction activities in 653 grass-roots operation units through the characteristic safety culture activities such as “commitment of the management” and “safety evaluation and comparison of operation units”, promoted the formation of an active and benign safety production culture with COSL characteristics, and gathered a strong synergy of “everyone attaches importance to safety and everyone participates in safety” at the grass-roots.

Safety Risk Indicator System

Security participation of all employees

- Implementation of leadership responsibility
- Observation on intervention of safety by employees
- Participation of employees in identifying hidden dangers

Deviation of leading indicator — Leading indicator

- emergency drills and exercise
- HSE training
- evaluation ability of staff

On-site risk control — Process indicator

- work permit
- JSA risk analysis
- hidden dangers management
- contractor management
- safety supervisory inspection

Severity of outcome indicator — Outcome indicator

- accident data
- staff diseases
- OSHA data

Safety risk prevention and control

The Company continued to give play to the differentiated roles of the safety supervisor of the branch supervision center and the safety supervisor of the division, and improved the two functions of supervision & inspection and on-site monitoring. The Company increased the penetration analysis of business risks, searched for shortcomings and weak links, implemented a special promotion of monthly theme risk penetration analysis, accurately positioned the business security risk pedigree, focused on the management and control of risks in the whole process, and explored the construction of a risk prevention and control system with business lines as the key link. The Company established a team of experts to grasp the management and control of the risks of major high-risk projects, formulated targeted measures to improve the management and control, cultivated and enhanced the operational service capabilities, and promoted the expansion to the "front end" and "core" of the business.

In 2023, the Company completed the thematic risk penetration analysis for 11 times in total, greatly improved the difficulties in risk management and control such as fracturing operation, management and control of hazardous chemicals and management of contractors, revised 14 system documents, organized 11 expert review meetings for major high-risk projects in total and adopted 165 expert opinions and suggestions.

Identifying and addressing safety hidden dangers

The Company carried out the centralized governance of the bottom line (red line) of hidden dangers, implemented systematic governance measures through monthly statistics and analysis, strengthened the governance of repeated hidden dangers, deeply found out the management reasons, and corrected similar hidden dangers from point to area. The Company innovatively used unmanned aerial vehicles to build a new mode of "three-dimensional routing inspection + centralized monitoring" to realize high-altitude and long-distance real-time monitoring. The Company carried out the hidden danger governance activity of "one rig, one emphasis", focused on the governance of repeated hidden dangers, found out the typical violations of regulations by each rig, and promoted the experience of successful governance of repeated violations of regulations by each rig.

Used UAVs to assist the routing inspection of safety and the screening of hidden dangers

Strengthening safety education and training

The Company adhered to a philosophy of "insufficient training causes significant impacts to safety", and continued to consolidate safety publicity, education and training work. The Company optimized the curriculum, conducted training and retraining for leaders and safety management personnel, improved the safety awareness and management skills of team leaders and carried out training on capacity building and special skills certification for part-time offshore firefighters. The Company established a database of on-site application experts for each business line to guide on-site teams to improve their business capabilities while solving on-site difficult and complicated problems. The Company improved the skills and teaching capabilities of lecturers within the QHSE system and organized special TTT classes for the QHSE system. During the reporting period, 1,085 team leaders were organized to participate in special training on safety skills improvement and obtained training certificates.

Statistics of Safety Training Performance

Indicator	Unit	2023	2022	2021
Number of safety training	Times	30,174	27,792	25,277
Number of participants in safety training	Person-times	372,198	333,504	300,958

Cooperated with Dalian Maritime University to jointly study and create the practical operation training deck of OSV operation and establish safety and business courses such as loading and unloading operations

Organized training for internal auditors and support them to pass evaluations

Safety Emergency

The Company strengthened the disaster prevention, early warning and emergency response capabilities, and improved emergency organizations, responsibilities, early warning mechanisms and response processes at all levels. The Company solidly carried out team training, practical drills, allocation of emergency equipment and facilities, and the tracking and rectification of hidden dangers to ensure that emergency organizations and equipment at all levels can carry out emergency response work quickly, efficiently and orderly in case of emergencies, so as to minimize personal injury, environmental pollution and property losses.

In 2023, the Company organized a total of 23,208 drills, with 503,483 person-times of participants, and 12,673 special emergency trainings, with 145,490 person-times of participants. For the oil spill risk faced by the exploitation of offshore oil, the Company conducted a total of more than 190 oil spill emergency drills in total, with more than 8,200 person-times of participants. The Company carried out a total of more than 150 oil spill emergency drills such as the use of oil spill emergency equipment, with 2,532 person-times of participants. The Company organized 212 trainings on oil spill prevention theory, with 3,081 person-times of participants.

Comprehensive drill for maritime emergency search and rescue

Participated in the first activity of "CNOOC Oil Spill Emergency Seminar and Oil Spill Emergency Response Skills Competition"

D Safeguard the Occupational Health

COSL adheres to the Law of the People's Republic of China on Prevention and Control of Occupational Diseases, continues to strengthen occupational health management of all employees, actively creates a health management culture, implements employee's mental health care and protects the physical and mental health of employees.

Health Management

The Company formulated and improved management rules such as the "Employee Health" and "Occupational Health". The Company strictly implemented occupational health examinations to prevent any occupational disease incidents. It actively carried out current situation assessment of occupational hazard premises, implemented hearing protection plans for all staff and carried out occupational health training, etc., and equipped employees with labor protection supplies. The Company actively improved working conditions and provided a safer and more comfortable working environment.

In 2023, 100% of the Company's staff working in offshore workplaces and fields passed the body check, 100% of our staff exposed to occupational harmful environment completed the health check and the coverage of routine health check of our staff working in the land workplace reached 100%.

Provided physical examination for Hassan, a local employee in Iraq

Statistics of Health Checks for Chinese Employees

Indicator	Unit	2023	2022	2021
Coverage rate of all staff health check and health records	%	99.56	99.68	99.63
Number of persons attending occupational health checks	Person	3,407	3,754	3,880
Completion rate of occupational health checks	%	100	100	100

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

Health Examinations of Employees Exposed to Occupational Hazards

Indicator	Unit	2023	2022	2021
Persons of pre-employment occupational health examination	Person-times	184	237	257
Completion rate of pre-employment occupational health examination	%	100	100	100
Persons of on-the-job occupational health examination	Person-times	3,084	3,269	3,377
Completion rate of on-the-job occupational health examination	%	100	100	100
Persons of post-employment occupational health examination	Person-times	157	248	252
Completion rate of post-employment occupational health examination	%	100	100	100

Health Training

The Company comprehensively enforced occupational disease prevention laws and regulations, aided employees in understanding occupational hazards, promoted knowledge of prevention and control of occupational diseases and effectively enhanced the awareness of self-protection of its staff. The Company simultaneously strengthened training for occupational health management personnel to enhance the ability to manage occupational hazard risks. At the same time, we regularly published health warnings, disease prevention knowledge, healthy eating habits and other materials through intranet, email and other publicity channels to comprehensively popularize health knowledge, advocated independent and self-disciplined healthy behaviors and promoted a healthy and civilized lifestyle.

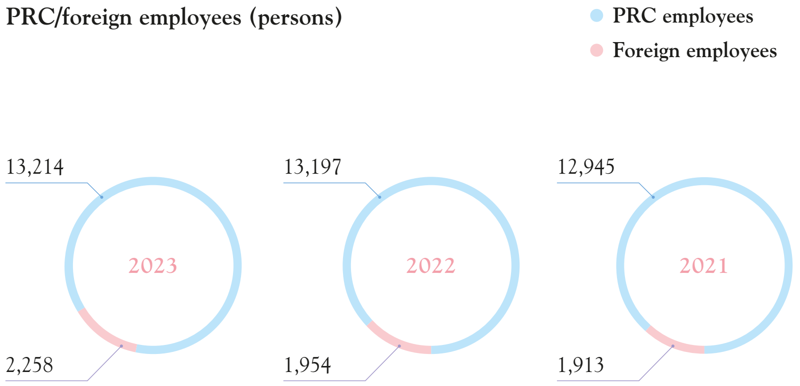
Mental Health Counselling

The Company pays close attention to employees' mental health, sets up a 7*24-hour mental health consulting hotline, conducts training courses on pressure management, sleep management, negative emotion management and other aspects, promptly solved employee mental health problems to promote employees to pay attention to their own mental health and spiritual growth and guide and lead employees to scientifically and rationally relieve pressure. In 2023, the Company carried out mental health assessments and established electronic mental health files for all employees. It launched 15 mental health training courses online and conducted 7 on-site mental health training offline. No psychological crisis events occurred in 2023.

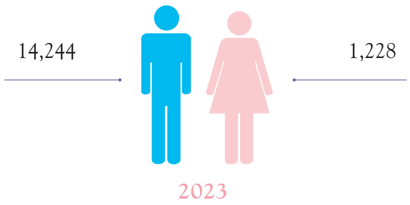
Care for Staff and Share Development Gains

A- Protect Employee Rights
B- Promote Career Development
C- Put Employee Care into Practice

PRC/foreign employees (persons)



Male/female employees (persons)



Indicator	Unit	2023	2022	2021
Number of new employees during the reporting period	Person	421	458	328
Percentage of Chinese female employees	%	7.9	8.0	7.3
Proportion of female employees in management positions	%	6.6	7.0	18.3
Proportion of ethnic minority employees	%	3.1	3.0	2.8

Note: All employees of the Company are full-time employees without part-time employees.

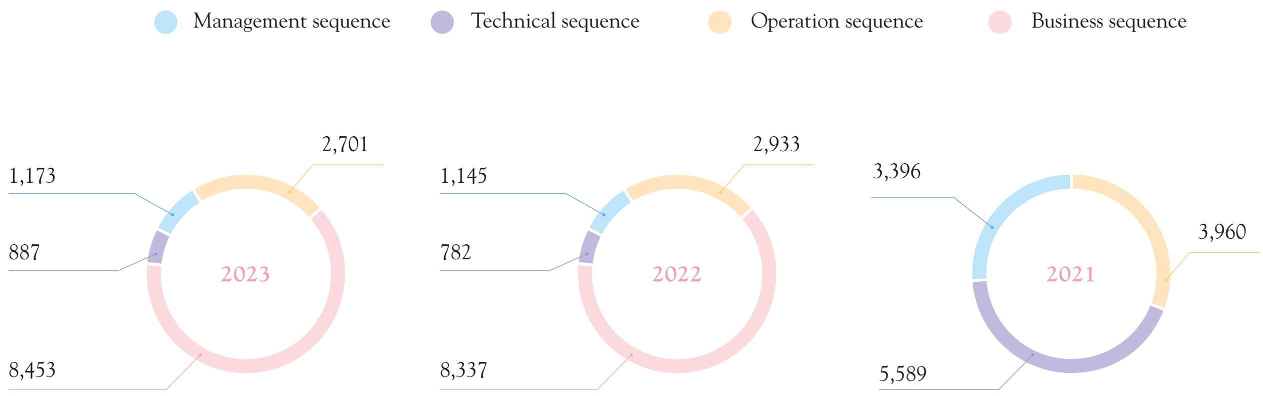
Statistics of PRC Employees by Qualification (persons)

Academic qualification	2023	2022	2021
Doctor	66	45	38
Master	1,200	1,099	929
Bachelor	6,935	6,675	6,075
Below bachelor	5,013	5,378	5,903

Statistics of PRC Employees by Age (persons)

Age	2023	2022	2021
30 or under	1,624	1,570	1,600
31-40	6,077	6,488	6,653
41-50	3,627	3,269	2,888
Over 51	1,886	1,870	1,804

Statistics of PRC Employees by Position (persons)



Note: In 2022, the Company optimized and adjusted original three post sequences (i.e. management, technical and operation) to four post sequences (i.e. management, technical, operation (skill) and business) based on functional characteristics and differences in responsibilities and tasks of each post.

Statistics of PRC Employees Turnover Rate (%)

Category	2023	2022	2021
Total turnover rate	0.8	1.1	1.1

Statistics of PRC Employees Turnover Rate by Gender (%)

Gender	2023	2022	2021
Male	89.2	96.9	97.2
Female	10.8	3.1	2.8

Statistics of PRC Employees Turnover Rate by Age (%)

Age	2023	2022	2021
30 or under	47.8	58.1	35.9
31-40	35.1	28.4	51.0
41-50	9.9	5.7	6.2
Over 51	7.2	7.8	6.9

A Protect Employee Rights

Adhering to the "people-centered" management philosophy, the Company effectively protects legitimate rights and interests of employees, attaches importance to talent training, keeps career development channels smooth and establishes an open and fair working environment for employees to enable all outstanding employees fully enjoy the development gains of the Company and help employees realize their self-worth.

Equal Employment

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

Compensation and Welfare

The Company strictly complies with relevant requirements of laws and regulations related to labour employment, employee compensation and welfare and social security of our country and countries and regions where it operates and establishes a competitive compensation & welfare and fair performance appraisal system; makes contributions to basic social insurance and housing funds for employees; implements an enterprise annuity system and provides personal accident insurance, critical illness insurance, safety liability insurance and a supplementary medical insurance system for employees and their children; establishes a global medical security system for expatriate employees, so that expatriate employees can enjoy medical treatment, emergency rescue and other services in most countries and regions around the world; and provides employees with a range of benefits, including health checks, paid vacations, assistance to those with difficulties or severe diseases, offering multilevel and all-rounded compensation and welfare protection system to its staff to provide a safer and more decent occupational environment and address their concerns.

Democratic Management

The Company continuously established and improved a democratic management system with the employee representatives' meeting as the main form and held the first meeting of the third session of employee representatives congress. The employee representatives fully performed their duties through employee proposals. In 2023, all 4 proposals were completed and implemented, and 5 new proposals were solicited and registered. The Company expanded online and offline communication channels and extensively listened to employees' opinions and suggestions on the premise of protecting employee privacy and protected employees' rights to know, participate and express.

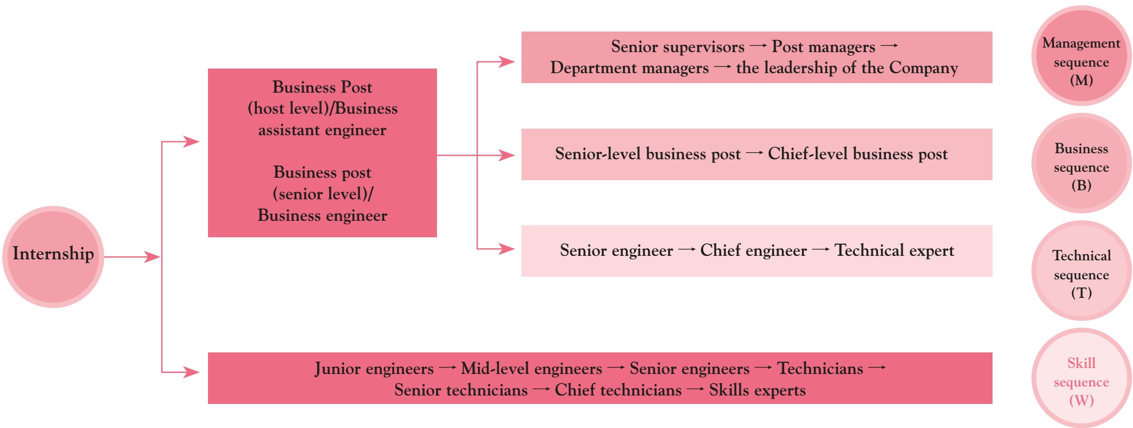
The Company held the first meeting of the third session of employee representatives congress

B Promote career development

COSL regards talents as an important strategic resource, keeps career development channels smooth and improves the talent training system, realizing the growth of employees and the Company's development with simultaneous resonance and harmonious and win-win effect.

Channels of Development

The Company conscientiously implements the important exposition of the General Secretary Xi Jinping that "talent is the first resource", focusing on the four teams of cadre talents, technical and skilled talents, scientific research talents and international talents of the Company, and formulating targeted solutions and operational talent training strategies from the aspects of top-level design, model building, cultivation system construction, personnel ability evaluation and evaluation incentive mechanism. At the same time, the Company standardizes the post management of employees, expands the development space of employees, improves the career development system of employees, optimizes and improves the post sequence and career development channels of employees with clearer functions, more reasonable structure and better promotion, and stimulates the motive force and vitality of employees' development, so as to realize the self-growth of employees and the Company's development with harmonious and win-win effect.



Employee Training

The Company focused on the needs of corporate strategic development and employee's ability improvement requirements, improved the comprehensive quality and capabilities of all kinds of talents in an all-round way through optimizing top-level training design, conducting special training, carrying out skills competitions and other methods, empowered overseas employees, fully mobilized the enthusiasm of employees for work and innovation and made human resources into the Company's core competitive advantage.

Key training programs and results in 2023

- Organized the study and implementation of the joint study of the Theme Education Center of Xi Jinping's Thought on Socialism with Chinese characteristics in the New Era, with a total of 3 sessions and a total of 358 person-times of trainings
- Organized the study and implementation of the online special class of the spirit of the 20th National Congress of the Communist Party of China, with 37 members of the Company's leadership team and secondary units participating in the training
- Organized a training course to study and implement Xi Jinping's Thought on Socialism with Chinese characteristics in the New Era and the spirit of the 20th National Congress of the Communist Party of China, with 131 party member cadres participating in the training
- Held the training class of COSL's implementation of "Two Consistencies" training system (directly managed official position, directly managed deputy position, official position/deputy position of the third-level unit, grass-roots management team, and young backbones) 144 employees participated in the training
- Held the third session of manager training in foreign countries. 27 key backbones of the Company who are proposed to be dispatched overseas participated in the training
- Held the first session of technology marketing training class of COSL. 76 technical marketing backbones (including overseas employees) participating in the training
- Held the 11th session of strategic reserve talent training class. 78 outstanding young leading cadres participated in the training

- Held the TTT training for internal part-time lecturers of the Company in 2023, with a total of 4 sessions. 83 internal part-time lecturers completed the training and obtained internal qualification certifications
- Held first session of petroleum engineering carbon neutrality training. 22 technical experts and technical backbones participated in the training
- Held two sessions of capability enhancement trainings for young scientific and technological talents. 72 young scientific and technological talents participated in the training
- Completed the induction training for new employees in 2023. 312 new employees participated in the training
- Held eight sessions of international well control trainings, with 58 persons obtaining certificates
- Held one session of training class for capacity assessors and verifiers, cultivating 8 assessors and 8 verifiers

Statistics on employee training

Indicator	Unit	2023	2022	2021
Percentage of male trained staff	%	92.1	93.8	93.0
Percentage of female trained staff	%	7.9	6.2	7.0
Percentage of trained staff in operation sequence	%	21.3	23.7	32.9
Percentage of trained staff in technical sequence	%	7.1	4.7	42.4
Percentage of trained staff in management sequence	%	9.7	7.6	24.7
Percentage of trained staff in business sequence	%	61.8	64.0	—
Average training time for male employees	Hour	261.2	157.4	187.8
Average training time for female employees	Hour	150.1	205.3	176.1
Average training time for staff in operation sequence	Hour	323.2	102.5	183.5
Average training time for staff in technical sequence	Hour	238.7	140.8	197.3
Average training time for staff in management sequence	Hour	200.4	208.7	227.0
Average training time for staff in business sequence	Hour	230.2	178.6	—

Case

COSL held the first technical marketing training course

Focusing on the requirements of the three-year action plan for the construction of technical marketing system, COSL planned the training scheme for technical marketing talents, and integrated marketing skills and professional technology, and held the first technical marketing training of the Company in October 2023.The course included advanced professional technology, marketing role cognition, market opportunity management, consulting marketing skills, etc. Experts from companies such as Total, Shell and Schlumberger were invited to teach in English, so as to systematically improve trainees' mastery and application ability of marketing strategies and methods. A total of 76 persons, including market managers, business development personnel and technical engineers, participated in the training.

Case

COSL Mexico conducted the induction training for new employees

In November 2023, the first induction training for new employees of COSL Mexico officially started in Carmen. The training contents not only included corporate culture, brand image, health, safety and environmental protection, finance and personnel system processes, but also included professional knowledge such as drilling, logging and directional well. This training not only built a platform for improving ability, but also created a strong atmosphere of "teaching benefiting teachers as well as students" to better unite Chinese and Mexican employees and help COSL Mexico develop with high quality.

Localisation and Diversification

The Company has always adhered to the internationalization strategy and the scale of its overseas market has been growing year by year. The corporate brand and recognition continued to increase in the industry. The Company expanded business into Asia Pacific, Middle East, America, Europe, Africa and other regions. The Company strictly abides by the labor policies and laws of the countries where it is located, actively fulfills the social responsibilities, promotes the localisation and diversity of employees, adheres to the employment policy of equality, freedom and anti-discrimination, advocates that employees of different cultural backgrounds respect each other's religious beliefs, customs and traditions, as well as the personal hobbies of employees, further promotes understanding and trust among employees, and provides various jobs for the local.

Statistics of Local Employees in Overseas Offices

Indicator	Unit	2023	2022	2021
Number of local employees recruited by the Company	Person	2,258	1,954	1,913
Percentage of local employees	%	73	71	69

C Put Employee Care into Practice

COSL continues to provide humanistic care to its employees, implements diversified humanistic care activities, enriches employees' work and life and creates a healthy and friendly corporate atmosphere, so as to improve employees' sense of belonging, happiness and corporate cohesion.

Care for Employees

Efficient and accurate assistance

The Company revised the management rules for assistance in difficulties, improved the scope and standards of assistance for five projects, such as assistance for employees in difficulties, assistance for children's education, immediate assistance for serious illness, medical assistance for serious illness and assistance for disability, and delegated the approval authority for three projects, such as immediate assistance for serious illness, assistance for disability, assistance for sudden disasters and accidents, to the Company's secondary units to improve the timeliness of assistance. In 2023, the Company offered condolences and assistance for 427 employees in difficulty, and provided solatium of RMB2.057 million.

Create a "small family for employees"

The Company promoted the construction of "home culture", invested the trade union funds of RMB2.6 million, and successively built "Land Youth Home" and "Workers' Home" in Tianjin, Zhanjiang, Mexico and Iraq, etc., integrating the functions of life, entertainment, service and study, which greatly satisfied the life and leisure needs of employees and enriched their spiritual and cultural needs.

Carry out the open day activities for family members

The Company took advantage of Children's Day, Father's Day, Safety Month and other time nodes to hold 10 family members' open days with the theme of "Home-Enterprise Co-construction, Carrying Dreams Together", "Mutual Help and Love, Hand in Hand, Walking with Dreams, and Heart in Heart", etc. Family members went deep into rigs, vessels and land laboratories, and walked into work units and posts face to face at zero distance, which enhanced their understanding and recognition of COSL's culture and COSL's employees.

Continue to do practical things for employees

The Company continued to promote the construction of a demonstration center for the practice of people-centered concept, always focusing on the "urgent difficulties and worries" of the employees at the grassroots, insisting on turning the employees' demand list into a satisfaction list, and doing "10 practical things" well, so that the employees at the grassroots could truly feel the new changes and new atmosphere.

COSL Middle East Home

Held an Open Day Activity for Family Members of "Drilling · Meeting"

Colourful Life

The Company regularly carries out various cultural and sports activities, organizes community activities, cultural performances, sports events, etc., cultivates team consciousness and fighting spirit, stimulates employees' enthusiasm and sense of honor, relieves employees' work pressure, balances employees' work and life, and enhances employees' enterprise cohesion and centripetal force.

Staff Basketball Game

Cultural Performance of the Staff

Assume Responsibilities and Make Contributions to Create a Harmonious Community

A- Promote Rural Revitalization

B- Carry out Marine Salvage

C- Care about Voluntary Service

D- Deepen Overseas Responsibilities

A Promote Rural Revitalization

COSL regards the rural revitalization as an important starting point for fulfilling the social responsibility, actively participates in local construction, continues to make efforts on the establishment of Hope Primary School, vigorously carries out consumer assistance and fulfills the social responsibility of central enterprises with practical actions. In 2023, COSL made 19 external donations, totaling RMB22.7172 million.

Educational Assistance

The Company established the "Blue Power" volunteer service team and carried out 10 educational assistance donations, involving funds of RMB1.1728 million, and including "June 1" visiting and concern activities of COSL Hope Primary Schools of CNOOC, donating sports goods, children's books and other goods and materials. The Company carried out the training of rural teachers in Hope Primary Schools, supported the transformation of teaching environment, purchased school sports equipment and teaching equipment, and participated in the donation activity of "Rural Revitalization, Love Bookstore" in Guangdong Province, and was awarded the honorary title of "Love Unit" by Guangdong Youth Development Foundation.

In order to commend and encourage outstanding teachers and students in remote rural areas, the Company revised the Management Measures of COSL Hope Primary School Award Fund of CNOOC, and established the COSL Hope Primary School Award Fund of CNOOC, which awarded a reward fund of RMB77,000 to 17 outstanding teachers and 103 outstanding students selected.

Case

"Blue Power" makes rural education sail

Qiu Daozhi Cidan, a Tibetan boy from Shenzhen Drilling Division, and Zheng Longjie, a Yunnan boy from the Integration and New Energy Division, joined the "Blue Power" and followed the Youth League Committee of Shenzhen Branch to 2 COSL Hope Primary Schools of CNOOC in Yunnan Province to explain the knowledge of offshore oil to the students, paint drilling rigs together, and convey the environmental protection concept of "loving the blue ocean and protecting the marine ecology" and COSL's "green and low-carbon" development strategy.

During the summer vacation, the "Blue Power" volunteer pioneer team in Tianjin area and the volunteers from the China University of Petroleum (Beijing) jointly launched the summer camp of "Colorful Summer Healthy Growth"; the "Blue Power" volunteer team in Zhanjiang area tried to introduce the loving care classes into the Hope Primary School and actively optimized the curriculum system; the Youth League Committee of Shenzhen Branch cooperated with the Shenzhen Municipal Committee of the Communist Youth League to carry out rural teacher training, providing professional training and field survey opportunities for 30 young rural teachers of COSL Hope Primary School of CNOOC, focusing on improving the ability level of rural teachers in educational concepts and subject education, and improving the teaching quality of rural primary schools.

Summer Camp Activity of "Colorful Summer Healthy Growth"

Carried out special training courses for teachers of COSL Hope Primary School of CNOOC

Qiu Daozhi Cidan, a Tibetan boy, popularized the knowledge of offshore oil

Zheng Longjie, a Yunnan boy, carried out volunteer teaching in his hometown

"It was COSL that helped us before. Now that we have the ability, we will continue to pass on the "torch of love" to help more people in need."

-Qiu Daozhi Cidan and Zheng Longjie

Donated teaching goods and materials for Macun School in Hainan

Awarded the title of "Love Unit" by Guangdong Youth Development Foundation

Local Support

The Company actively participates in the construction of local communities, supports rural revitalization through financial donation and material support, and carries out common development activities such as "We are one family", facilitates local economic and social development and promotes national unity and cultural exchange and integration.

- Donated RMB200,000 to Qindou Town Government of Leizhou City, Guangdong Province to support road hardening
- Directionally donated RMB100,000 to Tianjin Binhai New Area Charity Association to help expand the achievements of poverty alleviation
- Donated RMB50,000 to the Marine Saihanba Blue Carbon Promotion Public Welfare Trust Plan Project to protect the marine mangroves
- Visit and express concern to Wuzunbulake Village, Yangxia Town, Luntai County, Xinjiang, provided living goods and materials and provided material support for the White Apricot Picking Festival

Xinjiang Branch Provided Comfort and Assistance to Families in Need

Counterpart Assistance

The Company participated in the action of promoting agriculture by central enterprises and implemented diversified assistance according to local conditions. In 2023, the Company invested RMB20 million to implement 10 projects in Xiahe County, Gansu Province, among which, RMB7.2 million was used for industrial assistance, supporting Marine Ranch, Sangke Grassland Tianjin Tent Camp, Ganjiayang brand, employment factories, assistance workshops, professional cooperatives and other projects, RMB9.1 million was used for the comprehensive management project of human settlements, RMB1.2 million was used for the construction of smart communities and the capacity improvement project of the judicial offices at the grassroots, RMB0.6 million was used for the training of skilled personnel, RMB1.4 million was used for financial aid of college students, and RMB0.5 million was used for public service guarantee projects.

Consumer Assistance

The Company organized the purchase of agricultural and sideline products in assistance areas and continued to promote trade unions to purchase consumer assistance products with high amounts. The annual consumer assistance reached RMB5,489,100.

Employment Assistance

The Company vigorously implements the employment priority strategy, accelerates high-quality and full employment, facilitates quality and efficiency improvement for employment assistance, carries out employment assistance with heart and soul and promotes employment of college students from areas out of poverty and Tibet, Qinghai and Xinjiang. In 2023, the Company completed special recruitment and employed a total of 6 college students from such areas.

B Carry out Marine Salvage

The Company fulfilled its corporate social responsibility, participated in marine salvage for 16 times in total throughout the year, rescued 8 marine in distress and 67 people in distress. 17 vessels were mobilised for rescue. A total of 7 appreciations and commendations were granted by government authorities. The maritime search and rescue centers in Huizhou, Tianjin, Yantai, Tangshan and other regions expressed their great gratitude and recognition to the Company for its emergency rescue and search and rescue work at sea.

Rescued a Burning Fishing Boat

Rescued an Indonesian Cargo Ship That Have Lost Power

Huizhou Maritime Emergency Search and Rescue Center Awarded the Company an Honorary Medal

C Care about Voluntary Service

The Company adheres to the voluntary service concept of "ambition is in the heart and willingness is in action" and integrates itself into public welfare fields such as community development, voluntary service and environmental protection. In 2014, the Company's Youth League Committee established the "Blue Power" volunteer service team, guided the Party building throughout the volunteer service, actively built the "Party Building + Volunteer Service" mechanism, strengthened the connection with local volunteer service platforms such as "Volunteer Tianjin, i Volunteer and Volunteer Shenzhen", realized the co-construction of resource sharing activities, and promoted the standardized operation and brand development of the "Blue Power" volunteer service.

During the reporting period, the Company had 12 youth volunteer service teams with 856 registered volunteers. Focusing on the important nodes such as "Learning from Lei Feng Day" and "World Ocean Day", the Company regularly carried out volunteer service activities, covering over 2,000 person-times and serving for over 6,000 hours. The related activities were publicized in more than 20 media at or above the provincial and ministerial levels, such as www.china.com.cn and www.youth.cn.

Carry forward the spirit of Lei Feng

- Tianjin Branch organized volunteers to enter the rehabilitation center for autistic children and families of survivors in difficulty to deliver daily necessities and provide personalized volunteer services such as maintenance, cleaning and companionship.
- Shenzhen Branch cooperated with local authorities to undertake the theme activity of "learn from Lei Feng to protect mangroves and build a marine forest together".
- Shanghai Branch organized the volunteer service activity of "Double Ninth Festival, showing deep respect for the elderly".

Practice environmental protection and public welfare

- Shenzhen Branch carried out the publicity activity of "Mangrove Science Popularization into Campus".
- The Geophysical Division established the "HYSY720" Youth "Zero Carbon" Commando to publicize the contents of electricity saving, oil saving and cost saving.

Actively donate blood without compensation

- Nearly 1,000 employees in Zhanjiang and Shenzhen participated in blood donation for 14 consecutive years, and the cumulative blood donation reached 340,000 ml.

Popularization of "Offshore Oil" Science into Campus

- Shanghai Branch entered three primary schools to popularize the great significance of offshore oil and protecting the marine environment.
- Zhanjiang Branch organized the theme activity of "The Story of Model Workers Entering the Campus and Passing on the Petroleum Spirit from Generation to Generation" in Zhanjiang No.2 Middle School.

"Blue Power" serves overseas

- The Indonesian Company established the COSL-ASEAN Volunteer Service Group to provide logistics support services for the 26th ASEAN Meeting and 18th East Asia Summit, which was praised in writing by the Embassy.
- The Mexican Company organized Chinese and Mexican youth to protect the nesting area of the endangered species "Charran" tern in Carmen, and promoted the cultural integration between China and Mexico, and won the overseas award of "The Belt and Road Initiative" short video contest of 100 countries.

Volunteers carried out the theme activity of "Mangrove Science Popularization into Campus"

Volunteers walked into the nursing home and had a cordial exchange with the elderly

Employees participated in voluntary blood donation

The volunteer service of "Blue Power" at the ASEAN Summit was praised by the Embassy in Indonesia

D Deepen Overseas Responsibilities

In the overseas development and global business layout, COSL actively participates in the construction of "Belt and Road", fully fulfills its overseas social responsibilities, strictly complies with local laws and regulations, respects local customs and habits, actively promotes overseas localization, integrates into local communities, participates in public welfare undertakings, increases our contribution and impact on the communities around our operations, enhances understanding and mutual trust, works together to create a better home and continues to spread and enhance the Company's overseas image and brand reputation. During the reporting period, the Mexican company was honored by the Mexican State Government of Campeche.

As of the end of 2023, the overall certification rate of HSE system for the Company's overseas institutions reached 87.5% and 7 overseas institutions have completed HSE system certification.

Localized employment

- In August 2023, the Mexican Company went to the National Autonomous University of Mexico for campus recruitment. There were 236 candidates who participated in the registration, and the Mexican Company communicated with 84 candidates face to face, and employed many candidates through selective admission.
- In November 2023, the Oil Production Project Team of the Indonesian Company received 37 teachers and students from UPN University to visit and study in the operation support base, and the cooperation between the school and the enterprise and the intention of recruitment were further strengthened.

Campus Recruitment Site of the Mexican Company

Educational support

- In June 2023, the Ugandan Company went to Entebbe Children's Welfare School to carry out caring donation and concern activities, and donated US$150,000 to the school.
- In October 2023, the Indonesian Company went to the Yayasan Tangan Pengharapan Education Foundation in Jakarta to carry out caring donation and concern activities, providing a total donation value of 65 million Indonesian rupiah.

Love Donation Site of the Indonesian Company

Cultural exchange

- The Mexican Company celebrated the Children's Day in Mexico with the children of the special education aid school in Carmen. In addition to donating the students' daily necessities, the Mexican Company also brought the traditional Chinese food Zongzi and Chinese hamburger from China, and told the story of the origin of Zongzi on the Dragon Boat Festival in China.

Photo of the Mexican Company with the Children from the Special Education Aid School

Community and environmental public welfare

- In April 2023, the Mexican Company organized employees to participate in the voluntary public welfare activity of "Clean River" in Carmen on the Word Earth Day.
- The Canadian Company provided free donations of 10,000 Canadian dollars (about RMB52,200) to individuals and families facing food shortages through free food donation organizations.
- The Oil Technology Project Team of the Indonesian Company carried out public welfare activities in the community near Balikpapan base, and donated fertilizer and seeds for production to the surrounding farmers.

The Oil Technology Project Team of the Indonesian Company carried out charitable donation

Overseas public safety

- Organized the anti-piracy exercise of "HYSY760" in the Gulf of Bangladesh, which was well received by the SASAC.
- Established a public safety early warning information sharing and communication mechanism, timely obtained, evaluated and provided public safety events and early warning information, timely issued 12 relevant early warnings to the overseas companies and bases, and analyzed key sensitive information that could affect the Company's overseas business from the gray line of grass snake, so as to provide greater value for overseas business development.

Anti-piracy exercise of "HYSY760" in the Gulf of Bangladesh

Case

Sincerely carry out charitable donations, and overseas enterprise watered the "flower of dedication"

In December 2023, COSL Canadian Company donated 10,000 Canadian dollars (about RMB52,200) to individuals and families facing food shortage through CALGARY FOOD BANK, a free food donation organization, in the core area of Calgary, Canada, providing much-needed support and protection for the vulnerable groups and vagrants in the community.

This donation is the first cooperation between the Canadian Company and the core non-profit organization in its city since its establishment in 2022. It not only enhanced the corporate popularity of the Canadian Company in the downtown area of Calgary, but also consolidated its foundation in the local community. It is also an important step to show the positive image of the China enterprise in the local society.

As an overseas company directly affiliated to COSL, the Canadian Company has always carried the important mission of spreading COSL's excellent corporate culture, and persistently promoted and maintained the Company's good corporate image. The Canadian Company actively took the initiative to hold job fairs in aboriginal communities for many times to provide employment opportunities for aborigines and build good corporate-community relations with concrete actions.

Love Donation Site of the Canadian Company

Participation in On-site Food Preparation and Distribution

Prospects

COSL has always been committed to the exploration and innovation of its own capabilities and technological progress. Nowadays, the whole world is facing the problem of reducing emissions while meeting the increasing energy demand-this historic proposition concerning the well-being of all mankind has become an urgent matter. Our unremitting efforts are to reduce carbon in traditional fossil energy and actively lay out future industries in the new energy field, and constantly inject vitality into China's goal of achieving peak carbon dioxide emissions by 2030 and carbon neutrality by 2060.

Under the corporate philosophy of "Always Do Better", COSL has always adhered to internationally accepted health, safety and environmental protection standards, focused on providing first-class services to customers, and comprehensively implemented systematic management. At present, COSL has built a relatively strong offshore oil service equipment group in the Asia-Pacific region, which can provide customers with single business and integrated general contracting services. In the service, we applied LNG clean energy alternatives and intelligent technologies to implement green and low-carbon development, and studied the feasibility of potential low-carbon or zero-carbon technologies. The Company overfulfilled the established goal of green and low-carbon development in 2022 and 2023.

In the future, the Company will adhere to the guidance of Xi Jinping's Thought on Socialism with Chinese characteristics in the New Era, anchor the goal of world-class enterprises, strengthen the belief, work hard, work hand in hand, adhere to low-carbon development, fulfill the mission of energy security, reflect the responsibility of enterprises, strive to create a new chapter of high-quality development and jointly shape the bright future of COSL!

Directors, Supervisors, Senior Management and Employees

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

Unit: Shares

Name	Position (Note)	Gender	Age	Starting date of term	Expiry date of term	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the related party of the Company
Zhao Shunqiang	Chairman Executive Director CEO	Male	55	2021-4-28 2020-10-21 2021-4-28	 2026-8-16 					155.81	No
Lu Tao	Executive Director President Former Vice President	Male	55	2023-8-17 2023-5-31 2020-7-29	2026-8-16 2023-5-31					115.62	No
Xu Yingbo	Secretary to the Disciplinary Committee Former Team Leader of the Discipline Inspection Commission	Male	50	2023-4-28 2020-7-29	 2023-4-28					116.89	No
Xiong Min	Executive Director	Male	47	2022-12-22	2025-12-21					103.63	No
Yang Dexing	Vice President Safety Director	Male	43	2020-12-18 2021-2						115.31	No
Chong Xiaojie	CFO	Female	47	2021-5-11						113.82	No
Shang Jie	Chief Engineer	Male	47	2022-12-21						113.82	No
Sun Weizhou	Vice President General Legal Counsel Chief Compliance Officer Secretary to the Board (Joint Company Secretary)	Male	52	2022-12-21 2022-11-7 2022-11-7 2022-1-21						110.59	No
Chiu Lai Kuen, Susanna	Independent Non-executive Director	Female	64	2021-6-1	2024-5-31					40.00	No
Kwok Lam Kwong, Larry	Independent Non-executive Director	Male	68	2022-6-1	2025-5-31					40.00	No
Yao Xin	Independent Non-executive Director	Male	45	2022-8-23	2025-8-22					40.00	No
Fan Baitao	Non-executive Director	Male	48	2023-8-17	2026-8-16					–	Yes
Liu Qiudong	Non-executive Director	Male	51	2023-8-17	2026-8-16					–	Yes

Name	Position (Note)	Gender	Age	Starting date of term	Expiry date of term	Shareholdings at the beginning of the year	Shareholdings at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the related party of the Company
Zhao Feng	Supervisor	Male	45	2024-3-19	2027-3-18					–	Yes
Cheng Xinsheng	Independent Supervisor	Male	61	2015-6-2	2024-12-27					8.00	No
Ma Xiuen	Employee Representative Supervisor	Male	48	2022-8-12	2025-8-11					91.31	No
Wu Wenlai	Former Non-executive Director	Male	61	2021-12-28	2023-8-17					–	Yes
Liu Zongzhao	Former Non-executive Director	Male	58	2021-12-28	2023-8-17					–	Yes
Peng Wen	Former Chairman of the Supervisory Committee	Male	54	2020-10-21	2024-3-19					–	Yes
Total	/	/	/	/	/	/	/	/	/	1,164.80	/

Notes: 1. The total remuneration of the above directors, supervisors and senior management was the remuneration for holding their respective positions before tax received from the Company during the reporting period.

2. On 19 March 2024, the Company convened the 2024 First EGM, at which considered and approved the appointment of Mr. Zhao Feng as a supervisor of the Company for a term of three years, starting from the date when the resolution was passed at the 2024 First EGM. On 20 March 2024, the Company convened the supervisory committee meeting, at which Mr. Zhao Feng was elected as the chairman of the Supervisory Committee of the Company.

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

BOARD OF DIRECTORS:

◆ Zhao Shunqiang

Mr. Zhao Shunqiang, Chinese, born in 1968, Chairman, Executive Director and CEO of COSL, senior engineer, graduated from China University of Petroleum (East China) with bachelor degree of drilling engineering in 1990 and was granted EMBA of CEIBS in 2008. From July 1990 to November 2001, Mr. Zhao successively served as drilling foreman, staff member of operating department and senior team leader of China Offshore Oil Northern Drilling Company; from November 2001 to October 2002, he successively served as Vice President of China Offshore Oil International Engineering Company and manager of BH9 of China Offshore Oil Northern Drilling Company; from October 2002 to August 2004, he served as Vice General Manager of Tianjin Branch of COSL; from August 2004 to November 2004, he served as Director of Drilling Technology Institute (Tanggu) of COSL IPM Division; from November 2004 to December 2005, he served as General Manager of Tianjin Branch of COSL; from December 2005 to April 2012, he served as General Manager of the Production Optimization Division of COSL, while he also served as the Dean of Production Optimization Research Institute from January 2011 to April 2012; from April 2012 to March 2018, he served as the Vice General Manager of CNOOC International Limited; from March 2018 to August 2020, he served as President of CNOOC Uganda Limited; from August 2020 to April 2021, he served as President of COSL. Since October 2020, he has served as an Executive Director of COSL. He has served as Chairman and CEO of COSL since April 2021. Mr. Zhao has over 30 years of experience in the oil and natural gas industry.

◆ Lu Tao

Mr. Lu Tao, Chinese, born in 1969, Executive Director and President of COSL, is a professor-level senior engineer. He graduated from the University of Electronic Science and Technology of China with major in electromagnetic field and microwave technology and a master's degree in 1993, and later was granted a doctorate degree in measurement technology and instrumentation from the University of Electronic Science and Technology of China. From April 1993 to July 1993, Mr. Lu served as research engineer at the Research Institute of China National Offshore Oil Logging Corporation, and from July 1993 to October 1993, he had an intern at Xinjiang Branch of China National Offshore Oil Logging Corporation. From October 1993 to January 2002, he served as research engineer at the Research Institute of China National Offshore Oil Logging Corporation. From January 2002 to September 2002, he served as Vice Chief Engineer of the Technology Development Center of COSL Logging Division. From September 2002 to December 2004, he served as the Vice Chief Engineer of the Electromechanical Equipment Institute of COSL R&D Center. From December 2004 to April 2006, he served as the Director of the Electromechanical Equipment Institute of the COSL Technical Center. From April 2006 to January 2010, he served as the Chief Engineer of the COSL Technical Center. From January 2010 to May 2010, he served as Deputy Director of COSL Technical Center. From June 2010 to June 2016, he served as Vice General Manager of COSL Well Tech Division. From June 2016 to November 2017, he served as General Manager of COSL Well Tech Division. From November 2017 to August 2019, he served as General Manager and Deputy Party Secretary of COSL Well Tech Division. From August 2019 to November 2019, he served as General Manager and Deputy Party Secretary (responsible for the work of the Party Committee) of COSL Well Tech Division. From November 2019 to August 2020, he served as General Manager and Party Secretary of COSL Well Tech Division. He concurrently served as General Legal Counsel of COSL from July 2020 to July 2021. From July 2020 to May 2023, he served as Vice President of COSL. Since May 2023, he has served as President of COSL. Since August 2023, he has served as Executive Director of COSL.

Xiong Min

Mr. Xiong Min, Chinese, born in 1976, Executive Director of COSL, is a senior engineer. Mr. Xiong graduated from University of Petroleum in 1996 with major in oil engineering and obtained a Bachelor's degree of engineering, and then obtained a Master degree from the University of Science and Technology Beijing with major in vehicle engineering (mining machinery). From July 1996 to January 1998, he was a junior engineer at Huanxiling Oil Production Plant in Liaohe Oilfield. From January 1998 to October 2001, he served as a junior engineer at Research Institute of Drilling and Production Technology of Liaohe Oilfield. From October 2001 to March 2004, he studied for Master's degree in University of Science and Technology Beijing with major in vehicle engineering (mining machinery). From March 2004 to April 2005, he served as Sales Engineer at Lincom Pty Ltd. From April 2005 to April 2007, he was the project manager of Tanggu Base, Cementing Center, COSL Well Tech Division. From April 2007 to February 2012, he served as Technology Supervisor and Manager of Cementing Operation Company, Tanggu Base, COSL Oilfield Chemicals Division. From February 2012 to November 2014, he was Vice Manager and Manager of Indonesia Base of COSL Oilfield Chemicals Division. From November 2014 to August 2016, he was Manager of Indonesia Operation Company of COSL Oilfield Chemicals Division. From August 2016 to September 2017, he served as Vice General Manager of COSL Oilfield Chemicals Division. From September 2017 to August 2021, he served as General Manager of Malaysian joint venture of COSL. From January 2019 to August 2021, he concurrently served as General Manager of COSL Drilling Pan Pacific (Malaysia) Company (CDPPM). From December 2020 to July 2022, he served as Vice President of COSL. He also concurrently served as General Legal Counsel of COSL from July 2021 to November 2022. He concurrently served as Chief Compliance Officer of COSL from May 2022 to November 2022. He served as Deputy Party Secretary of COSL from July 2022 to October 2023. He served as the Chairman of Labour Union of COSL from December 2022 to October 2023. He has served as an Executive Director of COSL since December 2022.

Chiu Lai Kuen, Susanna

Ms. Chiu Lai Kuen, Susanna, China (Hong Kong) by nationality, born in 1960, an Independent Non-executive Director of COSL, MH, JP., graduated from the University of Sheffield (United Kingdom) with First-Class Honours in Economics, and obtained an EMBA degree in business administration from the Chinese University of Hong Kong. Ms. Chiu is a Hong Kong certified public accountant, a Chinese certified public accountant, a qualified Chartered Accountant from England and a Certified Information System Auditor. She is a current member of the Chinese People's Political Consultative Conference (CPPCC) of Shanghai, an expert on government accounting standards at the Ministry of Finance and an executive member of the Guangdong Women's Federation. In respect of her professional career, Ms. Chiu was the former president of the Hong Kong Institute of Certified Public Accountant and the former president of the Information Systems Audit and Control Association (China Hong Kong Chapter). Ms. Chiu is devoted to social affairs and held a number of public service positions, including the council treasurer of the Education University of Hong Kong, and a member of the Women's Commission and the Equal Opportunities Commission and the Energy Advisory Committee. Ms. Chiu was awarded the Medal of Honor, the "Justice of Peace" and the "Justice of Peace NT" by the Hong Kong Government. She also obtained various awards including the Greater Bay Area Outstanding Women Entrepreneur Award for 2021, the Outstanding Women Professionals Award by the Hong Kong Women Professionals & Entrepreneurs Association, the "Distinguished Alumni" Award from the University of Sheffield (United Kingdom) and the "Outstanding Business Woman" by Hong Kong Commercial Daily, etc. Ms. Chiu currently serves as an executive director and the chief financial officer of Bonjour Holdings Limited (stock code: 653). From 2019 to 2023, she served as an independent non-executive director of Huijing Holdings Company Limited (stock code: 9968). From 2006 to 2019, Ms. Chiu successively served as Senior Vice President, Eastern China Chief Representative and Consultant under the Fung Group. From 2000 to 2005, she served as the Chief Operating Officer of DVN (Holdings) Limited (currently known as Frontier Services Group Limited, stock code: 00500). Ms. Chiu also served as an independent non-executive director of Huali University Group Limited (currently known as China Vocational Education Holdings Limited, stock code: 1756), which are listed on the Hong Kong Stock Exchange, Songz Automobile Air Conditioning Co., Ltd. (stock code: 002454), an A-share listed company on Shenzhen Stock Exchange and Nanyang Commercial Bank Limited. She has been an Independent Non-executive Director of COSL since June 2021.

Kwok Lam Kwong, Larry

Mr. Kwok Lam Kwong, Larry, China (Hong Kong) by nationality, born in 1955, an Independent Non-executive Director of COSL, SBS, BBS, JP, graduated from the University of Sydney, Australia with double bachelor's degrees in economics and laws respectively as well as a master's degree in laws. He also obtained the Advanced Management Program diploma from the Harvard Business School. Mr. Kwok is currently qualified to practise as a solicitor in Hong Kong and a partner of Kwok Yih & Chan. He is also admitted as a solicitor in Australia, the United Kingdom and Singapore. In addition, he is qualified as a Chartered Accountant in the United Kingdom and an Accredited Accountant in Australia and Hong Kong. Mr. Kwok has worked in international law firms in the United States, the United Kingdom and Australia, and served as the managing partner of Greater China for a total of 15 years. Mr. Kwok served as the managing partner of King & Wood Mallesons (Asia Strategy & Markets) from 2012 to 2014. Since 2014, Mr. Kwok has served as a partner of Kwok Yih & Chan. Since December 1994, Mr. Kwok has been an independent non-executive director (re-designated as a non-executive director in 2005) of First Shanghai Investments Limited and has served as an independent non-executive director of Shenwan Hongyuan (H.K.) Limited since March 1995. Mr. Kwok has been an independent non-executive director of Starlite Holdings Limited and Café de Coral Holdings Limited since July 2004. Since February 2018, he has served as an independent non-executive director of AAC Technologies Holdings Inc. Mr. Kwok is also an independent non-executive director of CMB Wing Lung Bank Limited, a private company in Hong Kong. Since October 2023, he has served as a director of Association of Hong Kong Capital Market Practitioners Limited. Mr. Kwok has served regularly on Government boards and committees and is currently the honorary treasurer of Heep Hong Society, a non-profit organization in Hong Kong. He is also the chairman of the Appeal Tribunal Panel, Buildings Ordinance (Chapter 123) and an arbitrator of the Shenzhen Court of International Arbitration. He has been an Independent Non-executive Director of the Company since June 2022.

Yao Xin

Mr. Yao Xin, Chinese, born in 1979, an Independent Non-executive Director of COSL. Mr. Yao successively obtained a bachelor's degree in engineering from Tsinghua University and a doctorate degree in economics from Xiamen University. He joined the School of Economics of Xiamen University as an assistant professor after obtaining his PhD in 2010 and was promoted to associate professor in 2012. He was selected into Outstanding Young Scientific Research Talent Cultivation Program in Fujian Colleges and Universities in 2013, awarded as Fujian Province Youth Top-Notch Talent in 2014, became a doctoral tutor in 2015, and promoted to professor in 2017. He was a visiting scholar at Industrial Engineering and Logistics Management Department of the Hong Kong University of Science and Technology during the period from 2014 to 2016. He has served as the director of China Centre for Energy Economics Research at Xiamen University since 2022. Mr. Yao has been devoted to the research in fields such as energy and environmental economy, green finance and sustainable supply chain for many years, and has undertaken a number of relevant national important research projects. The research results are influential and have won multiple awards above provincial and ministerial level. He is awarded the Most Cited Chinese Researchers in applied economics by Elsevier in 2021. He has been an Independent Non-executive Director of the Company since August 2022.

Fan Baitao

Mr. Fan Baitao, Chinese, born in 1975, a Non-executive Director of COSL, is a professor-level senior engineer and an expert of China National Offshore Oil Corporation who is entitled to a special allowance provided by the State Council. He graduated from Daqing Petroleum Institute with a major in petroleum engineering in July 1998 and obtained a doctorate degree in oil and gas well engineering from China University of Petroleum (Beijing) in December 2018. From July 1998 to July 1999, Mr. Fan had an intern at well completion of Production Department of CNOOC Bohai Company. From July 1999 to July 2003, he served as a well completion supervisor of CNOOC Bohai Industrial Company. From July 2003 to April 2019, he successively served as the oilfield development and management supervisor of Drilling Division, drilling & completion representative and drilling & completion vice manager of Kerr-Mcgee Joint Administrative Committee, design manager of drilling division, chief engineer of drilling & completion division, and manager of engineering and technology department of Tianjin Branch of CNOOC (China) Limited. From April 2019 to October 2022, he successively served as the dean of Drilling and Production Institute, vice chief engineer (drilling & completion) and the dean of Drilling and Production Institute of CNOOC Research Institute Co., Ltd. He has served as the chief engineer (drilling & completion) of engineering technology department of CNOOC Limited since November 2022. Since August 2023, he has served as a Non-executive Director of the Company.

Liu Qiudong

Mr. Liu Qiudong, Chinese, born in 1972, a Non-executive Director of COSL. He has been awarded the title of Professorate Senior Accountant. He also is a Fellow of the Association of Chartered Certified Accountants (ACCA), a Fellow of Certified Public Accountant Australia (FCPA Australia), a member of the Association of International Accountants (AIA). He obtains a certificate of leading accounting talent issued by the National Government Offices Administration and had been appointed as a member of the Accounting Standards Advisory Committee of the Ministry of Finance. Mr. Liu graduated from Financial Institute of Shandong Yantai with a major in Foreign-related Accounting in July 1994, a dual master's degree in Commerce and MBA from Deakin University in Australia in December 2005. From August 1995 to May 1997, he served as an accountant of the Planning and Financial Department of Shandong Fisheries Enterprise Group; from June 1997 to April 2000, he served as a financial manager of SHANSHUI Enterprise Pty Ltd; from May 2000 to December 2003, he served as a financial manager of Aqua Star Pty Ltd. Mr. Liu previously served as an overseas business senior supervisor of the International Business and Marketing Department of COSL from June 2006 to July 2007, a manager of information disclosure of the Office of the Secretary to the Board of COSL from August 2007 to October 2013, and an accounting manager of the Finance Department of COSL from November 2013 to April 2017. He served as a Chief of the report analysis division of the Financial and Assets Department of CNOOC from May 2017 to October 2021, and a vice general manager of the Financial and Assets Department of CNOOC from November 2021 to October 2022. He has served as a vice general manager of the Financial and Treasury Department of CNOOC since November 2022. He has served as the Chairman of the Supervisory Committee of CNOOC Energy Technology & Services Limited since October 2023. He has served as a Non-executive Director of the Company since August 2023.

SUPERVISORY COMMITTEE:

Zhao Feng

Mr. Zhao Feng, Chinese, born in 1978, is the Chairman of the Supervisory Committee of COSL and a senior auditor and an International Certified Internal Auditor. He graduated from the Department of Economics of Xiangtan Institute of Technology with a major in accounting and obtained a bachelor's degree in management in June 2001, and obtained a master's degree from Wuhan University with a major in accounting in June 2008. From September 2008 to December 2009, he studied at the Hong Kong Polytechnic University as a postgraduate and obtained master's degrees in accountancy and science. From June 2001 to July 2008, Mr. Zhao successively served as staff member and senior staff member in the Economic and Trade Audit Department of the National Audit Office of the People's Republic of China ("CNAO") Wuhan Regional Office. From July 2008 to May 2012, he served as principal staff member in the Enterprise Audit Department of CNAO Wuhan Regional Office. From May 2012 to June 2016, he served as a senior supervisor of the fifth department of the Audit Center of China National Offshore Oil Corporation. From June 2016 to July 2019, he successively served as the deputy manager and manager of the third department of the Audit Center of China National Offshore Oil Corporation. From July 2019 to April 2022, he served as the manager of the third department of the Northern Audit Center of China National Offshore Oil Corporation. From April 2022 to September 2022, he served as the director of the Northern Audit Center of China National Offshore Oil Corporation. Since September 2022, he has been serving as the deputy general manager of the Audit Department of China National Offshore Oil Corporation (and CNOOC Limited) and holding position as the director of the Northern Audit Center of China National Offshore Oil Corporation concurrently. He has served as a Supervisor and the Chairman of the Supervisory Committee of COSL since March 2024.

Cheng Xinsheng

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

Ma Xiuen

Mr. Ma Xiuen, Chinese, born in 1975, is the employee representative supervisor of COSL and an administrative officer. He graduated from University of Petroleum (East China) with a Bachelor degree in July 1999. From July 1999 to December 2001, he served as an assistant engineer of well testing in CNOOC Technical Services Limited. He served as the external affairs officer and the deputy secretary of the youth league committee of Tianjin Branch of China Oilfield Services Limited from December 2001 to December 2002. He also served as the Secretary and Secretary of Class II (officer in charge) of the Company from December 2002 to April 2006. He served as the manager of the business services department, manager of the administration department, a general manager assistant and manager of the administration department of Tianjin Branch of the Company from April 2006 to May 2008. From May 2008 to July 2010, he served as the manager of the human resources department of Production Optimization Division of the Company. He served as the Director of Party and Mass Affairs Office and Deputy Director of the Party Committee Office of the administration department of the Company from July 2010 to February 2017. He also served as Secretary to the Disciplinary Committee, Deputy Secretary to the Party Committee and the Deputy General Manager of the Shipping Division of the Company from February 2017 to June 2021. He has been the manager of human resources department of the Company since June 2021. He has served as the employee representative supervisor of COSL since August 2022.

SENIOR MANAGEMENT:

Zhao Shunqiang

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

Lu Tao

Mr. Lu Tao, please refer to the section of Board of Directors.

Xu Yingbo

Mr. Xu Yingbo, Chinese, born in 1973, is the Secretary to the Disciplinary Committee of COSL, senior engineer. He graduated from the University of Petroleum (East China) with major in production process automation and obtained a Bachelor's degree in engineering, and later was granted a master's degree in project management from the China University of Petroleum (Beijing). From July 1997 to November 2002, Mr. Xu served as instrument engineer, instrument chief operator and equipment supervisor at the Western South China Sea Petroleum Production Company. From November 2002 to January 2007, he served as equipment supervisor and FPSO director assistant of CNOOC Energy Development Oil Production Service Company. From January 2007 to July 2007, he served as FPSO Director of CNOOC Shenzhen Branch Xijiang 23-1 Oilfield. From July 2007 to April 2009, he served as Director of CNOOC Shenzhen Branch Xijiang 23-1 Oilfield. From April 2009 to December 2010, he served as Production Director of CNOOC Shenzhen Branch Self-operated Oilfield. From December 2010 to January 2013, he served as Production Manager of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From January 2013 to December 2014, he served as the Vice Manager of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From December 2014 to October 2016, he served as Vice General Manager, Deputy Party Secretary and Secretary to the Disciplinary Committee of CNOOC Shenzhen Branch Xijiang Oilfield Operation Area. From October 2016 to September 2017, he served as Manager of the Supervision Department of the Eastern South China Sea Petroleum Administration. From September 2017 to December 2018, he served as Deputy Team Leader of the Discipline Inspection Commission in CNOOC Limited Shenzhen Branch. From December 2018 to February 2020, he served as Deputy Leader of the Party Inspection Team of CNOOC. From February 2020 to April 2023, Mr. Xu served as Team Leader of the Discipline Inspection Commission of COSL. Since April 2023, Mr. Xu has served as the Secretary to the Disciplinary Committee of COSL.

Yang Dexing

Mr. Yang Dexing, Chinese, born in 1980, Vice President and Safety Director of COSL, is a senior engineer. Mr. Yang graduated from University of Petroleum (East China) with a major in oil engineering and obtained a Bachelor's degree in engineering in 2003, and then obtained a Master's degree from China University of Petroleum (East China) with major in oil and gas field development, and a Master's degree from University of Stavanger in Norway with major in industrial economics. From July 2003 to November 2007, he served as learning foreman and drilling team leader of BH10 in Tanggu Base of COSL Drilling Division. From November 2007 to September 2008, he served as Senior Team Leader of HYSY931 at Tanggu Operation Company of COSL Drilling Division. From September 2008 to July 2012, he served as the Senior Team Leader and Drilling Rig Manager of BH4 at Tanggu Operation Company of COSL Drilling Division. From July 2012 to August 2013, he was an off-production training student for the Master of industrial economics at University of Stavanger in Norway. From August 2012 to July 2014, he obtained a Master's degree in industrial economics from University of Stavanger in Norway. From August 2013 to May 2014, he served as COSLGIFT Drilling Rig Manager at Tanggu Operation Company of COSL Drilling Division. From May 2014 to October 2014, he was Manager of Human Resources Department of COSL Drilling Division. From October 2014 to February 2016, he was Manager of Operational Safety and Environmental Protection Department of COSL Drilling Division. From February 2016 to April 2017, he served as President of PT. COSL DRILLING INDO of COSL Drilling Division. From April 2017 to June 2018, he served as Vice Manager of the Quality and Safety Department of COSL. From June 2018 to August 2021, he was Manager of the Quality and Safety Department of COSL. Since December 2020, he has served as Vice President of COSL. Since February 2021, he has concurrently served as Safety Director of COSL.

Chong Xiaojie

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

Shang Jie

Mr. Shang Jie, Chinese, born in 1977, Chief Engineer of COSL, is a professor-level senior engineer. He graduated from Harbin Institute of Technology with major in Automobile Design and Manufacturing and obtained a Bachelor's degree in July 1999. He graduated from Tsinghua University with major in Instrument Science and Technology and obtained a Master's degree in July 2002 and graduated from Tsinghua University with major in Instrument Science and Technology and obtained a Doctoral degree in July 2005, respectively. From July 2005 to August 2006, he worked as an editor of the Chinese government's official website in Xinhuanet Co., Ltd. From January 2007 to November 2007, he worked as an intern in the Electromechanical Equipment Research Institute of the COSL Technical Center. From November 2007 to December 2009, he served as an electronic engineer in the Electromechanical Equipment Research Institute of COSL Technical Center. From December 2009 to December 2012, he served as a senior electronic engineer of Electromechanical Equipment Research Institute of COSL Technical Center. From December 2012 to June 2014, he served as a senior electronic engineer and director of the Oriented Engineering Research Institute of Oilfield Technology Institute of COSL Well Tech Division. From June 2014 to November 2014, he served as a superior electronic engineer and director of the Oriented Engineering Research Institute of Oilfield Technology Institute of COSL Well Tech Division. From November 2014 to July 2016, he served as the vice dean of Oilfield Technology Institute of COSL Well Tech Division. From July 2016 to August 2020, he served as the dean of Oilfield Technology Institute of COSL Well Tech Division. From August 2020 to January 2021, he served as the dean of Oilfield Technology Institute of COSL Well Tech Division (presided over the daily management of COSL Well Tech Division). He served as Party Secretary and General Manager of COSL Well Tech Division from January 2021 to March 2023. He has been the Chief Engineer of COSL since December 2022.

Sun Weizhou

Mr. Sun Weizhou, Chinese, born in 1971, Vice President, General Legal Counsel and Chief Compliance Officer, Secretary to the Board (Joint Company Secretary) of COSL, is an engineer. From 1988 to 2014, he successively studied in petroleum geology at North China Petroleum Technical School, English at Tianjin Foreign Studies University, business administration in the School of Continuing Education at Yangtze University and business administration at China Europe International Business School. He obtained a bachelor's degree and a master's degree in business administration in 2008 and 2014, respectively. Mr. Sun obtained a registered qualification certificate of PRC enterprise legal adviser in October 2008. Mr. Sun joined Bohai Petroleum Geological Services Company in July 1992, responsible for geological logging. From June 1995 to December 2001, he successively served as a mud logger, data engineer and unit manager of China France Bohai Geoservices. From December 2001 to December 2002, he served as a foreign affairs officer of China Oilfield Services Limited. From December 2002 to April 2006, he successively served as the secretary of the Administration Department, the person in charge of the business unit of Kazakhstan Office, the supervisor of the business unit of Malaysia Office of COSL. From April 2006 to December 2007, he served as the contract and risk control manager of the Legal Affairs Department of COSL. From December 2007 to November 2009, he served as the manager of contract review/legal affairs of joint venture of the Legal Affairs Department of COSL. From November 2009 to November 2011, he served as the general manager of the Legal Affairs Department of COSL. From November 2011 to January 2015, he served as the general manager of the Strategic Studies and Development Department of COSL. From January 2015 to December 2021, he served as the deputy general manager of COSL-Expro Testing Services (Tianjin) Company Ltd. From December 2021 to January 2023, he served as the Party Secretary and the general manager of the Production Optimization Division of COSL. He has been the Secretary of the Board (Joint Company Secretary) of COSL since January 2022. He has been the General Legal Counsel and Chief Compliance Officer of COSL since November 2022 and has been the Vice President of COSL since December 2022.

JOINT COMPANY SECRETARIES:

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

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

The directors, supervisors and senior management resigned during 2023 and as at the date of preparation of this annual report:

Mr. Wu Wenlai, Chinese, born in 1962, former Non-executive Director of COSL, resigned as Non-executive Director of COSL on 17 August 2023.

Mr. Liu Zongzhao, Chinese, born in 1965, former Non-executive Director of COSL, resigned as Non-executive Director of COSL on 17 August 2023.

Mr. Xiong Min, Chinese, born in 1976, former Executive Director, Deputy Party Secretary and Chairman of Labour Union of COSL, resigned as the Deputy Party Secretary and the Chairman of Labour Union of COSL on 13 October 2023. Mr. Xiong Min continued to act as Executive Director of the Company.

Mr. Peng Wen, Chinese, born in 1969, former Supervisor and Chairman of the Supervisory Committee of COSL, resigned as Supervisor and Chairman of the Supervisory Committee of COSL on 19 March 2024.

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

□ Applicable √ Not applicable

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

(1) Positions in the Shareholder Company

√ Applicable □ Not applicable

Name	Name of shareholder company	Position in the shareholder company	Starting date of term of office	Expiry date of term of office
Liu Qiudong	CNOOC	Vice general manager of the Financial and Treasury Department	November 2022	Until now
Zhao Feng	CNOOC	Deputy general manager of the Audit Department	September 2022	Until now
	CNOOC	Director of the Northern Audit Center	April 2022	Until now
Wu Wenlai	CNOOC	Full-time director	January 2021	August 2022
Liu Zongzhao	CNOOC	Full-time director	March 2021	Until now
Peng Wen	CNOOC	Full-time director	September 2022	Until now

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

(2) Positions in Other Companies

√ Applicable ☐ Not applicable

Name	Name of other company	Position in other companies	Starting date of term of office	Expiry date of term of office
Chiu Lai Kuen, Susanna	Bonjour Holdings Limited	Executive Director	December 2020	Until now
	Nanyang Commercial Bank Limited	Independent Non-executive Director	2018	Until now
Kwok Lam Kwong, Larry	Kwok Yih & Chan	Partner	2014	Until now
	Association of Hong Kong Capital Market Practitioners Limited	Director	October 2023	Until now
Yao Xin	Xiamen University	Professor	August 2017	Until now
Fan Baitao	CNOOC Limited	Chief Engineer (drilling & completion) of the Engineering Technology Department	November 2022	Until now
Liu Qiudong	CNOOC Energy Technology & Services Limited	Chairman of Supervisory Committee	October 2023	Until now
Zhao Feng	CNOOC Limited	Deputy general manager of the Audit Department	September 2022	Until now
Cheng Xinsheng	Nankai University	Professor	December 2005	Until now
Peng Wen	Offshore Oil Engineering Co., Ltd.	Chairman of Supervisory Committee	December 2020	November 2023
	CNOOC Gas and Power Group Co., Limited	Director	August 2023	Until now
	CNOOC Enterprise Corp.	Director	August 2023	Until now

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

IV. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

√ Applicable ☐ Not applicable

Decision-making procedures of remuneration of Directors, Supervisors and Senior Management	Remunerations of Directors and Supervisors are subject to shareholders' approval at the general meetings, while the remuneration of Senior Management shall be determined by the Board.
Whether Directors abstain themselves from discussion on their remuneration at the Board meeting	Yes
Details of proposal on remuneration for Directors, Supervisors and Senior Management at the meeting of the Remuneration and Assessment Committee or the special meeting of independent Directors	It is proposed to further refine the management.

Reference for determining remuneration of Directors, Supervisors and Senior Management	Depends mainly on the duties and responsibilities of Directors, Supervisors and Senior Management and the results of the Company.
Actual remuneration payable to Directors, Supervisors and Senior Management	RMB11,648.0 thousand
Total actual remuneration of Directors, Supervisors and Senior Management at the end of the reporting period	RMB11,648.0 thousand

V. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT OF THE COMPANY

1. Changes of Directors

(1) 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 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 EGM. On 17 August 2023, the Company convened the 2023 First EGM, at which 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 EGM.

(2) 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 EGM, at which 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 EGM. Mr. Zhao Shunqiang continues to serve as the chairman of the Board and the member of the Nomination Committee.

(3) 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 EGM. On 17 August 2023, the Company convened the 2023 First EGM, at which 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 EGM. Mr. Liu Qiudong also served as the member of the Remuneration and Assessment Committee.

(4) On 17 August 2023, the Company convened the 2023 First EGM, at which considered and approved the appointment of Mr. Fan Baitao 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 EGM.

2. **Changes of Supervisors**

(1) On 26 October 2023, the Supervisory Committee received the written resignation from Mr. Peng Wen, the chairman of the Supervisory Committee of the Company. Due to the adjustment of his work arrangement, Mr. Peng Wen resigned as a supervisor and the chairman of the Supervisory Committee of the Company. The resignation will take effect from the date when a new supervisor is elected by the shareholders of the Company at the EGM. On 19 March 2024, the Company convened the 2024 First EGM, at which considered and approved the appointment of Mr. Zhao Feng as a supervisor of the Company for a term of three years, starting from the date when the resolution was passed at the 2024 First EGM. On 20 March 2024, the Company convened the supervisory committee meeting, at which Mr. Zhao Feng was elected as the chairman of the Supervisory Committee of the Company.

3. **Changes of Senior Management**

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

(2) On 13 October 2023, Mr. Xiong Min resigned as the Deputy Party Secretary and the Chairman of Labour Union of the Company due to the adjustment of his work arrangement, with effect from 13 October 2023.

VI. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES AT THE END OF THE REPORTING PERIOD

(1) Employees

Number of in-service employees of the Company	13,214
Number of in-service employees of the major subsidiaries	2,258
Total number of in-service employees	15,472
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	66

Composition of professions

Type of profession	Number of employees in the profession
Management sequence (M)	1,252
Technology sequence (T)	890
Business sequence (B)	9,454
Skilled workers sequence (W)	3,876
Total	15,472

Educational level

Type of educational level	Number of Employees (Headcount)
Master degree or above	1,317
Bachelor degree	7,647
College graduates	3,017
Below college graduates	3,491
Total	15,472

(2) Remuneration Policy

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.

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

(3) Training Programme

With regard to the training programme and development, the Company insisted on building a cadre talent team needed by a world 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.

Report of the Board of Directors

The Board of Directors (the "Board") presents the report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the year ended 31 December 2023.

THE BOARD'S WORK

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

PRINCIPAL ACTIVITIES

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

RISKS AND RESPONSE MEASURES

1. Major Potential Risks

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

(1) Market competition risk. Affected by global inflation, tense financial environment and disruptions to economic activities by geopolitical conflict, there are still various uncertainties in global economy development. In recent years, the proportions of investments by major oil and gas companies in the world in offshore exploration and development are relative high. At the same time, industry giants have gradually returned their strategic focus to the field of oil and gas development. On the basis of the traditional European and American markets, there will be a large number of business opportunities in emerging markets such as South America and Africa. However, the cost control of oil and gas companies is also constantly strengthening, and there are many competitors in the field of oilfield services. Price was still an important factor affecting the acquisition of contracts. The overall market still faces greater competition and operational pressure. In the short-term, the Company is also exposed to market competition risks.

(2) Health, safety and environmental risk. The supervision on the safety and environmental protection of enterprises by government authorities at all levels showed a normal and high-pressure trend, and several operation areas were designated as key supervision areas of ecological and environmental protection, which greatly increased the pressure of ecological and environmental compliance. The overall workload of the Company operated at a high level. The number of key and difficult projects such as "new, excellent and fast" drilling mode and "double-deep" and "double-high" wells continued to increase. The internationalization and regional development strategy have been accelerated, and the overseas high-end customer group has surged. There was still a gap between the Company's personnel, equipment and systems and their requirements, and the management and control of safety risks and the operation quality assurance faced new challenges. The contractors' safety awareness and working ability were insufficient, and the old equipment was still in operation, resulting in a fundamental lack of safety. At the same time, after the introduction of mixed new equipment and new technologies, the identification and control of safety and environmental protection risks were insufficient, the skills of personnel were diluted after business outsourcing, and the safety management situation was intricate and complicated. With the continuous introduction of global contractors, the HSE management requirements for all aspects of the whole process of management of various contractors needed to be continuously standardized and institutionalized. With the acceleration of the development of international business, the increase of overseas projects and the increase of expatriate employees, it was more difficult to manage overseas public safety risks.

(3) Domestic and overseas business expansion and operational risks. The Company operates in different countries and regions and has more exchanges with the local governments, enterprises and personnel. Due to the influence of various geopolitical, economic, religious, humanistic, policy changes, technological change, information network security, legal and regulatory environment, and other factors in the countries where it operates, including political instability, unstable fiscal and tax policies, barriers to entry, contract disputes, tax disputes, legal disputes, technical equipment failing to keep up with the demand, etc., may increase the risk of the Company's domestic and overseas business development and operations.

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

(5) Risk of impairment of assets. According to the requirements of accounting standards, the Company should perform impairment testing on the assets that may have indicators of impairment on the balance sheet date. With the guarantee of national strategy and policy, the capital expenditures of oil and gas companies remain stable, and the performance growth of oilfield service companies is more certain. However, under the background of the fluctuations of oil prices at high level, the competition among oilfield service enterprises is increasingly fierce, and the Company may experience various impairment risks including impairment of fixed assets caused by the recoverable amount of some fixed assets is less than its book value.

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

2. Risk Response Measures

The Company organized all direct units to continuously improve the legal construction, internal control compliance and risk management institutions, which provided an important organizational guarantee for risk prevention and control. The Company revised and publicized the systems such as the Management of Reports and Response on Major Business Risk Events and the Management of Internal Control System Documents, which improved the reporting mechanism and working system of reporting and response that connects departments at all levels with horizontal coordination. The Company continued to improve the risk management mechanism of "rating, stratification, classification", held risk meetings and conducted trainings through various channels and forms to play the role of case warning, firmly established all employees' risk management awareness, actively carried out special investigation and control of major risks, improved risk identification and early warning capabilities, enhanced coordinated management and control of risk, actively carried out overseas risk inspection, continued to enhance its awareness of overseas risks and capacity to mitigate the risk, established and improved a risk emergency management mechanism, continuously improved emergency disposal capabilities, constructed the risk coordinated management and control network and continued to improve our ability and level of prevention and resolution of major risks.

RESULTS AND DIVIDENDS

The Group's performance prepared under Hong Kong Financial Reporting Standards ("HKFRSs") for the year ended 31 December 2023 and the statement of financial position of the Group at that date are set out in the financial statements of this annual report on pages 158 to 163.

The Board recommended a dividend of RMB0.21 per share (tax inclusive) for the year to shareholders who are entitled to dividends. This recommendation has been incorporated as proposed dividends within the retained profits section of the consolidated statement of financial position. The total dividend amounts to approximately RMB1,002,034,320 (tax inclusive). Further details of this accounting treatment are set out in the Note 15 to financial statements in this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2023 are set out in Note 22 to the financial statements in this annual report.

GEARING RATIO

The details of gearing ratio of the Group as at 31 December 2023 are set out in Note 46 to the financial statements in this annual report.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

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

BONDS

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

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

The above two tranches of bonds were traded on the SSE on 29 June 2016 and 3 November 2016 respectively. The proceeds from the issuance of bonds would be used according to the agreed use in the prospectus and are proposed to fully repay the Company's debts and replenish working capital after deducting the issuance expenses. As at 31 December 2023, accumulated expenditures of two tranches of bonds amounted to RMB9,985,425,000.00. The proceeds were utilized in full.

In 2019, the principal and interest of type I of the first tranche of the corporate bonds have been fully paid. On 24 October 2019, part of type I of second tranche of the corporate bonds was sold back, with a resale amount of RMB1.9981 billion. The resale amount was released on 24 October 2019. On 25 October 2021, the principal and interest of type I of the second tranche of the corporate bonds have been fully paid, and such bonds have been fully repaid.

On 25 August 2021, the Company disclosed the Coupon Rate Adjustment Announcement, and exercised the coupon rate option to adjust the coupon rate of type II of second tranche of the corporate bonds to 2.90%. On 25 October 2021, part of type II of second tranche of the corporate bonds was sold back, with a resale amount of approximately RMB2.171 billion. The resale amount was released on 25 October 2021. On 24 October 2023, remaining part of type II of second tranche of the corporate bonds was paid, with a paid amount of approximately RMB729 million, and such bonds have been fully repaid.

The details of bonds issued by the Company during the reporting period are set out in Note 37 to the financial statements in this annual report.

PLACING OF H SHARES

On 15 January 2014, the Company completed the placing of an aggregate of 276,272,000 H shares, representing approximately 5.79% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 15.25% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 4,495,320,000 shares to 4,771,592,000 shares. The total number of issued H shares increased from 1,534,852,000 H shares to 1,811,124,000 H shares. For further details, please refer to the Company's announcements dated 7 January 2014 and 15 January 2014, respectively. The net proceeds from the placing amounted to approximately HK$5,819,392,302.91 (after deduction of the commissions and estimated expense) and used for general corporate purposes. The proceeds from the placing shares would be used according to the agreed use in the placing agreement. Approximately US$384,441.74 was not yet utilized as at 31 December 2023. The above balance of raised funds will continue to be used for general corporate purposes and in a timely manner.

SUMMARY OF FINANCIAL INFORMATION

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

Unit: RMB'000

	2023	2022 (Restated)	2021	2020	2019
Revenue, net of sales surtaxes	**44,042,241**	35,610,128	29,168,479	28,925,315	31,075,838
Other income	**309,718**	342,172	557,411	438,024	352,136
Depreciation of property, plant and equipment and amortization of intangible assets and Multiclient library	**(5,195,328)**	(4,685,573)	(4,503,772)	(4,335,730)	(4,372,838)
Depreciation of right-of-use assets	**(415,317)**	(367,115)	(363,007)	(480,380)	(589,264)
Employee compensation costs	**(8,201,983)**	(7,414,041)	(6,030,276)	(4,897,099)	(5,807,994)
Repair and maintenance costs	**(601,614)**	(594,825)	(479,014)	(435,878)	(691,334)
Consumption of supplies, materials, fuel, services and others	**(10,101,768)**	(9,080,592)	(6,572,746)	(6,290,190)	(6,933,202)
Subcontracting expenses	**(11,420,862)**	(8,164,558)	(5,643,164)	(4,768,526)	(5,943,860)
Lease expenses	**(2,147,453)**	(1,666,872)	(1,318,482)	(1,224,265)	(1,287,702)
Other operating expenses	**(1,355,818)**	(1,175,708)	(1,246,982)	(1,333,746)	(1,348,745)
Impairment of property, plant and equipment	**–**	(30,198)	(2,011,343)	(1,447,834)	(241,485)
Impairment losses under expected credit loss model, net of reversal	**(56,579)**	(49,435)	(15,758)	(7,778)	(316,324)
Total operating expenses	**(39,496,722)**	(33,228,917)	(28,184,544)	(25,221,426)	(27,532,748)
Profit from operations	**4,855,237**	2,723,383	1,541,346	4,141,913	3,895,226
Exchange gains/(losses), net	**(37,143)**	565,845	(165,389)	(403,839)	111,871
Finance costs	**(996,796)**	(777,108)	(831,257)	(924,485)	(1,118,797)
Interest income	**181,132**	123,432	123,932	69,644	67,522
Investment income	**14,953**	16,307	44,550	116,175	218,214
Gains/(losses) arising from financial assets at fair value through profit or loss	**71,135**	65,263	62,740	26,572	(38,829)
Share of profits of an associate and joint ventures, net of tax	**178,309**	287,558	372,996	364,917	320,452
Other gains and losses, net	**(23,959)**	(23,201)	(59,368)	(12,157)	16,515
Profit before tax	**4,242,868**	2,981,479	1,089,550	3,378,740	3,472,174
Income tax expense	**(960,240)**	(482,275)	(767,500)	(660,424)	(944,159)
Profit for the year	**3,282,628**	2,499,204	322,050	2,718,316	2,528,015

ASSETS AND LIABILITIES

Unit: RMB'000

	2023	2022 (Restated)	2021	2020	2019
Total assets	**83,245,834**	77,160,739	73,311,708	75,942,308	76,101,838
Total liabilities	**40,989,728**	37,184,772	35,095,378	37,253,500	39,191,561

PROPERTY, PLANT AND EQUIPMENT

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

DIVIDEND

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

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

In 2023, based on a net profit of RMB3,282,628,207 achieved by the Group (of which net profit attributable to the owners of the Company amounted to RMB3,013,254,837) plus the retained profits of RMB20,336,654,153 (restated) as at the beginning of the year and deducted the dividend of RMB763,454,720 declared and paid in 2023, the total retained profit would be RMB22,586,454,270 of the Group at the end of 2023. The Group recommended a dividend of RMB0.21 per share (tax inclusive) on the basis that the total share capital was 4,771,592,000 shares as at 31 December 2023. The total dividend amounts to RMB1,002,034,320 and the balance of retained profits of RMB21,584,419,950 will be carried forward to the following years.

According to the Company Law and the Articles of Association of the Company, the accumulated statutory common reserve fund of the Company for 2022 has reached more than 50% of the registered capital of the Company, and no further provision of such fund is required for this year.

Such distribution proposal will be proposed at the 2023 AGM for consideration and approval.

During the year ended 31 December 2023, the Company was not aware of any shareholder had waived or agreed to waive any dividend arrangement.

Dividend of the Group in the recent three years:

Unit: RMB'000

Dividend year	Cash dividend per 10 shares (yuan) (tax inclusive)	Cash dividend (tax inclusive)	Net profit attributable to equity holders of the Company in the consolidated financial statements	Percentage of net profit attributable to equity holders of the Company in the consolidated financial statements (%)
2023	2.10	1,002,034	3,013,255	33.25
2022 (Restated)	1.60	763,455	2,358,697	32.37
2021	1.50	715,739	313,176	228.54

CHARITABLE DONATIONS

During the year, the Group made charitable donations totaling RMB22.7172 million.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for approximately 87.1% of the total sales for the year and sales to the largest customer included therein accounted for approximately 80.6%. Purchases from the Group's five largest suppliers accounted for approximately 11.4% of the total purchases for the year; and purchases from the Group's largest supplier accounted for approximately 2.1% of the total purchases for the year.

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

RELATIONSHIP WITH EMPLOYEES

Adhering to the "people-centered" management philosophy and insisting that the growth of employees are the cornerstone of enterprise development, the Group continuously optimizes and improves employee remuneration policies, strives to address employee concerns by providing comprehensive and full-cycle benefits to them, and provide employees with reliable and multi-level protection system.

RELATIONSHIP WITH CUSTOMERS AND SUPPLIERS

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

ASSETS MEASURED AT FAIR VALUE

The majority of the assets of the Group were measured at historical cost, except for financial assets at fair value through profit or loss and bank acceptances included in notes receivable which have been measured at fair value. Internal control and review procedures have been taken by our audit department on works of finance department. For details of fair value changes in aforesaid financial assets of the Group during the reporting period, please see Note 45 to the financial statements in this annual report.

OUTLOOK OF THE COMPANY

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

CHARGE ON ASSETS

As at 31 December 2023, the Group had no material charges on its assets.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group had no any significant contingent liabilities.

DIRECTORS AND SUPERVISORS

The Directors and Supervisors of the Company at the date of this annual report were:

Executive Directors	Independent Non-executive Directors	Non-executive Directors	Supervisors
Zhao Shunqiang *(Chairman)*	Chiu Lai Kuen, Susanna *(Note 1)*	Fan Baitao	Zhao Feng *(Chairman of the Supervisory Committee)*
Lu Tao	Kwok Lam Kwong, Larry	Liu Qiudong	Cheng Xinsheng *(Independent Supervisor)*
Xiong Min	Yao Xin		Ma Xiuen *(Employee Representative Supervisor)*

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

Pursuant to the Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong Limited (hereinafter referred to as the "Listing Rules"), the Company had received annual confirmations of independence from Chiu Lai Kuen, Susanna, Kwok Lam Kwong, Larry and Yao Xin and as at the date of this annual report, still considers them to be independent.

Note: 1. The three-year term of Ms. Chiu Lai Kuen, Susanna, an independent non-executive director, will expire on the date of the 2023 AGM of the Company. The Company will propose a resolution in relation to proposed re-appointment of Ms. Chiu Lai Kuen, Susanna as an independent non-executive director of the Company. For details, please refer to the announcement dated 26 March 2024 of the Company.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

The newly appointed directors and supervisors are required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors' and supervisors' remunerations for the year 2023 are set out in the section headed "Directors, Supervisors, Senior Management and Employees" of the annual report.

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

PERMITTED INDEMNITY PROVISIONS

The Company renewed Directors' liability insurance in 2023 with an insured amount RMB200 million. These liability insurances included permitted indemnity provisions. Save as disclosed above, the Company did not make any permitted indemnity provisions for the year ended 31 December 2023 and had no valid permitted indemnity provisions at the time of approval of the Report of the Board of Directors.

DIRECTORS' REMUNERATION

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

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

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

SIGNIFICANT CONTRACTS

The Company has entered into several agreements with CNOOC Limited, a related company, and other companies within China National Offshore Oil Corporation ("CNOOC"), other than CNOOC Limited ("CNOOC Group"), for the provision of oilfield services by the Company to CNOOC Limited and CNOOC Group, and for the provision of various services by CNOOC Group to the Company. Further details of the transactions undertaken in connection with these contracts during the year are included in Note 44 to the financial statements in this annual report.

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

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

As at 31 December 2023, none of the Directors, Supervisors and Chief Executives of the Company have interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 to the Listing Rules.

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

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES

So far as is known to any Director or Senior Management of the Company, as at 31 December 2023, the following persons have interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and The Hong Kong Stock Exchange:

Name of shareholder	Nature of interests	Number of equity shares (Share)	Approximate percentage of the interests (H Shares) in COSL (%)
BlackRock, Inc.	Interest in controlled corporation	172,272,510(L)	9.51(L)
		3,116,000(S)	0.17(S)
Brown Brothers Harriman & Co.	Interest in controlled corporation	164,499,406(L)	9.08(L)
		164,499,406(P)	9.08(P)
Citigroup Inc.	Interest in controlled corporation	145,695,495(L)	8.04(L)
		421,807(S)	0.02(S)
		145,254,150(P)	8.02(P)
Pandanus Associates Inc.	Interest in controlled corporation	108,776,000(L)	6.01(L)
FIDELITY FUNDS	Interest in controlled corporation	90,778,000(L)	5.01(L)

Notes:

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

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

CONNECTED TRANSACTIONS

Under the Listing Rules, connected transactions of the Company must be fully disclosed and are subject to the independent shareholders' approval, if the transaction is over a certain amount. The Company has applied to The Hong Kong Stock Exchange at the time of listing on The Hong Kong Stock Exchange for a waiver from strict compliance with the reporting, announcement and independent shareholders' approval requirements in respect of the continuing connected transactions of the Company and The Hong Kong Stock Exchange has granted a waiver in respect of such requirements for a period of three years, subject to the approval from independent shareholders with compliance to the requirements of the Listing Rules in respect of the continuing connected transactions of the Company upon expiry. During the year ended 31 December 2023, the Group had the following continuing connected transactions:

1. Master Services Framework Agreement

In 2022, the Company renewed connected transactions expired at the end of 2022.

The Company has entered into a new Master Services Framework Agreement with CNOOC on 27 October 2022. Pursuant to the new Master Services Framework Agreement, the Group has agreed to continue to provide the Oilfield Services to the CNOOC and its subsidiaries, and the CNOOC and its subsidiaries has agreed to continue to provide the Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services as well as the Property Services to the Group.

The resolution in respect of the continuing connected transactions for the three years from 1 January 2023 to 31 December 2025 was approved by the independent shareholders of the Company at the extraordinary general meeting held on 22 December 2022. For details, please refer to the announcements of the Company dated 27 October 2022 and 22 December 2022.

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

Pursuant to the Master Services Framework Agreement, the annual caps of the continuing connected transactions of the Group under the Master Services Framework Agreement for the years ended/ending 31 December 2023, 2024 and 2025 are as follows:

	For the year ended 31 December 2023 (RMB million)	For the year ending 31 December 2024 (RMB million)	For the year ending 31 December 2025 (RMB million)
Annual caps			
– Provision by the Group of Oilfield Services to CNOOC and its subsidiaries	**45,104**	47,478	49,925
– Provision by CNOOC and its subsidiaries of Machinery Leasing, Kinetic Energy, Material and Other Ancillary Services to the Group	**6,256**	6,837	7,496
– Provision by CNOOC and its subsidiaries of Property Services to the Group	**673**	734	804

2. Financial Services Framework Agreement

The Company entered into a new Financial Services Framework Agreement (formerly known as the Deposit and Settlement Agreement) with CNOOC Finance Corporation Limited (hereinafter referred to as "CNOOC Finance") on 8 May 2023. Pursuant to the new Financial Services Framework Agreement, CNOOC Finance has agreed to continue to provide the Cash Depository Services, the Settlement Services, the Loan Services and Other Financial Services to the Group. The Financial Services Framework Agreement took effect from 8 May 2023 for a term of three years and will expire on 7 May 2026.

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

Pursuant to the Financial Services Framework Agreement, the continuing connected transactions of the Group under the Financial Services Framework Agreement for the period from 8 May 2023 to 7 May 2026 shall satisfy the following agreements: the maximum daily balance of deposits (including interest receipts in respect of these deposits) shall not exceed RMB1,800 million; the total maximum amount of the services fees in respect of Other Financial Services shall not exceed RMB3 million for the period from 8 May 2023 to 31 December 2023, the year ending 31 December 2024, the year ending 31 December 2025 and the period from 1 January 2026 to 7 May 2026; and the maximum daily balance of loans will not exceed RMB3,900 million, respectively. Other Financial Services described above refer to the discounting services, the entrustment loans services and the letter of guarantee services provided by CNOOC Finance to the Group and businesses including the acceptance of commercial bills within the credit lines to be granted by CNOOC Finance under the Financial Services Framework Agreement.

During the year ended 31 December 2023, actual transaction amounts of the above-mentioned connected transactions of the Group are as follows:

a. Included in revenue

		2023 RMB'000	2022 RMB'000
i	**CNOOC Limited Group**		
	– Provision of drilling services	8,194,841	6,821,765
	– Provision of well services	21,736,778	16,984,054
	– Provision of marine support services	3,411,480	3,183,428
	– Provision of geophysical acquisition and surveying services	1,939,479	1,873,748
		35,282,578	28,862,995
ii	**CNOOC Group**		
	– Provision of drilling services	18,888	236,677
	– Provision of well services	441,282	373,181
	– Provision of marine support services	83,249	68,650
	– Provision of geophysical acquisition and surveying services	81,589	60,448
		625,008	738,956
iii	**Associates invested by CNOOC**		
	– Provision of drilling services	50,710	48,677
	– Provision of well services	307,278	61,546
	– Provision of marine support services	7,269	4,475
	– Provision of geophysical acquisition and surveying services	63	1,161
		365,320	115,859

During the current year, the revenue arising from operating leases from CNOOC Limited Group was RMB277,051,000 (2022: RMB91,250,000), the revenue arising from operating leases from CNOOC Group was RMB6,173,000 (2022: Nil).

b. Included in operating expenses

		2023 RMB'000	2022 RMB'000
i	**CNOOC Limited Group**		
	Materials, utilities and other ancillary services	50,786	58,837
	Transportation services	800	687
	Leasing of equipment	688	1,767
	Management services	289	581
	Labour services	15,955	10,371
		68,518	72,243
	Property services	44,016	38,264
		112,534	110,507
ii	**CNOOC Group**		
	Materials, utilities and other ancillary services	1,586,843	1,404,024
	Leasing of equipment	217,324	142,440
	Transportation services	57,754	54,134
	Management services	32,597	144,513
	Repair and maintenance services	8,399	4,844
	Labour services	86,262	111,386
		1,989,179	1,861,341
	Property services	156,938	160,291
		2,146,117	2,021,632
iii	**Associates invested by CNOOC**		
	Materials, utilities and other ancillary services	163,141	89,963
	Leasing of equipment	–	80
	Repair and maintenance services	–	350
	Management services	3,399	2,450
	Labour services	–	5,606
		166,540	98,449

c. Included in interest income

	2023 RMB'000	2022 RMB'000
CNOOC Finance interest income	20,862	14,491

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

d. Dividend from joint ventures

	2023 RMB'000	2022 RMB'000
Dividend from joint ventures	**102,502**	98,945

e. Included in finance costs

During the current year, the finance costs on the loan from related parties were US$44,968,000 (2022: US$12,076,000), which is equivalent to approximately RMB316,878,000 (2022: RMB81,221,000).

During the current year, the finance costs on the lease liabilities due to related parties were RMB13,937,000 (2022: RMB14,773,000).

f. Deposits

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deposits placed with CNOOC Finance	**1,781,695**	1,199,983

g. During the current year, the other income from CNOOC Limited Group in respect of compensation for equipment dropping into wells when rendering services was RMB1,189,000 (2022: RMB9,395,000).

h. Right-of-use assets

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

	2023 RMB'000	2022 RMB'000
CNOOC Group	**–**	10,050

The independent shareholders of the Company have approved the connected transactions set out in items a and b above on 22 December 2022. For items c to h above, the transactions were exempted from the independent shareholders' approval requirement of the Listing Rules and were approved by the Independent Directors.

The Independent Non-executive Directors have reviewed the above transactions and have confirmed that:

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

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

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

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

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

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

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

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

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

The Directors confirmed that the Company has complied with the requirements under Chapter 14A of the Listing Rules in respect of the above connected transactions. Save as disclosed above, other related party transactions disclosed in Note 44 to the financial statements in this annual report do not constitute the connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The final results of the Group have been reviewed by the Audit Committee of the Board which consists of three independent non-executive directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed audit, risk management, internal control and financial reporting matters including the review of audited 2023 annual results with the management.

BUSINESS PLAN

In 2023, the capital expenditure of the Company amounted to RMB9,746 million, representing 105.1% of the annual budget for the year, and the overall target had been basically achieved. On 30 January 2024, the World Economic Outlook report issued by the International Monetary Fund (IMF) predicted that the world economic growth rate would be 3.1% in 2024. In terms of oil supply and demand, the transition to green and low-carbon energy will accelerate, the growth of the global demand will further slow down, and the uncertainty about the trend of international oil price will increase. The global oilfield services market size will continue to show a recovery trend. According to the report issued by Spears & Associates, a consulting company, all segments of the global oilfield services market will show a growing trend in 2024, and it is expected that the segments of geophysical services, drilling, well completion and production and equipment and tools will reach US$8.1 billion, US$128.3 billion, US$97.3 billion, US$36.7 billion and US$57.6 billion in 2024, representing a year-on-year increase of 17%, 9%, 9%, 6% and 13%, respectively.

In 2024, it is estimated that the Company's capital expenditure will be approximately RMB7.4 billion, which will be mainly used for equipment investment and transformation and renovation, technical equipment transformation and renovation, investment in technology research and development, as well as base construction. The Company's internal capital liquidity will be stable and the external financing channels will be sufficient, which can ensure the safety of cash flow.

The Company will continue to implement the five development strategies, continuously enhance the strength of equipment, constantly promote scientific and technological innovation, and build the integrated service capability for the oilfield full life-cycle oriented to customer needs. The Company will adhere to green and low-carbon development, promote industrial transformation and upgrading, and gradually move towards becoming a world first-class energy service company with Chinese characteristics, so as to achieve multi-party win-win and value maximization with customers, employees, business partners and shareholders.

CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS

For the reporting period, the Company's compliance with the Corporate Governance Code is set out in the "Corporate Governance Report" section of this annual report. Upon specific enquiry to each and every director by the Company, the Board confirms that all members of the Board, for the reporting period, have complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 of the Listing Rules.

AUDITORS

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

EXECUTION OF THE INSIDER MANAGEMENT SYSTEM

The Company continuously strengthened the regular registration and management of insiders, strictly complied with laws and regulations related to inside information, actively promoted the implementation of regulatory requirements for insiders, and constantly enhanced the awareness of confidentiality of insiders.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company adhered to the green policy of "caring for the environment, energy conservation and efficiency improvement, and green development", and appointed 446 full-time and part-time employees engaged in environmental protection management, forming the Company's organizational structure of environmental protection management. The Company established a special management system focusing on pollution sources such as "water, atmosphere, noise and slag", actively organized and carried out ecological and environmental protection training, and continuously improved the quality of ecological and environmental protection management employees. The Company vigorously advocated green and low-carbon production and lifestyle and comprehensively enhanced employees' ecological and environmental protection awareness by carrying out the publicity activities of ecological and environmental protection.

In order to actively promote the implementation of carbon reduction management measures, the Company deepened the application of clean energy. In 2023, a total of 12 LNG vessels of three types of the Company were in operation, making the Company become the enterprise with the most LNG vessels in operation globally. The Company achieved a carbon reduction of 7,515 tonnes by replacing diesel fuel with LNG fuel. The Company completed the research and development of the formulation of CO_2 intelligent wormlike micelle gel geological storage agent response channeling sealing system, which further improved the technical capacity of CO_2 storage. The Company carried out research on methanol as the direction of clean fuel for vessels, and made prospective judgment on the trend of methanol fuel, and made key technological breakthroughs at present. In 2023, the Company fully completed the upgrading and renovation of domestic sewage treatment device and "zero discharge" system of drilling rigs in Bohai area, and the pollution factor values of domestic sewage dropped to the lowest level in all respects. The annual wastewater discharge compliance rate was 100%, and the wastewater recycling amount reached 2,997.95 tonnes.

The Company adhered to the principle of "3R (Reducing, Reusing and Recycling)" to implement waste management, and maximized waste resource recycling and utilization. The Company entrusted a professional disposal agency to dispose of the wastes with no reuse value, tracked it to the end management to ensure that all wastes were disposed in compliance with laws and regulations, and resolutely put an end to the risk of environmental pollution. In 2023, the Company achieved excellent performance of "zero government punishments, zero environmental incidents and zero oil spill incidents".

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

As at 31 December 2023, the Company did not enter into any equity-linked agreement.

BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS, DIRECTORS AND SUPERVISORS

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

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

OTHER DISCLOSURE

An analysis of the Company's performance using key financial performance indicators is set out in the section headed "Management Discussion and Analysis" in this annual report; particulars of important events affecting the Company that have occurred during the reporting period and/or since the end of the reporting period can be found in the section headed "Significant Events" in this annual report. In addition, discussions on the Company's environmental policies and performance and permitted indemnity provisions provided by the Company to its Directors are included in the sections headed "Environmental, Social and Governance (ESG) Report 2023" and "Corporate Governance Report" of this annual report. These discussions form part of the Report of the Board of Directors.

On behalf of the Board
Zhao Shunqiang
Chairman
26 March 2024

Supervisory Committee Report

In 2023, the Supervisory Committee of the Company has diligently performed its responsibilities in accordance with the requirements of the Company Law of the People's Republic of China (hereinafter referred to as the "Company Law"), the Articles of Association of China Oilfield Services Limited (hereinafter referred to as the "Articles of Association") and the Rules of Procedure of the Supervisory Committee. During the reporting period, the Supervisory Committee supervised and examined the procedures for decision making, the operating situation according to the law, financial reports disclosure and the construction and operation of the internal control system of the Company, and provided necessary protection for the legal benefits of the shareholders, the Company and the staff.

In 2023, seven Supervisory Committee's meetings were convened. Members of the Supervisory Committee attended the general meetings, Board meetings and special Board Committee Meetings of the Company and the important management meetings of the Company. The Supervisory Committee kept abreast of the issues of the Company daily production and operating activities, and carried out the supervision and inspection on compliance and risk control from procedures to content to ensure more perfection. During the reporting period, the operation of the Supervisory Committee and its opinions on the Company's supervision and inspection are as follows:

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

On 26 October 2023, the Supervisory Committee received the written resignation from Mr. Peng Wen, the chairman of the Supervisory Committee of the Company. Due to the adjustment of his work arrangement, Mr. Peng Wen resigned as a supervisor and the chairman of the Supervisory Committee of the Company. The resignation took effect from the date when a new supervisor is elected at the general meeting of the Company. Mr. Peng Wen and the Supervisory Committee of the Company have confirmed that they have no disagreement and there is no matter related to his resignation that needs to be brought to the attention of the shareholders and creditors of the Company. During his tenure, Mr. Peng Wen made great efforts in the compliance operation and risk prevention of the Company, with his extensive industry experience and objective standpoint, as well as serious and rigorous business attitude. The Supervisory Committee expresses its heartfelt gratitude to Mr. Peng Wen for his contribution to the Company. The resolution in relation to the nomination of Mr. Zhao Feng as the supervisor candidate of the Company was considered and approved at the sixth meeting of the Supervisory Committee in 2023.

On 19 March 2024, the Company convened the 2024 first extraordinary general meeting, at which Mr. Zhao Feng was elected as a supervisor of the Company for a term of three years, starting from the date when the resolution was passed at the 2024 first extraordinary general meeting. On 30 March 2024, the Company convened the Supervisory Committee meeting and elected Mr. Zhao Feng as the chairman of the Supervisory Committee.

As at the date of this report, Mr. Zhao Feng served as the chairman of the Supervisory Committee, Mr. Ma Xiuen served as the employee representative supervisor and Mr. Cheng Xinsheng served as the independent supervisor.

II. OPERATION OF THE SUPERVISORY COMMITTEE

(1) Seven Supervisory Committee's meetings were held on the same days after the conclusion of the Board meetings which the Supervisors had attended. The meetings mainly reviewed the compliance in respect of procedures for calling Board meetings and Board resolutions, considered and approved the Supervisory Committee Report in the 2022 annual report of the Company, the resolution of the dividend distribution of the Company for the year 2022 and the resolution of the amendments to the Rules of Procedure of the Supervisory Committee and other resolutions and also expressed review opinion in relation to the regular report approved by the Board.

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

(3) The Supervisory Committee had given its professional review advice in respect of the 2022 Annual Report, the first quarterly report for the year 2023, the 2023 Interim Report and the third quarterly report for the year 2023 in compliance with the regulatory requirements of A shares.

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

(5) The members of the Supervisory Committee attended all of the seven Board meetings in 2023 of the Company. Supervisors Peng Wen, Cheng Xinsheng and Ma Xiuen attended the 2022 AGM, the 2023 First A Shareholders' Class Meeting and the 2023 First H Shareholders' Class Meeting. Supervisors Cheng Xinsheng and Ma Xiuen attended the 2023 First EGM.

(6) Actively participated in trainings to enhance the duty performance ability.

On 13 March, Supervisor Peng Wen participated in the special training on the "Interpretation of Comprehensive Registration System Reform Policy" organized by Tianjin Securities Regulatory Commission and China Association for Public Companies.

On 24 October, Supervisor Ma Xiuen participated in the "Special Training on Reform of Independent Director System of Listed Companies in Tianjin" hosted by Tianjin Association for Public Companies.

From 20 November to 18 December, Supervisor Peng Wen participated in the online training on the theme courses of the Supervisory Committee in the Supervisors Special Zone organized by Tianjin Securities Regulatory Commission and China Association for Public Companies.

On 20 December, Supervisors Peng Wen and Cheng Xinsheng participated in the "Special Training on Reform of Independent Director System and Duty Performance Ability of Listed Companies" hosted by Tianjin Association for Public Companies.

III. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

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

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

(2) Financial Operation of the Company

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

(3) Related Party Transactions

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

(4) Management Situation and Internal Control of the Company

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

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

The Supervisory Committee was of the view that the Board of Directors of the Company, both collectively and individually, have earnestly performed their duties with integrity and diligence, and each Director has earnestly understood the operating situation of the Company and thoroughly discussed the Company's affairs before making decisions. The management of the Company conscientiously performed their duties according to their terms of reference and implemented the decisions of the Board in a scientific way.

(6) Execution of the Insiders' Information Management System

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

(7) External Guarantee

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

(8) Other Information

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

IV. WORK PLAN OF THE SUPERVISORY COMMITTEE IN 2024

In 2024, the Supervisory Committee of the Company will continue to strictly abide by the relevant provisions of the Company Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee. Adhering to the spirit of being highly responsible to all Shareholders and the employees of the Company, the Supervisory Committee will diligently perform its supervisory duties. We will continue to exercise effective supervision and review over production and operation and the decision-making procedure and content of major matters of the Company by attending General Meetings and Board meetings of the Company and participating in important meetings of the Company, so as to review various proposals of the Supervisory Committee. Continue to strengthen the effectiveness of supervision and inspection, regularly review and check the Company's financial information and status and internal control, keep attention and supervision on the performance of Directors and Senior Management of the Company, and ensure that the Company's operating activities are fully in compliance with laws and regulations. We will further enhance the professional skills and ability to perform duties of the Supervisors Committee by participating in professional training and the study of relevant laws and regulations, so as to better safeguard the legitimate rights and interests of the Company and Shareholders.

For and on behalf
of the Supervisory Committee
Zhao Feng
Chairman of the Supervisory Committee
26 March 2024

Significant Events

(I) SIGNIFICANT RELATED PARTY TRANSACTIONS

Further details on related party transactions are given in Note 44 to the financial statements of this annual report.

(II) GUARANTEE

Unit: Yuan Currency: RMB

External guarantee provided by the Company (excluding guarantee to subsidiaries)	
Total amount of guarantee occurred during the reporting period (excluding guarantee to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding guarantee to subsidiaries)	0
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantee occurred to its subsidiaries during the reporting period	22,792,893,716.06
Total balance of guarantee provided to its subsidiaries at the end of the reporting period (B)	21,241,309,452.16
Total guarantee provided by the Company (including guarantee to subsidiaries)	
Total amount of guarantee (A+B)	21,241,309,452.16
Total amount of guarantee as a percentage of the Company's net assets (%)	50.27
Including:	
Amount of guarantee provided to shareholders, the actual controller and its related parties (C)	0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	18,326,763,318.58
The excess of total amount of guarantee over 50% of the net assets (E)	113,256,255.66
Total amount of the three guarantees above (C+D+E)	18,440,019,574.24
Unexpired guarantee may be jointly and severally liable	N/A

Guarantee details	(1) Guarantee provided by the Company to subsidiaries includes the guarantee to its subsidiaries in favour of US$500 million medium-term notes issued by a subsidiary in 2015, and US$800 million notes issued by a subsidiary in 2020. (2) Subject parties with gearing ratio over 70% are wholly-owned subsidiaries of the Company. (3) The resolution of provision of guarantees for wholly-owned subsidiaries by the Company was considered and approved at the second meeting of the Board of Directors for 2023 on 23 March 2023. The above resolution was considered and approved at the 2022 AGM of the Company on 24 May 2023.

(III) ENGAGEMENT AND DISMISSAL OF AUDIT FIRMS OF THE COMPANY

Unit: RMB million

	Currently appointed
Name of domestic audit firm	Ernst & Young Hua Ming LLP
Remuneration of domestic audit firm	–
The service period of domestic audit firm	3 years
Name of certified public accountant of domestic audit firm	An Xiuyan, He Xin
Accumulated term of audit services by certified public accountant of domestic audit firm	3 years
Name of international audit firm	Ernst & Young
Remuneration of international audit firm	–
The service period of international audit firm	3 years
Remuneration of domestic and international audit firm	15.00

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

Note: On 24 May 2023, the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2023 respectively was approved at the 2022 AGM of the Company.

Independent Auditor's Report

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

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To the shareholders of China Oilfield Services Limited
(Established in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of **China Oilfield Services Limited** (the "Company") and its subsidiaries (the "Group") set out on pages 158 to 256, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of property, plant and equipment	
As at 31 December 2023, the carrying amount of property, plant and equipment of the Group, including drilling rigs, rigs and vessels, was RMB48,928,386,000, which was material to the consolidated financial statements. The capital expenditures of oil and gas companies remained stable under the protection of national strategies and policies. It was strongly certain of the earnings growth in the oilfield service companies. However, the oil price kept fluctuating at high level and competition was getting fierce. The day rates and utilization rates of the Group's some large-scale equipment were still at low levels, and there were impairment indicators for certain drilling rigs and vessels. Management performed impairment assessment accordingly by determining the recoverable amount of the relevant cash-generating units based on the value-in-use calculation or the fair value less cost of disposal according to appraisal report. The assessment of their value-in-use and fair value less costs of disposal was complex and involved significant judgement by management, subjective assumptions and estimation uncertainty, including the future utilisation rates, day rates, discount rates and the demand in future international oilfield service market. As a result of the impairment assessment, management has not provided for impairment of property, plant and equipment during the year ended 31 December 2023. The Group's disclosures about the impairment of property, plant and equipment are included in Note 3.2 *Material accounting policies*, Note 4 *Significant accounting judgements and estimates* and Note 17 *Property, plant and equipment* to the consolidated financial statements.	We understood and evaluated the key controls over the impairment assessment of property, plant and equipment, and tested the design and operating effectiveness of these key controls. Among other audit procedures performed, we understood and evaluated management assessment of impairment indicators, reviewed the underlying data used by management and tested the arithmetic accuracy of the impairment assessment. We also evaluated the significant assumptions used in the calculations, including the future utilisation rates, day rates, discount rates and the demand in future international oilfield service market by comparing them to historical operation data and external industry outlook reports. In addition, we involved our valuation specialists to assist us in assessing the valuation methodologies and the assumptions used, including the discount rates. We also assessed the adequacy of the Group's relevant disclosures included in the consolidated financial statements.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of accounts receivable assessed individually	
As at 31 December 2023, the Group's accounts receivable, net of expected credit loss of RMB13,511,315,000 were assessed for expected credit losses individually, which were material to the consolidated financial statements. Management assessed impairment of accounts receivable for significant balances and insignificant balances with specific risks for expected credit losses individually. The individual assessment of accounts receivable for expected credit losses was complex and significant estimation and judgement were required in determining the expected credit losses by management. In assessing the expected credit losses for above accounts receivable, management considered the specific factors, such as the historical loss experience, the creditworthiness of the debtors, the ageing of the balances and the forward-looking information. The Group's disclosures about the impairment assessment of account receivables are included in Note 3.2 *Material accounting policies*, Note 4 *Significant accounting judgements and estimates* and Note 26 *Accounts receivab*le to the consolidated financial statements.	We understood and evaluated the key controls over the impairment assessment of accounts receivable, and tested the design and operating effectiveness of these key controls. Among other audit procedures performed, we tested the arithmetic accuracy of the provision matrix prepared by management to calculate the expected credit losses, evaluated underlying data used in management's assessment of loss allowance, including the historical settlement patterns of the customers, credit ratings of customers, ageing of the balances and the forward-looking information. We compared the historical settlement patterns of the customers with ageing reports. We compared credit ratings of customers to external credit rating reports and evaluated whether the estimated loss rates were adjusted based on forward-looking information. For long-aged accounts receivable, we obtained an understanding of the background to the balance and progress on repayment, assessed the evidence of impairment provided. We also assessed the adequacy of the Group's relevant disclosures included in the consolidated financial statements.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

26 March 2024

Consolidated Statement of Profit or Loss

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
REVENUE	6	**44,108,616**	35,658,896
Sales surtaxes		**(66,375)**	(48,768)
Revenue, net of sales surtaxes		**44,042,241**	35,610,128
Other income	7	**309,718**	342,172
Depreciation of property, plant and equipment and amortisation of intangible assets and Multiclient library		**(5,195,328)**	(4,685,573)
Depreciation of right-of-use assets		**(415,317)**	(367,115)
Employee compensation costs	8	**(8,201,983)**	(7,414,041)
Repair and maintenance costs		**(601,614)**	(594,825)
Consumption of supplies, materials, fuel, services and others		**(10,101,768)**	(9,080,592)
Subcontracting expenses		**(11,420,862)**	(8,164,558)
Lease expenses	8	**(2,147,453)**	(1,666,872)
Other operating expenses		**(1,355,818)**	(1,175,708)
Impairment of property, plant and equipment	17	**–**	(30,198)
Impairment losses under expected credit loss model, net of reversal	10	**(56,579)**	(49,435)
Total operating expenses		**(39,496,722)**	(33,228,917)
PROFIT FROM OPERATIONS		**4,855,237**	2,723,383
Exchange (losses)/gains, net		**(37,143)**	565,845
Finance costs	9	**(996,796)**	(777,108)
Interest income		**181,132**	123,432
Investment income	8	**14,953**	16,307
Gains arising from financial assets at fair value through profit or loss	8	**71,135**	65,263
Share of profits of an associate and joint ventures, net of tax	23	**178,309**	287,558
Other gains and losses, net	8	**(23,959)**	(23,201)
PROFIT BEFORE TAX	8	**4,242,868**	2,981,479
Income tax expense	14	**(960,240)**	(482,275)
PROFIT FOR THE YEAR		**3,282,628**	2,499,204
Attributable to:			
Owners of the Company		**3,013,255**	2,358,697
Non-controlling interests		**269,373**	140,507
		3,282,628	2,499,204
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted (RMB)	16	**63.15 cents**	49.43 cents

Consolidated Statement of Comprehensive Income

Year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (Restated)
PROFIT FOR THE YEAR	3,282,628	2,499,204
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	13,264	(192,861)
Income tax effect relating to items that may be reclassified subsequently to profit or loss	(22,783)	(131,517)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(9,519)	(324,378)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	3,273,109	2,174,826
Attributable to:		
Owners of the Company	3,000,023	2,016,926
Non-controlling interests	273,086	157,900
	3,273,109	2,174,826

Consolidated Statement of Financial Position

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	*17*	**48,928,386**	44,148,190
Right-of-use assets	*18*	**1,301,420**	1,194,078
Goodwill	*19*	**–**	–
Other intangible assets	*20*	**155,710**	151,678
Multiclient library	*21*	**131,804**	216,100
Investments in an associate and joint ventures	*23*	**1,064,203**	988,381
Contract costs	*30*	**919,172**	496,813
Financial assets at fair value through profit or loss	*28*	**–**	–
Other non-current assets	*31*	**415,926**	1,829,173
Deferred tax assets	*34*	**59,111**	26,636
Total non-current assets		**52,975,732**	49,051,049
CURRENT ASSETS			
Inventories	*24*	**2,339,628**	2,528,806
Prepayments, deposits and other receivables	*25*	**202,770**	280,734
Accounts receivable	*26*	**14,125,168**	14,175,184
Notes receivable	*27*	**115,940**	22,759
Receivables at fair value through other comprehensive income	*29*	**351,950**	8,200
Financial assets at fair value through profit or loss	*28*	**4,501,296**	5,106,036
Contract assets		**53,700**	47,971
Contract costs	*30*	**30,550**	47,411
Other current assets	*31*	**333,864**	1,771,338
Pledged deposits	*32*	**11,291**	10,976
Time deposits	*32*	**2,226,439**	548,535
Cash and cash equivalents	*32*	**5,977,506**	3,561,740
Total current assets		**30,270,102**	28,109,690
CURRENT LIABILITIES			
Trade and other payables	*33*	**14,339,226**	11,629,065
Notes payable		**7,309**	11,866
Salary and bonus payables		**1,040,432**	1,033,179
Tax payable		**454,377**	94,937
Loans from related parties	*35*	**2,478,945**	2,437,610
Interest-bearing bank borrowings	*36*	**2,965,515**	3,515,710
Long-term bonds	*37*	**140,744**	872,231
Lease liabilities	*38*	**304,968**	437,193
Contract liabilities	*39*	**1,207,351**	759,723
Other current liabilities	*31*	**425,762**	500,387
Total current liabilities		**23,364,629**	21,291,901
NET CURRENT ASSETS		**6,905,473**	6,817,789
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,881,205**	55,868,838

Consolidated Statement of Financial Position (Continued)

31 December 2023

	Notes	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*34*	**387,709**	244,516
Loans from related parties	*35*	**2,648,996**	2,196,259
Interest-bearing bank borrowings	*36*	**157,396**	168,994
Long-term bonds	*37*	**12,182,776**	12,021,878
Lease liabilities	*38*	**742,220**	569,593
Contract liabilities	*39*	**1,292,800**	458,722
Deferred income	*40*	**186,332**	204,579
Employee benefit liabilities		**15,440**	7,587
Other non-current liabilities	*31*	**11,430**	20,743
Total non-current liabilities		**17,625,099**	15,892,871
Net assets		**42,256,106**	39,975,967
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*41*	**4,771,592**	4,771,592
Reserves		**36,871,427**	34,637,573
		41,643,019	39,409,165
Non-controlling interests		**613,087**	566,802
Total equity		**42,256,106**	39,975,967

Zhao Shunqiang
Director

Lu Tao
Director

Xiong Min
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2023

	Attributable to owners of the Company									
	Issued capital RMB'000	Capital reserve* RMB'000	Statutory reserve funds* RMB'000	Special reserve* RMB'000	Exchange fluctuation reserve* RMB'000	Retained profits* RMB'000	Proposed final dividend* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 31 December 2021	4,771,592	12,366,274	2,508,656	–	(235,576)	17,906,146	715,739	38,032,831	183,499	38,216,330
Effect of adoption of amendments to HKAS 12 (Note 2.1 (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 year	–	–	–	–	–	2,358,697	–	2,358,697	140,507	2,499,204
Other comprehensive income for the year, net of tax	–	–	–	–	(341,771)	–	–	(341,771)	17,393	(324,378)
Total comprehensive income for the year	–	–	–	–	(341,771)	2,358,697	–	2,016,926	157,900	2,174,826
Appropriation of safety fund	–	–	–	124,000	–	–	–	124,000	–	124,000
Utilisation of safety fund	–	–	–	(120,665)	–	–	–	(120,665)	–	(120,665)
Final 2021 dividend paid (Note 15)	–	–	–	–	–	–	(715,739)	(715,739)	–	(715,739)
Proposed final 2022 dividend (Note 15)	–	–	–	–	–	(763,455)	763,455	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	415,417	415,417
Dividends proposed to non-controlling interests	–	–	–	–	–	–	–	–	(190,000)	(190,000)
At 31 December 2022 (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
At 31 December 2022	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 HKAS 12 (Note 2.1 (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 year	**–**	**–**	**–**	**–**	**–**	**3,013,255**	**–**	**3,013,255**	**269,373**	**3,282,628**
Other comprehensive income for the year, net of tax	**–**	**–**	**–**	**–**	**(13,232)**	**–**	**–**	**(13,232)**	**3,713**	**(9,519)**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(13,232)**	**3,013,255**	**–**	**3,000,023**	**273,086**	**3,273,109**
Appropriation of safety fund	**–**	**–**	**–**	**631,020**	**–**	**–**	**–**	**631,020**	**–**	**631,020**
Utilisation of safety fund	**–**	**–**	**–**	**(629,279)**	**–**	**–**	**–**	**(629,279)**	**–**	**(629,279)**
Final 2022 dividend paid (Note 15)	**–**	**–**	**–**	**–**	**–**	**–**	**(763,455)**	**(763,455)**	**–**	**(763,455)**
Proposed final 2023 dividend (Note 15)	**–**	**–**	**–**	**–**	**–**	**(1,002,034)**	**1,002,034**	**–**	**–**	**–**
Dividends proposed to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(226,500)**	**(226,500)**
Acquisition of non-controlling interests of subsidiaries	**–**	**(4,455)**	**–**	**–**	**–**	**–**	**–**	**(4,455)**	**(301)**	**(4,756)**
At 31 December 2023	**4,771,592**	**12,361,819**	**2,508,656**	**5,076**	**(590,579)**	**21,584,421**	**1,002,034**	**41,643,019**	**613,087**	**42,256,106**

* These reserve accounts comprise the consolidated reserves of approximately RMB36,871,427,000 (31 December 2022: RMB34,637,573,000 (Restated)) in the consolidated statement of financial position as at 31 December 2023.

Consolidated Statement of Cash Flows

Year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*43*	**13,594,475**	7,739,497
Taxes paid:			
Chinese Mainland corporate income tax paid		**(246,713)**	(643,639)
Overseas income taxes paid		**(256,016)**	(196,972)
Net cash flows generated from operating activities		**13,091,746**	6,898,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other long-term assets		**(9,294,351)**	(4,136,266)
Investment in Multiclient library		**–**	(216)
Government grant received		**4,158**	1,000
Purchase of floating rate investments in corporate wealth management products, monetary funds, debt instrument and time deposits		**(4,950,000)**	(7,553,024)
Proceeds from disposal/maturity of floating rate investments in corporate wealth management products and monetary funds		**6,640,751**	7,329,466
Proceeds from disposal of property, plant and equipment		**101,691**	32,724
Disposal of a joint venture		**2,862**	6,524
Acquisition of subsidiaries		**–**	345,840
Purchase of non-controlling shareholder equity shares		**(4,763)**	–
Interest received		**119,575**	63,527
Dividends received from joint ventures and an associate		**102,288**	183,590
Deposits paid for acquisition of property, plant and equipment		**(179,412)**	(5,803)
Net cash flows used in investing activities		**(7,457,201)**	(3,732,638)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		**3,085,256**	3,383,860
New loans from related parties		**408,711**	2,133,599
Repayment of bank loans and loans from related parties		**(3,675,994)**	(18,200)
Repayment of long-term bonds		**(728,618)**	(8,294,900)
Repayment of lease liabilities		**(471,772)**	(372,290)
Dividends paid		**(953,455)**	(865,739)
Interest paid		**(947,961)**	(834,277)
Net cash flows used in financing activities		**(3,283,833)**	(4,867,947)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**2,350,712**	(1,701,699)
Cash and cash equivalents at beginning of year		**3,561,740**	5,006,389
Effect of foreign exchange rate changes, net		**65,054**	257,050
CASH AND CASH EQUIVALENTS AT END OF YEAR		**5,977,506**	3,561,740
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	*32*	**8,215,236**	4,121,251
Less: Pledged deposits	*32*	**(11,291)**	(10,976)
Time deposits	*32*	**(2,226,439)**	(548,535)
Cash and cash equivalents as stated in the consolidated statement of cash flows	*32*	**5,977,506**	3,561,740

Notes to Consolidated Financial Statements

1. GENERAL

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

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
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 – Pillar Two Model Rules*

The nature and the impact of the new and 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 material 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 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in Note 3 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(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.

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. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. 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 at 1 January 2022, with cumulative effect recognised as an adjustment to the balances of retained profits and non-controlling interests at that date. The quantitative impact on the financial statements is summarised below.

Impact on the consolidated statements of financial position:

	Increase/(Decrease)		
	As at 31 December 2023 RMB'000	As at 31 December 2022 RMB'000	As at 1 January 2022 RMB'000
Assets			
Deferred tax assets (Note)	**179,704**	152,269	224,925
Total non-current assets	**179,704**	152,269	224,925
Total assets	**179,704**	152,269	224,925
Liabilities			
Deferred tax liabilities (Note)	**103,018**	74,386	153,127
Total non-current liabilities	**103,018**	74,386	153,127
Total liabilities	**103,018**	74,386	153,127
Net assets	**76,686**	77,883	71,798
Equity			
Retained profits	**76,688**	77,884	71,812
Equity attributable to owners of the parent	**76,688**	77,884	71,812
Non-controlling interests	**(2)**	(1)	(14)
Total equity	**76,686**	77,883	71,798

Note: 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.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.1 New and amendments to HKFRSs that are mandatorily effective for the current year (continued)

(c) (continued)

Impact on the consolidated statements of profit or loss:

	Increase/(Decrease) 2023 RMB'000	2022 RMB'000
Income tax credit	–	6,085
Income tax expense	**(1,197)**	–
Profit for the year	**(1,197)**	6,085
Attributable to:		
Owners of the parent	**(1,196)**	6,072
Non-controlling interests	**(1)**	13
	(1,197)	6,085
Total comprehensive income for the year	**(1,197)**	6,085
Attributable to:		
Owners of the parent	**(1,196)**	6,072
Non-controlling interests	**(1)**	13
	(1,197)	6,085

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in Note 34 to the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12. The impact on earnings per share, cash flows and other comprehensive income is not material.

(d) Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Group operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. The Group is in scope of the enacted or substantively enacted legislation and has performed an assessment of the Group's potential exposure to Pillar Two income taxes. The assessment of the potential exposure to Pillar Two income taxes is based on the most recent tax filings, country-by-country reporting and financial statements for the constituent entities in the Group. Based on the assessment, the Pillar Two effective tax rates in most of the jurisdictions in which the Group operates are above 15%. However, there are a limited number of jurisdictions where the transitional safe harbour relief does not apply and the Pillar Two effective tax rate is potentially lower than 15%. The Group does not expect a material exposure to Pillar Two income taxes in those jurisdictions.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.2 Amendments to HKFRSs in issue but not yet effective

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion.

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

Amendments to HKFRS 10 and HKAS 28 address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 was removed by the HKICPA. However, the amendments are available for adoption now.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (continued)

2.2 Amendments to HKFRSs in issue but not yet effective (continued)

Amendments to HKAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

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

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

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

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

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

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

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

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

3.2 Material accounting policies

Basis of consolidation

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

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

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

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

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

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

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

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

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

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

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

3.2 Material accounting policies (continued)

Business combinations or asset acquisitions and goodwill

Optional concentration test

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

Asset acquisitions

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

Business combinations

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

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

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

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

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

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

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

3.2 Material accounting policies (continued)

Business combinations or asset acquisitions and goodwill (continued)

Business combinations (continued)

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

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

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

Merger accounting for business combinations involving businesses under common control

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

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

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

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

Investments in associates and joint ventures

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

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

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

3.2 Material accounting policies (continued)

Investments in associates and joint ventures (continued)

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

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

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

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

Revenue from contracts with customers

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

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

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

3.2 Material accounting policies (continued)

Revenue from contracts with customers (continued)

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

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

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

If the Group performs by transferring goods or services to a customer before being unconditionally entitled to the consideration under the contract terms, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets. They are reclassified to accounts receivable when the right to the consideration becomes unconditional.

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

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

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

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

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

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

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

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

3.2 Material accounting policies (continued)

Revenue from contracts with customers (continued)

Variable consideration

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

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

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

Existence of a significant financing component

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

Contract costs

Incremental costs of obtaining a contract

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

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

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

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

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

(c) the costs are expected to be recovered.

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

3.2 Material accounting policies (continued)

Revenue from contracts with customers (continued)

Contract costs (continued)

Costs to fulfil a contract (continued)

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

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

Short-term leases and leases of low-value assets

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

Right-of-use assets

Except for short-term leases and leases of low-value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

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

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

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

Leasehold lands	50 years
Buildings	2 to 23 years
Plant and machinery	3 to 5 years
Motor vehicles	2 to 5 years

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

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

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

3.2 Material accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

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

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

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

3.2 Material accounting policies (continued)

The Group as a lessor

Classification and measurement of leases

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

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

Allocation of consideration to components of a contract

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

Foreign currencies

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

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

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

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

3.2 Material accounting policies (continued)

Foreign currencies (continued)

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extent that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve, relating to that particular foreign operation is recognised in the consolidated statement of profit or loss.

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

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

Borrowing costs

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

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

Government grants

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

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

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

Employee benefits

Short-term employee benefits

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

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

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

3.2 Material accounting policies (continued)

Employee benefits (continued)

Defined contribution plan

The Group's employees in Chinese Mainland are required to participate in a central pension plan operated by local municipal governments. The Group is required to contribute 14% to 16% (2022: 14% to 16%) of its payroll costs to the central pension plan. The contributions are charged to the consolidated statement of profit or loss as they become payable in accordance with the rules of the central pension plan.

Defined benefits plan

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

Defined benefit costs are categorised as follows:

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

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

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

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

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

- If the contributions are not linked to services (for example contributions are required to reduce a deficit arising from losses on plan assets or from actuarial losses), they are reflected in the remeasurement of the net defined benefit liability or asset;
- If contributions are linked to services, they reduce service costs. For the amount of contribution that is dependent on the number of years of service, the entity reduces service cost by attributing the contributions to periods of service using the attribution method for the gross benefits. For the amount of contribution that is independent of the number of years of service, the entity reduces service cost in the period in which the related services are rendered.

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

3.2 Material accounting policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

3.2 Material accounting policies (continued)

Income tax (continued)

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

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

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

3.2 Material accounting policies (continued)

Property, plant and equipment and depreciation (continued)

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

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

Intangible assets (other than goodwill)

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

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

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

Research and development costs

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

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

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

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

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

3.2 Material accounting policies (continued)

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

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

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

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

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

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

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

Inventories

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

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

3.2 Material accounting policies (continued)

Provisions

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

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

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

Onerous contracts

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Related parties

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

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

- (i) has control or joint control over the Group;
- (ii) has a significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;

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

3.2 Material accounting policies (continued)

Related parties (continued)

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Dividends

Final and/or interim dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value except for accounts receivable arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the consolidated statement of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

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

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets

Classification and measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Group's cash and cash equivalents, time deposits, pledged deposits, accounts receivable, notes receivable, certain other receivables, other current assets – deposits paid for monetary funds and certificate of deposit, debt instrument at amortised cost, which meet the above conditions are subsequently measured at amortised cost.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

The Group's bank acceptance notes receivable included in receivables at fair value through other comprehensive income are subsequently measured at FVTOCI.

All other financial assets are subsequently measured at FVTPL.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and financial assets classified as FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

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

3.2 Material accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Financial assets classified as at FVTOCI

Subsequent changes in the carrying amounts for financial assets classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in the consolidated statement of profit or loss. All other changes in the carrying amount of these financial assets are recognised in other comprehensive income ("OCI") and accumulated in the reserve. Impairment allowance is recognised in the consolidated statement of profit or loss with a corresponding adjustment to OCI without reducing the carrying amounts of these financial assets. When these financial assets are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to the consolidated statement of profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in the consolidated statement of profit or loss. The net gain or loss recognised in the consolidated statement of profit or loss is included in the "Gains/(losses) arising from financial assets at fair value through profit or loss" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under the expected credit loss ("ECL") model on financial assets (including cash and cash equivalents, time deposits, pledged deposits, accounts receivable, certain notes receivable, receivables at fair value through other comprehensive income, certain other receivables, other current assets – deposits paid for monetary funds and certificate of deposit, a debt instrument at amortised cost), a lease receivable, contract assets and financial guarantee contracts which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for its accounts receivable, lease receivable and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and insignificant balances with specific risks, which have sufficient past due data and forward-looking information for the ECL assessment. For the rest of the assets, the ECL is assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

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

3.2 Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Despite the foregoing, the Group assumes that the credit risk on a financial asset has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial asset is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying a significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group).

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

3.2 Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. For example, the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in the consolidated statement of profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on accounts receivable and certain other receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward-looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

The Group has measured ECL at the individual instrument level for most of its relevant financial assets, lease receivable and contract assets. Besides, there are insignificant balances where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments;
- Past-due status;

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

3.2 Material accounting policies (continued)

Financial instruments (continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 (continued)

Measurement and recognition of ECL (continued)

- Type of debtors and economic circumstances facing; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure that the constituents of each group continue to share similar credit risk characteristics.

The Group recognises an impairment gain or loss in profit or loss for all financial assets through a loss allowance account, except for financial assets at FVTOCI for which the loss allowance is recognised in OCI and accumulated in the reserve without reducing the carrying amount of financial assets at FVTOCI. Such amount represents the changes in the reserve in relation to accumulated loss allowance.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in the consolidated statement of profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL. All of the Group's financial liabilities including trade and other payables, notes payable, loans from related parties, interest-bearing bank borrowings and long-term bonds are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged or cancelled, or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the consolidated statement of profit or loss.

Non-substantial modifications of financial liabilities

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in the consolidated statement of profit or loss at the date of modification.

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

3.2 Material accounting policies (continued)

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about those assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful life and impairment of property, plant and equipment

The estimated useful life of property, plant and equipment is based on the historical experience of the actual useful life of property, plant and equipment with similar characteristics and functions. If the useful life of these property, plant and equipment is less than previously estimated, the Group will accelerate the related depreciation or dispose of idle or obsolete property, plant and equipment. This requires management to use past experience in estimating the appropriate useful life.

Where there exists an indication of impairment of an asset, the Group performs the impairment test in relation to the asset (or cash-generating unit ("CGU") to which the asset belongs). An impairment loss is recognised only if the carrying amount of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less cost of disposal and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In assessing the impairment loss of property, plant and equipment, management would consider all relevant factors with reasonable and supportable assumptions as well as the latest development and various relevant factors in respect of the underlying drilling rig of the respective drilling service contract to make significant accounting estimations. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal. This requires management to make assumptions about the future cash flows and discount rate and hence they are subject to uncertainty.

The capital expenditures of oil and gas companies remained stable under the protection of national strategies and policies. It was strongly certain of the earnings growth in the oilfield service companies. However, the oil price kept fluctuating at high level and competition was getting fierce. The day rates and utilization rates of the Group's several large-scale equipment are at low levels and there are indicators of impairment. Management is of the view that certain impairment indicators exist. The Group has not provided for impairment of property, plant and equipment during the year (2022: RMB30,198,000). As at 31 December 2023, the carrying amount of property, plant and equipment was RMB48,928,386,000 (2022: RMB44,148,190,000). Further details are given in Note 17.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Estimation uncertainty (continued)

Provision of ECL for accounts receivable

Management determines the credit losses of the accounts receivable based on the expected credit loss model. Significant judgements and estimations involved include:

For expected credit losses assessed individually, the recoverable amounts of the accounts receivable are determined by management based on the historical settlement patterns of the customers, management's judgement about credit risk changes and forward-looking information. For expected credit losses assessed using the provision matrix, management is required to determine the credit loss rate based on the Group's historical default rates that are representative of the economic condition the accounts receivable are exposed to, which is then duly adjusted by the relevant forward-looking information. These involve estimation uncertainty and significant judgement.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's accounts receivable is disclosed in Notes 26 and 46.

Deferred tax assets

Deferred tax assets are generally recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets have been recognised on the tax loss of RMB7,996,337,000 (2022: RMB7,919,272,000) and deductible temporary differences of RMB4,294,706,000 at 31 December 2023 (2022: RMB4,185,098,000). Further details are contained in Note 34. In cases where there are actual future profits or the actual future profits generated are more than expected, or the effective tax rate is changed, a material recognition or change of deferred tax assets may arise, which would be recognised in the consolidated statement of profit or loss for the period in which such recognition or change takes place.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations (including those applicable to tax credits) and the amount and timing of future taxable income. Given the wide range of international business relationships and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on best estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the Group's experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise in a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Management judgement is required to determine the applicable tax rates in the further periods, based on the various tax laws, regulations, treaties and level of operations in jurisdictions of operation, future tax planning strategies and the forecast made on the Company's continuing compliance with the High-New Technical Enterprise ("HNTE") criteria. In cases where the actual tax rates are less than expected, a material reversal of deferred tax assets may arise and will be recognised in the consolidated statement of profit or loss in the period in which such a reversal takes place.

5. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2023	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	12,051,135	25,717,532	3,938,827	2,334,747	44,042,241
Sales surtaxes	16,421	39,438	5,930	4,586	66,375
Revenue, before net of sales surtaxes	12,067,556	25,756,970	3,944,757	2,339,333	44,108,616
Intersegment sales	303,606	44,491	292,532	9,598	650,227
Segment revenue	12,371,162	25,801,461	4,237,289	2,348,931	44,758,843
Eliminations	(303,606)	(44,491)	(292,532)	(9,598)	(650,227)
Group revenue	12,067,556	25,756,970	3,944,757	2,339,333	44,108,616
Segment results	741,015	4,137,193	38,564	92,815	5,009,587
Reconciliation:					
Exchange losses, net					(37,143)
Finance costs					(996,796)
Interest income					181,132
Investment income					14,953
Gains arising from financial assets at FVTPL					71,135
Profit before tax					4,242,868
Income tax expense					(960,240)
As at 31 December 2023					
Segment assets	39,644,136	22,216,241	6,817,305	4,738,054	73,415,736
Unallocated assets					9,830,098
Total assets					83,245,834
Segment liabilities	6,308,672	10,752,214	1,181,131	1,343,148	19,585,165
Unallocated liabilities					21,404,563
Total liabilities					40,989,728
Other segment information:					
Capital expenditure*	6,167,001	2,781,574	311,942	485,496	9,746,013
Depreciation of property, plant and equipment and amortisation of other intangible assets and Multiclient library	2,546,153	1,354,739	788,717	505,719	5,195,328
Depreciation of right-of-use assets	216,965	119,061	52,711	26,580	415,317
Impairment of accounts receivable	34,376	17,027	2,841	1,652	55,896
Impairment of other receivables	165	400	74	44	683
Provision/(reversal) of impairment of inventories, net	2,749	5,869	899	533	10,050
Share of profits of an associate and joint ventures, net of tax	–	109,108	–	69,201	178,309
Investments in an associate and joint ventures	–	694,550	–	369,653	1,064,203

5. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2022 (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	10,334,097	19,571,243	3,719,901	1,984,887	35,610,128
Sales surtaxes	11,927	28,455	5,119	3,267	48,768
Revenue, before net of sales surtaxes	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Intersegment sales	497,503	27,642	326,018	11,392	862,555
Segment revenue	10,843,527	19,627,340	4,051,038	1,999,546	36,521,451
Eliminations	(497,503)	(27,642)	(326,018)	(11,392)	(862,555)
Group revenue	10,346,024	19,599,698	3,725,020	1,988,154	35,658,896
Segment results	(635,945)	3,681,075	(59,172)	1,782	2,987,740
Reconciliation:					
Exchange gains, net					565,845
Finance costs					(777,108)
Interest income					123,432
Investment income					16,307
Gains arising from financial assets at FVTPL					65,263
Profit before tax					2,981,479
Income tax expense					(482,275)
As at 31 December 2022(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
Other segment information:					
Capital expenditure*	1,371,739	2,208,960	243,662	254,874	4,079,235
Depreciation of property, plant and equipment and amortisation of other intangible assets and Multiclient library	2,286,843	1,024,661	757,921	616,148	4,685,573
Depreciation of right-of-use assets	152,803	136,699	56,417	21,196	367,115
Impairment of accounts receivable	37,537	13,387	1,566	1,408	53,898
Reversal of impairment of other receivables	(1,176)	(2,459)	(521)	(307)	(4,463)
Reversal of impairment of inventories	(2,177)	(4,122)	(783)	(418)	(7,500)
Impairment of property, plant and equipment	30,198	–	–	–	30,198
Share of profits of an associate and joint ventures, net of tax	–	219,545	–	68,013	287,558
Investments in an associate and joint ventures	–	645,426	–	342,955	988,381

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

5. OPERATING SEGMENT INFORMATION (continued)

Geographical information

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

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

The following table presents revenue and non-current assets (excluding goodwill, investments in an associate and joint ventures, financial assets and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2023 and 2022.

Year ended/as at 31 December 2023

	Domestic RMB'000	International RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	34,638,330	9,470,286	44,108,616
Less: Sales surtaxes	(66,375)	–	(66,375)
Revenue, net of sales surtaxes	34,571,955	9,470,286	44,042,241
Non-current assets	36,898,603	14,953,815	51,852,418

Year ended/as at 31 December 2022

	Domestic RMB'000	International RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	29,384,438	6,274,458	35,658,896
Less: Sales surtaxes	(48,768)	–	(48,768)
Revenue, net of sales surtaxes	29,335,670	6,274,458	35,610,128
Non-current assets	35,001,599	11,418,086	46,419,685

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% (2022: 81%) of the total sales of the Group for the year ended 31 December 2023, details of the segments with such revenue are given in Note 44 (A).

6. REVENUE

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers	42,754,386	34,902,716
Revenue arising from operating leases	1,354,230	756,180
Total	44,108,616	35,658,896

6. REVENUE (continued)

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the years ended 31 December 2023 and 2022

Segments	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Total RMB'000
	For the year ended 31 December 2023				
Geographical markets					
Domestic	7,827,504	20,816,682	3,673,437	2,061,757	34,379,380
International	3,069,132	4,756,978	271,320	277,576	8,375,006
Total	10,896,636	25,573,660	3,944,757	2,339,333	42,754,386
Timing of revenue recognition					
At a point of time	–	172,633	–	–	172,633
Over time	10,896,636	25,401,027	3,944,757	2,339,333	42,581,753
Total	10,896,636	25,573,660	3,944,757	2,339,333	42,754,386
Type of customers					
CNOOC Limited Group	8,311,575	21,897,095	3,411,480	1,939,479	35,559,629
Others	2,585,061	3,676,565	533,277	399,854	7,194,757
Total	10,896,636	25,573,660	3,944,757	2,339,333	42,754,386

Segments	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Total RMB'000
	For the year ended 31 December 2022				
Geographical markets					
Domestic	7,511,194	16,326,038	3,417,068	1,942,871	29,197,171
International	2,175,955	3,176,355	307,952	45,283	5,705,545
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716
Timing of revenue recognition					
At a point of time	–	96,333	–	28,389	124,722
Over time	9,687,149	19,406,060	3,725,020	1,959,765	34,777,994
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716
Type of customers					
CNOOC Limited Group	6,821,765	16,984,054	3,183,428	1,873,748	28,862,995
Others	2,865,384	2,518,339	541,592	114,406	6,039,721
Total	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716

6. REVENUE (continued)

(A) Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the years ended 31 December 2023 and 2022 (continued)

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

	For the year ended 31 December 2023				
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	**12,371,162**	**25,801,461**	**4,237,289**	**2,348,931**	**44,758,843**
Less: Revenue arising from operating leases	**(1,170,920)**	**(183,310)**	**–**	**–**	**(1,354,230)**
Eliminations	**(303,606)**	**(44,491)**	**(292,532)**	**(9,598)**	**(650,227)**
Revenue from contracts with customers	**10,896,636**	**25,573,660**	**3,944,757**	**2,339,333**	**42,754,386**

	For the year ended 31 December 2022				
Segments	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Revenue from contracts with customers RMB'000
Segment revenue	10,843,527	19,627,340	4,051,038	1,999,546	36,521,451
Less: Revenue arising from operating leases	(658,875)	(97,305)	–	–	(756,180)
Eliminations	(497,503)	(27,642)	(326,018)	(11,392)	(862,555)
Revenue from contracts with customers	9,687,149	19,502,393	3,725,020	1,988,154	34,902,716

(B) Performance obligations for contracts with customers

(i) Drilling Services

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

6. REVENUE (continued)

(B) Performance obligations for contracts with customers (continued)

(ii) Well Services

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

(iii) Marine Support Services

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

(iv) Geophysical Acquisition and Surveying Services

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

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 and the expected timing of recognising revenue are as follows:

6. REVENUE (continued)

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

	As at 31 December 2023				
	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Total RMB'000
Within one year	321,618	1,218,343	–	145,762	1,691,723
In the second to fifth year, inclusive	1,346,969	348,792	–	–	1,695,761
After five years	–	–	–	–	–
Total	1,674,587	1,567,135	–	145,762	3,387,484

	As at 31 December 2022				
	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical acquisition and surveying services RMB'000	Total RMB'000
Within one year	235,284	880,019	–	59,804	1,175,107
In the second to fifth year, inclusive	26,304	1,517,086	–	–	1,543,390
After five years	–	–	–	–	–
Total	261,588	2,397,105	–	59,804	2,718,497

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

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Insurance claims received	22,872	7,262
Government grants	59,322	50,926
Value added tax credit	211,879	264,802
Compensation income on breach of contracts	9,031	6,382
Others	6,614	12,800
Total	309,718	342,172

8. PROFIT BEFORE TAX

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

	2023 RMB'000	2022 RMB'000
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**5,892,401**	5,565,751
Social security costs	**1,850,962**	1,581,331
Retirement benefits and pensions	**458,620**	266,959
Total	**8,201,983**	7,414,041
Auditor's remuneration	**15,205**	14,585
Other gains and losses, net:		
Gains arising from lease modifications	**(13,301)**	(356)
Losses on disposal of property, plant and equipment, net	**37,260**	23,557
Total	**23,959**	23,201
Lease expenses in respect of land and buildings, berths and equipment (a)	**2,147,453**	1,666,872
Provision/(reversal) of impairment of inventories, net	**10,050**	(7,500)
Impairment of accounts receivable	**55,896**	53,898
Provision/(reversal) of impairment of other receivables	**683**	(4,463)
Exchange losses/(gains), net	**37,143**	(565,845)
Income from investments in corporate wealth management products, monetary funds and debt instrument	**(14,953)**	(16,307)
Gains arising from financial assets at FVTPL	**(71,135)**	(65,263)
Cost of inventories recognised as expense	**7,016,268**	5,790,095
Research and development costs, included in:		
Depreciation of property, plant and equipment	**286,975**	201,841
Employee compensation costs	**570,208**	437,327
Consumption of supplies, materials, fuel, services and others	**396,758**	338,937
Total	**1,253,941**	978,105

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

9. FINANCE COSTS

An analysis of finance costs is as follows:

	2023 RMB'000	2022 RMB'000
Interest on bank borrowings	**183,214**	54,571
Interest on loans from related parties	**316,877**	81,221
Interest on long-term bonds	**425,551**	585,147
Interest on lease liabilities	**43,752**	42,663
Total interests	**969,394**	763,602
Other finance costs		
Others	**27,402**	13,506
Total	**996,796**	777,108

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

	2023 RMB'000	2022 RMB'000
Impairment losses recognised/(reversed) on:		
Accounts receivable	**55,896**	53,898
Other receivables	**683**	(4,463)
Total	**56,579**	49,435

Details of impairment assessment for the year ended 31 December 2023 are set out in Note 46.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and the CO, is as follows:

	2023 RMB'000	2022 RMB'000
Fees	**1,280**	1,280
Other emoluments:		
Basic salaries, allowances and benefits in kind	**1,367**	1,660
Bonuses (Note)	**3,297**	3,099
Pension scheme contributions	**–**	579
Subtotal	**4,664**	5,338
Total fees and other emoluments	**5,944**	6,618

Note: Certain directors and supervisors of the Company are entitled to bonus payments which are determined based on the duties and responsibilities of the directors and supervisors, as well as the operating results of the Group.

(a) Independent non-executive directors and independent supervisor

The fees paid/payable to independent non-executive directors and independent supervisor of the Company during the year are as follows:

	2023 RMB'000	2022 RMB'000
Independent non-executive directors:		
Chiu Lai Kuen, Susanna(1)	**400**	400
Wong Kwai Huen, Albert(2)	**–**	167
Kwok Lam Kwong, Larry(2)	**400**	233
Lin Boqiang(3)	**–**	267
Yao Xin(3)	**400**	133
	1,200	1,200
Independent supervisor:		
Cheng Xinsheng	**80**	80
Total	**1,280**	1,280

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(a) Independent non-executive directors and independent supervisor (continued)

Notes:

(1) Chiu Lai Kuen, Susanna was appointed as an independent non-executive director on 1 June 2021.

(2) Kwok Lam Kwong, Larry was appointed as an independent non-executive director and Wong Kwai Huen, Albert resigned on 1 June 2022.

(3) Yao Xin was appointed as an independent non-executive director and Lin Boqiang resigned on 23 August 2022.

The independent non-executive directors' and independent supervisors' emoluments shown above were for their services as directors and supervisors of the Company.

There were no other emoluments payable to the independent non-executive directors and the independent supervisor during the year (2022: Nil).

(b) Executive directors, non-executive directors, supervisors and the chief executive

2023	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Total RMB'000
Executive director and chief executive officer:			
Zhao Shunqiang[1]	432	1,126	1,558
Executive directors:			
Lu Tao[2]	324	833	1,157
Xiong Min[3]	348	688	1,036
	672	1,521	2,193
Non-executive directors:			
Fan Baitao[1]*	–	–	–
Liu Qiudong[1]*	–	–	–
Supervisors:			
Peng Wen*	–	–	–
Ma Xiuen	263	650	913
	263	650	913
Total	1,367	3,297	4,664

Notes:

(1) Zhao Shunqiang was appointed as an executive director on 17 August 2023, while Fan Baitao and Liu Qiudong were appointed as non-executive directors on 17 August 2023.

(2) Lu Tao was appointed as an executive director on 17 August 2023.

(3) Xiong Min was appointed as an executive director on 22 December 2022.

11. DIRECTORS', CHIEF EXECUTIVE'S AND SUPERVISORS' REMUNERATION (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (continued)

2022	Basic salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
Executive directors and chief executive officer:				
Zhao Shunqiang	480	936	154	1,570
Executive directors:				
Xiong Min(1)	462	722	144	1,328
Yu Feng(1)	430	805	146	1,381
	892	1,527	290	2,709
Non-executive directors:				
Wu Wenlai*	–	–	–	–
Liu Zongzhao*	–	–	–	–
Supervisors:				
Peng Wen*	–	–	–	–
Zhao Bi(2)	160	394	73	627
Ma Xiuen(2)	128	242	62	432
	288	636	135	1,059
Total	1,660	3,099	579	5,338

Notes:

(1) Xiong Min was appointed as an executive director and Yu Feng resigned on 22 December 2022.

(2) Ma Xiuen was appointed as a supervisor and Zhao Bi resigned on 12 August 2022.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

There was no arrangement under which a director or a supervisor or the chief executive waived or agreed to waive any remuneration during both years.

* In addition to the directors' remuneration disclosed above, certain Directors and supervisors are not paid directly by the Company but receive remuneration from CNOOC, the ultimate holding company of the Company, in respect of their service to the larger group which includes the Group. No apportionment has been made as the qualifying services provided by these Directors to the Group are incidental to their responsibilities to the larger group.

12. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year do not include any directors, supervisors and the chief executive (2022: Nil), details of whose remuneration are set out in Note 11. Details of the remuneration of the five (2022: Five) non-director, non-supervisor, and non-chief executive highest paid employees for the year are as follows:

	2023 RMB'000	2022 RMB'000
Basic salaries, allowances and benefits in kind	**7,515**	7,758
Bonuses	**5,980**	3,582
Pension scheme contributions	**66**	59
Total	**13,561**	11,399

The number of non-director, non-supervisor, and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2023	 2022
HK$1,000,001 to HK$2,000,000	**2**	3
HK$2,000,001 to HK$3,000,000	**2**	1
HK$3,000,001 to HK$4,000,000	**–**	–
HK$4,000,001 to HK$5,000,000	**–**	1
HK$5,000,001 to HK$6,000,000	**–**	–
HK$6,000,001 to HK$7,000,000	**1**	–
Total	**5**	5

13. PENSIONS AND THE DEFINED BENEFIT PLAN

All the Group's full-time employees in Chinese Mainland are covered by a government-regulated pension scheme, and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension in the PRC at rates ranging from 14% to 16% (2022: 14% to 16%) of the employees' basic salaries. The related pension costs are expensed as incurred.

The retirement expenses of the Group are as follows:

	2023 RMB'000	2022 RMB'000
Contributions to the PRC government-regulated pension scheme	**537,167**	467,769
Contributions to overseas subsidiaries' pension schemes	**67,504**	38,417
Cost under a defined benefit plan for overseas subsidiaries	**19,587**	8,161
Total	**624,258**	514,347

At 31 December 2023, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2022: Nil).

14. INCOME TAX EXPENSE

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

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

The Company has obtained the public announcement from the Office of the Leading Group of the National High and New Technology Enterprise Recognition and Administration of High and New Technology Enterprises (the "HNTE") on 8 December 2023 regarding the filing of the recognition of HNTE and expects that there will be no substantial obstacles to obtaining the HNTE certificate in the subsequent years, and therefore the Company has provided for the corporate income tax for the year 2023 at a tax rate of 15%.

According to the HNTE certificate renewed by the Group's subsidiary Tianjin Eco-friendly Technology Co., Ltd. ("Eco-friendly Technology") in December 2023, the CIT rate of Eco-friendly Technology is 15% for the years from 2023 to 2025. According to "The Implementation Regulations of the CIT Law of the People's Republic of China" and "The Preferential Catalogue of Corporate Income Tax for Environmental Protection, Energy Saving and Water Saving Projects Enterprises (2021 Edition)" ([2021] No.36 issued by the Ministry of Finance, the State Administration of Taxation, the National Development and Reform Commission and the Ministry of Ecology and Environment), the environmental protection projects of Eco-friendly Technology are entitled to a tax holiday of a 3-year full exemption followed by a 3-year 50% exemption commencing from their respective first operating income generating year.

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% for the years from 2022 to 2024.

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

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

Countries and regions	2023	2022
Indonesia	**22%**	22%
Mexico	**30%**	30%
Norway	**22%**	22%
The United Kingdom	**19%(January-March 2023) 25%(April-December 2023)**	19%
Iraq	**Withholding tax based on 7% of revenue generated in Iraq**	Withholding tax based on 7% of revenue generated in Iraq
United Arab Emirates	**Not subject to any income tax**	Not subject to any income tax
Singapore	**17%**	17%
The United States of America	**21%**	21%
Canada	**Net federal corporate income tax of 15% and provincial income tax rates of 8%**	Net federal corporate income tax of 15% and provincial income tax rates ranging from 8% to 16%,depending on the province and the size of the business
Malaysia	**24%**	24%
Saudi Arabia	**20%**	20%
Brazil	**34%**	34%
Uganda	**30%**	30%
Thailand	**20%**	20%

14. INCOME TAX EXPENSE (continued)

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

	2023 RMB'000	2022 RMB'000 (Restated)
Current tax	849,546	62,297
Deferred tax	110,694	419,978
Total tax charge for the year	960,240	482,275

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

	2023		2022	
	RMB'000	%	RMB'000 (Restated)	% (Restated)
Profit before tax	4,242,868		2,981,479	
Tax at the statutory tax rate of 25% (2022: 25%)	1,060,717	25.0	745,370	25.0
Tax effect as HNTE and tax incentives	(452,192)	(10.7)	(9,166)	(0.3)
Income not subject to tax	(19,298)	(0.5)	(4,209)	(0.1)
Tax effect of share of profit of an associate and joint ventures	(44,577)	(1.0)	(71,889)	(2.4)
Expenses not deductible for tax	186,214	4.4	181,457	6.1
Tax benefit for qualifying research and development expenses	(201,556)	(4.8)	(156,575)	(5.3)
Effect of different tax rates for overseas subsidiaries	336,773	8.0	506,968	17.0
Effect of different tax rates applied to the period of reversal of the temporary differences	(7,218)	(0.2)	285,095	9.6
Tax effect of tax losses and deductible temporary differences unrecognised	38,842	0.9	8,108	0.3
Utilisation of tax losses previously not recognised	(10,722)	(0.3)	(86,393)	(2.9)
Tax effect on translation adjustment[Note 1]	(1,976)	–	(11,116)	(0.4)
Under/(over) provision in respect of prior years	70,022	1.7	(21,794)	(0.7)
Tax effect on full deduction of assets[Note 2]	–	–	(838,171)	(28.2)
Others	5,211	0.1	(45,410)	(1.5)
Total tax charge at the Group's effective tax rate	960,240	22.6	482,275	16.2

14. INCOME TAX EXPENSE (continued)

Note 1 The translation adjustment mainly relates to the tax effect of the difference between the profit before tax determined on the tax basis in Norwegian Krone ("NOK") and that determined on the accounting basis of some group companies in Norway in US dollars, the functional currency of these companies.

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

The share of tax attributable to an associate and joint ventures amounting to approximately RMB36,952,000 (2022: RMB23,847,000) is included in "Share of profits of an associate and joint ventures" in the consolidated statement of profit or loss.

15. DIVIDENDS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Proposed final dividend – RMB0.21 per ordinary share (2022: RMB0.16 per ordinary share)	**1,002,034**	763,455

The Board of Directors of the Company recommended the payment of a proposed dividend for the year ended 31 December 2023 of RMB0.21 per ordinary share (tax inclusive), in an aggregate amount of RMB1,002,034,320. The proposed dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2023, the dividend proposed in 2022 and paid to the shareholders of the Company was RMB0.16 per ordinary share, in an aggregate amount of RMB763,454,720 (2022: RMB715,738,800).

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

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

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

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

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

15. DIVIDENDS (continued)

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

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

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

16. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2023 RMB'000	2022 RMB'000 (Restated)
Earnings		
Earnings for the purpose of basic earnings per share calculation (profit for the year attributable to owners of the Company)	**3,013,255**	2,358,697

	2023	2022
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share calculation (share)	**4,771,592,000**	4,771,592,000

There were no differences between the basic and diluted earnings per share amounts for the years ended 31 December 2023 and 2022 as the Group had no dilutive potential ordinary shares in issue during those years.

17. PROPERTY, PLANT AND EQUIPMENT

31 December 2023	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2022 and 1 January 2023							
Cost	16,510,403	62,608,317	27,326,068	92,842	1,783,771	2,523,452	110,844,853
Accumulated depreciation and impairment	(9,503,824)	(37,210,481)	(19,596,314)	(72,174)	(313,460)	(410)	(66,696,663)
Carrying amount	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190
Carrying amount							
At 1 January 2023	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190
Additions	–	2,113,698	3,615,931	4,718	–	3,957,434	9,691,781
Depreciation provided	(752,212)	(1,558,359)	(2,668,144)	(4,484)	(76,185)	–	(5,059,384)
Disposals/write-offs	(1,811)	(33,618)	(83,026)	(528)	–	–	(118,983)
Transfers from/(to) construction in progress	9,966	1,448,344	2,274,610	11,602	1,757	(3,746,279)	–
Other reductions	(25,545)	–	–	–	–	–	(25,545)
Exchange realignment	3,149	258,272	16,872	–	3,484	10,550	292,327
At 31 December 2023	6,240,126	27,626,173	10,885,997	31,976	1,399,367	2,744,747	48,928,386
At 31 December 2023							
Cost	16,494,686	65,800,367	32,937,223	103,882	1,790,432	2,745,157	119,871,747
Accumulated depreciation and impairment	(10,254,560)	(38,174,194)	(22,051,226)	(71,906)	(391,065)	(410)	(70,943,361)
Carrying amount	6,240,126	27,626,173	10,885,997	31,976	1,399,367	2,744,747	48,928,386

31 December 2022	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2021 and 1 January 2022							
Cost	16,029,765	60,254,716	23,643,134	86,142	1,639,818	2,380,751	104,034,326
Accumulated depreciation and impairment	(8,688,514)	(34,690,247)	(17,087,909)	(72,687)	(238,401)	(410)	(60,778,168)
Carrying amount	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158
Carrying amount							
At 1 January 2022	7,341,251	25,564,469	6,555,225	13,455	1,401,417	2,380,341	43,256,158
Additions	–	–	1,188,518	10,254	–	2,665,399	3,864,171
Acquisition of subsidiaries	–	–	261,469	732	17	–	262,218
Depreciation provided	(784,494)	(1,581,038)	(2,133,799)	(3,076)	(68,591)	–	(4,570,998)
Disposals/write-offs	(4,098)	(27,541)	(27,171)	(697)	(80)	–	(59,587)
Transfers from/(to) construction in progress	434,096	257,055	1,869,538	–	113,296	(2,673,985)	–
Impairment provided	–	(30,198)	–	–	–	–	(30,198)
Exchange realignment	19,824	1,215,089	15,974	–	24,252	151,287	1,426,426
At 31 December 2022	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190
At 31 December 2022							
Cost	16,510,403	62,608,317	27,326,068	92,842	1,783,771	2,523,452	110,844,853
Accumulated depreciation and impairment	(9,503,824)	(37,210,481)	(19,596,314)	(72,174)	(313,460)	(410)	(66,696,663)
Carrying amount	7,006,579	25,397,836	7,729,754	20,668	1,470,311	2,523,042	44,148,190

During the year ended 31 December 2023, no interest was capitalised in property, plant and equipment (2022: Nil).

17. PROPERTY, PLANT AND EQUIPMENT (continued)

Impairment of property, plant and equipment

The day rates and utilization rates of the Group's several large-scale equipment have not returned to normal levels, and there were impairment indicators for certain drilling rigs and vessels. As a result, management conducted an impairment test on these assets. Management performed impairment assessment accordingly by determining the recoverable amount of the relevant cash-generating units or group of cash-generating units based on the fair value less cost of disposal according to appraisal report or the present value of expected future cash flows.

The fair value less costs of disposal is arrived at on the basis of valuation carried out by an independent property agent. The fair value of the relevant assets is determined based on a variety of valuation methods, including the market approach and income approach. The market approach is by reference to the value that would be received from selling the assets in an orderly transaction between market participants at the measurement date. The income approach is by reference to the projected discounted cash flows over the remaining economic life of the relevant assets. The above estimates of fair value requires the main inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets. estimated utilisation rates, service prices, cost level and capital requirements.

The present value of expected future cash flows for relevant cash-generating units is determined based on a five-year budget approved by management and an estimate of future market trends. The cash flow beyond the budget period is estimated based on the market trend and by reference to the relevant market trend report. The key assumptions and bases used to estimate the present value of future cash flows are as follows.

– The management of the Group predicts the present value based on the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilization rates, day rates, discount rate, cost level and capital requirements, and other related factors.

– The discount rate used is a long-term weighted-average cost of capital, which is based on management's best estimation of the investment returns that industry would require for the relevant assets. The pre-tax discount rate applied to the cash flow projections is in the range of 9.54%~14.37% (31 December 2022: 8.48%-12.89%).

As a result of the impairment assessment, the Group has not provided for impairment of property, plant and equipment for the year ended 31 December 2023 (2022: RMB30,198,000).

18. RIGHT-OF-USE ASSETS

31 December 2023	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
At 1 January 2023							
Cost	217,826	728,900	283,739	6,349	487,464	357,719	2,081,997
Accumulated depreciation and impairment	(146,100)	(293,489)	(162,030)	(5,079)	(242,541)	(38,680)	(887,919)
Carrying amount	71,726	435,411	121,709	1,270	244,923	319,039	1,194,078
Carrying amount							
At 1 January 2023	71,726	435,411	121,709	1,270	244,923	319,039	1,194,078
Additions	161,473	256,233	8,833	–	105,162	–	531,701
Depreciation charge	(50,731)	(185,733)	(49,330)	(766)	(123,418)	(5,339)	(415,317)
Lease modification	–	–	(2,584)	(505)	(11,935)	–	(15,024)
Exchange realignment	137	838	1,696	12	1,902	1,397	5,982
At 31 December 2023	182,605	506,749	80,324	11	216,634	315,097	1,301,420
At 31 December 2023							
Cost	255,837	987,937	242,909	1,043	526,411	359,116	2,373,253
Accumulated depreciation and impairment	(73,232)	(481,188)	(162,585)	(1,032)	(309,777)	(44,019)	(1,071,833)
Carrying amount	182,605	506,749	80,324	11	216,634	315,097	1,301,420

31 December 2022	Vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 1 January 2022							
Cost	236,822	466,573	272,846	7,068	341,914	233,747	1,558,970
Accumulated depreciation and impairment	(160,504)	(137,428)	(113,638)	(6,040)	(135,122)	(33,341)	(586,073)
Carrying amount	76,318	329,145	159,208	1,028	206,792	200,406	972,897
Carrying amount							
At 1 January 2022	76,318	329,145	159,208	1,028	206,792	200,406	972,897
Additions	48,037	256,347	89	1,152	113,665	117,007	536,297
Acquisition of subsidiaries	–	–	–	–	38,340	–	38,340
Depreciation charge	(52,629)	(155,559)	(42,174)	(619)	(110,795)	(5,339)	(367,115)
Lease modification	–	(1,179)	(2,439)	(329)	(10,863)	–	(14,810)
Exchange realignment	–	6,657	7,025	38	7,784	6,965	28,469
At 31 December 2022	71,726	435,411	121,709	1,270	244,923	319,039	1,194,078
At 31 December 2022							
Cost	217,826	728,900	283,739	6,349	487,464	357,719	2,081,997
Accumulated depreciation and impairment	(146,100)	(293,489)	(162,030)	(5,079)	(242,541)	(38,680)	(887,919)
Carrying amount	71,726	435,411	121,709	1,270	244,923	319,039	1,194,078

18. RIGHT-OF-USE ASSETS (continued)

	2023 RMB'000	2022 RMB'000
Expense related to short-term leases	**1,172,088**	697,565
Variable lease payments not included in the measurement of lease liabilities	**975,365**	969,307
	2,147,453	1,666,872
Total cash outflow for leases	**2,208,520**	1,849,183

For both years, the Group leases various vessels, drilling rigs, machinery and equipment, buildings and motor vehicles for its operations. Lease contracts are entered into for fixed terms of 1 to 23 years, but may have extension and termination options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several leasehold lands for operating purposes and has obtained the land use right certifications. The upfront payments for such leasehold lands were classified as right-of-use assets upon application of HKFRS 16.

The Group regularly enters into short-term leases for vessels, drilling rigs, machinery and equipment, buildings and motor vehicles. As at 31 December 2023, the portfolio of short-term leases was similar to the portfolio of the short-term leases disclosed in Note 8.

Variable lease payments

The Group has entered into several lease contracts associated to certain drilling rigs, vessels with variable lease payments determined by utilisation days and day rates. The Group recognised these variable lease payments as expenses during the current year when they were paid or payable.

Extension and termination options

The Group has extension and/or termination options to maximise the operational flexibility in managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessors.

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options or not to exercise the termination options. In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, or not to exercise a termination option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year ended 31 December 2023, there was no such triggering event.

19. GOODWILL

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

	2023 RMB'000
COST	
At 1 January	4,692,372
Exchange realignment	79,569
At 31 December	4,771,941
IMPAIRMENT	
At 1 January	4,692,372
Exchange realignment	79,569
At 31 December	4,771,941
CARRYING AMOUNT	
At 31 December	–

20. OTHER INTANGIBLE ASSETS

31 December 2023	Trademark RMB'000	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2023	5,025	146,653	–	151,678
Additions	–	54,232	–	54,232
Amortisation provided	(524)	(50,487)	–	(51,011)
Disposals	–	(350)	–	(350)
Exchange realignment	–	1,161	–	1,161
At 31 December 2023	4,501	151,209	–	155,710
At 31 December 2023				
Cost	5,733	846,541	127,460	979,734
Accumulated amortisation	(1,232)	(695,332)	(127,460)	(824,024)
Carrying amount	4,501	151,209	–	155,710

31 December 2022	Trademark RMB'000	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2022	–	86,129	–	86,129
Additions	–	97,841	–	97,841
Acquisition of subsidiaries	5,322	–	–	5,322
Amortisation provided	(297)	(37,663)	–	(37,960)
Exchange realignment	–	346	–	346
At 31 December 2022	5,025	146,653	–	151,678
At 31 December 2022				
Cost	5,733	785,682	125,335	916,750
Accumulated amortisation	(708)	(639,029)	(125,335)	(765,072)
Carrying amount	5,025	146,653	–	151,678

21. MULTICLIENT LIBRARY

	Multiclient Library RMB'000
Carrying amount at 1 January 2023	**216,100**
Development cost capitalised	**–**
Amortisation provided	**(84,933)**
Exchange realignment	**637**
At 31 December 2023	**131,804**
At 31 December 2023	
Cost	**385,842**
Accumulated amortisation	**(254,038)**
Carrying amount	**131,804**

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

The Group has entered into cooperation agreements with Spectrum Geo Inc ("Spectrum") and TGS AS ("TGS") to invest in certain multiclient data projects. These agreements are accounted for as joint operations where the parties have joint control over the projects and have rights to the assets and liabilities of the investment. Costs directly incurred in acquiring, processing and completing the multi-client data projects are capitalised to the Multiclient library. As at 31 December 2023, the entire multi-client data projects had been completed.

22. PARTICULARS OF SUBSIDIARIES

Details of the Company's principal subsidiaries at the end of the reporting period are set out below:

Name of entity	Place and date of incorporation/registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group		Principal activities
				2023	2022	
Eco-friendly Technology (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, PRC 1 December 2005	Hong Kong, PRC	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 oil and gas exploration services
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams1,000,000	100%	100%	Provision of oil and gas exploration services
COSL Prospector Pte. Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	100%	100%	Provision of drilling services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	NOK1,541,328,656	100%	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	100%	100%	Management of drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	100%	100%	Management of 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	RMB1,190,000,000	100%	100%	Provision of oil and gas exploration services

22. PARTICULARS OF SUBSIDIARIES (continued)

Details of the Company's principal subsidiaries at the end of the reporting period are set out below: (continued)

Name of entity	Place and date of incorporation/registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group		Principal activities
				2023	2022	
COSL Hainan Technical Services Ltd. (a)	Haikou, PRC 12 May 2020	PRC	RMB1,275,000,000	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
COSL UK Limited	UK 24 January 2022	United Kingdom	Great Britain Pound1,472,600	100%	100%	Provision of oilfield services and related activities
China France Bohai Geoservices Co., Ltd. ("China France Bohai") (c)	Tianjin, PRC 30 November 1983	PRC	US$6,650,000	50%	50%	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (d)	Shenzhen, PRC 25 October 1984	PRC	RMB4,640,000	60%	60%	Provision of drilling fluids services
COSL Leasing (TianJin) Co.,Ltd. (a)	Tianjin, PRC 29 August 2023	PRC	RMB1,800,000	100%	–	Rental services

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

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

(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.

22. PARTICULARS OF SUBSIDIARIES (continued)

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

The following subsidiary had outstanding issued long-term bonds amounting to RMB9,251,077,000 at the end of the year:

	Held by third parties RMB'000
COSL Singapore Capital Ltd.	9,251,077

23. INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cost of investments in an associate	**104,000**	104,000
Cost of investments in joint ventures	**39,922**	39,922
Share of post-acquisition profits and losses, and other comprehensive income, net of dividends received	**920,281**	844,459
Carrying amount	**1,064,203**	988,381

Particulars of all associate and joint ventures are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/registration and operations	Percentage of Ownership interest 2023	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

23. INVESTMENTS IN AN ASSOCIATE AND JOINT VENTURES (continued)

Note:

(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 in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, COSL Malaysia has been accounted for in the Group's consolidated financial statements using the equity method. As at 31 December 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 an associate 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 associate and joint ventures are accounted for using the equity method in these consolidated financial statements.

The aggregate financial information in respect of the Group's associates and joint ventures is set out below and none of the associates and joint ventures is individually material.

	2023 **RMB'000**	2022 RMB'000
The Group's share of profit	**178,309**	287,558
The Group's share of total comprehensive income	**178,309**	287,558

24. INVENTORIES

	31 December 2023 **RMB'000**	31 December 2022 RMB'000
Raw materials	**2,050,013**	2,094,525
Goods in transit	**164,806**	358,708
Work in progress	**55,624**	6,627
Consumables and others	**69,185**	68,946
Total	**2,339,628**	2,528,806

The Group provided impairment of inventories of RMB16,989,000 (2022: RMB2,127,000) and reversed inventories' impairment of RMB6,939,000 (2022: RMB9,627,000) during the year, both of which were recorded in other operating expenses.

25. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepayments	92,524	157,670
Deposits	29,334	29,249
Other receivables	86,405	98,655
	208,263	285,574
Less: Provision for impairment of other receivables	(5,493)	(4,840)
Total	202,770	280,734

An analysis of other receivables is as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Prepaid tax	55,654	48,064
Compensation receivables	–	211
Insurance claim receivables	10,994	14,417
Payments on behalf of suppliers	5,836	7,099
Advance to employees	396	1,149
Lease receivables	–	5,044
Government grants	3,455	5,282
Others	10,070	17,389
Total	86,405	98,655

26. ACCOUNTS RECEIVABLE

	31 December 2023 RMB'000	31 December 2022 RMB'000
Accounts receivable – goods and services	17,136,314	17,152,684
Less: Allowance for credit losses	(3,011,146)	(2,977,500)
Total	14,125,168	14,175,184

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within one year	14,022,147	14,051,427
One to two years	84,805	94,735
Over two years	18,216	29,022
Total	14,125,168	14,175,184

26. ACCOUNTS RECEIVABLE (continued)

As at 31 December 2023, included in the Group's accounts receivable balance are debtors with an aggregate carrying amount of RMB103,021,000 which were past due as at the reporting date. Out of the past due balances, RMB615,000 is not considered in default based on past experience, the Directors are of the opinion that no further provision for impairment is necessary in respect of these balances which are considered fully recoverable after taking into consideration the customer's credit quality, historical behaviour of payments and prevailing market conditions. The Group does not hold any collateral or other credit enhancements over these past-due balances.

As at 31 December 2023, the carrying amount of accounts receivable for which the Group assessed expected credit losses individually was RMB16,438,077,000, the amount of credit losses provided was RMB2,926,762,000, and the net amount of accounts receivable was RMB13,511,315,000. The carrying amount of accounts receivable for which the Group assessed expected credit losses based on shared credit risk characteristics was RMB698,237,000, the amount of credit losses provided was RMB84,384,000, and the net amount of accounts receivable was RMB613,853,000.

Details of impairment assessment of accounts receivable for the year ended 31 December 2023 are set out in Note 46.

27. NOTES RECEIVABLE

	31 December 2023 RMB'000	31 December 2022 RMB'000
Bank acceptance notes receivable	**43,060**	1,267
Commercial acceptance notes receivable	**72,880**	21,492
Total	**115,940**	22,759

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

28. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current assets		
Investments in floating rate corporate wealth management products	**4,501,296**	4,906,011
Investments in monetary funds	**–**	200,025
Non-current assets		
Unlisted equity investment (Note)	**–**	–
Total	**4,501,296**	5,106,036

Note: The equity investment was an unlisted investment in Petrojack ASA, Petrojack ASA has ceased trading its' shares in March 2010, therefore, the Group has made full impairment provision of US$20,587,000 for it in 2010.

29. RECEIVABLES AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	31 December 2023 RMB'000	31 December 2022 RMB'000
Bank acceptance notes receivable	**351,950**	8,200

The bank acceptance notes are received from customers in the Group's ordinary course of business. As part of the liquidity management, the Group has endorsed certain bank acceptance notes receivable to banks or suppliers before the maturity date. The Group has transferred substantially all the risks and rewards of ownership relating to these bank acceptance notes endorsed, and derecognised the full carrying amounts of the bank acceptance notes receivable. Such bank acceptance notes receivable are held by the Group within a business model whose objective is achieved by both selling the notes receivable and collecting contractual cash flows. Accordingly, these bank acceptance notes receivable are subsequently measured at FVTOCI. Details of fair value of notes receivable at FVTOCI are set out in Note 45.

The Group provided no impairment against the balance after due consideration of the banks' low credit risk.

30. CONTRACT COSTS

	31 December 2023 RMB'000	31 December 2022 RMB'000
Mobilisation (Note)	**949,722**	544,224
Current	**30,550**	47,411
Non-current	**919,172**	496,813
Total	**949,722**	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 term of the related contracts.

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deposits paid for monetary funds (Note(a))	–	1,000,000
Value-added tax to be deducted and prepaid	**292,184**	753,485
Others	**41,680**	17,853
Other current assets	**333,864**	1,771,338
Output value-added tax to be recognised	**(384,377)**	(443,765)
Provision due within one year (Note(b))	**(41,385)**	(56,622)
Other current liabilities	**(425,762)**	(500,387)
Certificate of deposit (Note(c))	–	1,616,347
Value-added tax recoverable	**236,514**	207,023
Deposits paid for the acquisition of property, plant and equipment	**179,412**	5,803
Other non-current assets	**415,926**	1,829,173
Provision (Note(b))	**(11,430)**	(20,743)
Other non-current liabilities	**(11,430)**	(20,743)

Notes:

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

(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 large deposit certificate has expired in January 2024 and as of 31 December 2023, the remaining maturity is less than one year. The amount has been reclassified as time deposits, the par value of the deposit certificate is RMB1,500,000,000.

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash and balances with banks	**6,433,541**	2,921,268
Deposits with CNOOC Finance Corporation Limited ("CNOOC Finance") (Note 44)	**1,781,695**	1,199,983
Cash and balances with banks and financial institutions	**8,215,236**	4,121,251
Less:		
Pledged deposits	**(11,291)**	(10,976)
Time deposits	**(2,226,439)**	(548,535)
Cash and cash equivalents	**5,977,506**	3,561,740

At 31 December 2023, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB4,649,433,000 (31 December 2022: RMB2,189,160,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

33. TRADE AND OTHER PAYABLES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Trade payables	**13,254,205**	10,821,364
Other payables	**1,085,021**	807,701
Total	**14,339,226**	11,629,065

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Outstanding balances aged:		
Within one year	**12,701,339**	10,036,359
One to two years	**505,566**	644,660
Two to three years	**12,472**	70,705
Over three years	**34,828**	69,640
Total	**13,254,205**	10,821,364

34. DEFERRED TAXATION

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

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Deferred tax assets	**59,111**	26,636
Deferred tax liabilities	**(387,709)**	(244,516)
Total	**(328,598)**	(217,880)

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

	Balance at 31 December 2022 RMB'000	Effect of adoption of amendments to HKAS 12 RMB'000	Balance at 1 January 2023 (Restated) RMB'000	Recognised in profit or loss RMB'000	Exchange realignment RMB'000	Balance at 31 December 2023 RMB'000
Deferred tax assets:						
Provision for staff bonuses	10,535	–	10,535	15,032	57	25,624
Impairment of assets	79,320	–	79,320	(5,370)	463	74,413
Accrued liabilities	299,141	–	299,141	391	60	299,592
Deductible tax losses	223,030	–	223,030	(158,956)	5	64,079
Right-of-use assets and lease liabilities	2	152,269	152,271	45,899	579	198,749
Others	69,808	–	69,808	2,134	139	72,081
Total	681,836	152,269	834,105	(100,870)	1,303	734,538
Deferred tax liabilities:						
Accelerated depreciation of property, plant and equipment	83,458	–	83,458	(20,438)	8,238	71,258
Investment in corporate wealth management products	851	–	851	(668)	–	183
Right-of-use assets and lease liabilities	68,415	74,386	142,801	34,463	347	177,611
Full deduction of assets before tax	772,361	–	772,361	(4,769)	–	767,592
Fair value adjustment arising from acquisition of subsidiaries	4,324	–	4,324	(1,795)	–	2,529
Others	48,190	–	48,190	3,031	(7,258)	43,963
Total	977,599	74,386	1,051,985	9,824	1,327	1,063,136
Total	295,763	(77,883)	217,880	110,694	24	328,598

34. DEFERRED TAXATION (continued)

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

	Balance at 31 December 2021 RMB'000	Effect of adoption of amendments to HKAS 12 RMB'000	Balance at 1 January 2022 (Restated) RMB'000	Recognised in profit or loss RMB'000	Recognised in equity RMB'000	Exchange realignment RMB'000	Balance at 31 December 2022 RMB'000
Deferred tax assets:							
Provision for staff bonuses	2,642	–	2,642	7,847	–	46	10,535
Impairment of assets	88,582	–	88,582	(8,584)	–	(678)	79,320
Accrued liabilities	167,994	–	167,994	122,828	–	8,319	299,141
Deductible tax losses	681	–	681	222,209	–	140	223,030
Right-of-use assets and lease liabilities	22,767	224,925	247,692	(95,421)	–	–	152,271
Others	67,614	–	67,614	7,281	–	(5,087)	69,808
Total	350,280	224,925	575,205	256,160	–	2,740	834,105
Deferred tax liabilities:							
Accelerated depreciation of property, plant and equipment	174,862	–	174,862	(91,499)	–	95	83,458
Investment in corporate wealth management products	514	–	514	337	–	–	851
Right-of-use assets and lease liabilities	–	153,127	153,127	(10,382)	–	56	142,801
Full deduction of assets before tax	–	–	–	772,361	–	–	772,361
Fair value adjustment arising from acquisition of subsidiaries	–	–	–	(242)	4,566	–	4,324
Others	38,618	–	38,618	5,563	–	4,009	48,190
Total	213,994	153,127	367,121	676,138	4,566	4,160	1,051,985
Total	(136,286)	(71,798)	(208,084)	419,978	4,566	1,420	217,880

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of the Group's associate and joint ventures for which deferred tax liabilities have not been recognised was RMB1,738,232,000 (31 December 2022: RMB1,589,186,000). No liability has been recognised in respect of these differences as the investment company and those associate and joint ventures are all located in the PRC and the applicable tax rate of those associate and joint ventures was the same as or higher than the applicable tax rate of the investment company.

34. DEFERRED TAXATION (continued)

At 31 December 2023, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,198,893,000 (31 December 2022: RMB1,164,914,000). No liability have been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2023, accumulated unrecognised tax losses arising in the Group of approximately RMB7,996,337,000 (31 December 2022: RMB7,919,272,000) were available for offsetting against future taxable profits of the companies in which the losses arose.

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
31 December 2027	–	1,250
31 December 2028	–	4,703
31 December 2029	–	408
31 December 2031	–	198
Total	–	6,559

At 31 December 2023, the Group had tax losses arising in Norway of RMB7,996,337,000 (31 December 2022: RMB7,912,713,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised by the Group in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

At 31 December 2023, the Group had deductible temporary differences of RMB4,294,706,000 (31 December 2022: RMB4,185,098,000). No deferred tax asset has been recognised by the Group in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

35. LOANS FROM RELATED PARTIES

	Notes	Contractual interest rate per annum (%)	Year of maturity	31 December 2023 RMB'000	31 December 2022 RMB'000
Current	(a)	1M SOFR+0.5%	Revolving loan	**2,478,945**	2,437,610
Non-current	(b)	1M SOFR+0.4%	2027	**937,460**	921,383
Non-current	(c)	1M SOFR+0.4%	2027	**588,226**	577,169
Non-current	(d)	3M SOFR+0.5%	2027	**711,200**	697,707
Non-current	(e)	1M SOFR+0.4%	2028	**412,110**	–
Total				**2,648,996**	2,196,259
Unsecured loans from related parties				**5,127,941**	4,633,869

Notes:

(a) During the year ended 31 December 2023, the Group had a loan of US$350,000,000 from a fellow subsidiary Overseas Oil & Gas Corporation, Ltd. ("OOGC").The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month Secured Overnight Financing Rate ("SOFR")+0.5% per annum, while the carried interest was at an effective interest rate of one-month LIBOR+0.5% before July 2023. The proceeds were used to finance CNA's daily operations.

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

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

(d) At 11 August 2022, the Group borrowed a loan of US$100,000,000 from a fellow subsidiary CNOOC Insurance Limited. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of three-month SOFR+0.5% per annum. The proceeds were used to finance COSL Middle East FZE's daily operations.

(e) At 12 July 2023, the Group borrowed a loan of US$58,000,000 from China Offshore Petroleum Services (Hong Kong) Limited. The loan from related party is due for a lump sum repayment at maturity, and carried interest at an effective interest rate of one-month SOFR+0.4% per annum. The proceeds were used to finance COSL Middle East FZE's daily operations.

36. INTEREST-BEARING BANK BORROWINGS

	Notes	Contractual interest rate	Year of maturity	31 December 2023 RMB'000	31 December 2022 RMB'000
China Development Bank – unsecured	(a)	1.08%	2035	**175,668**	187,272
Bank of China (Hong Kong) Limited – secured	(b)	SOFR+0.55%	Revolving loan	**1,256,107**	2,812,621
The Hongkong and Shanghai Banking Corporation Limited – secured	(c)	SOFR+0.55%	Revolving loan	**–**	684,811
The Export-Import Bank of China – unsecured	(d)	2.20%	2024	**1,691,136**	–
Total				**3,122,911**	3,684,704
Current				**2,965,515**	3,515,710
Non-current				**157,396**	168,994
Total				**3,122,911**	3,684,704

Notes:

(a) The Group borrowed a loan of RMB320,000,000 from a wholly-owned subsidiary of China Development Bank in December 2015. The loan was initially recognised at fair value measured by discounting future cash flows at the prevailing market interest. The repayments started from December 2018 over 36 instalments bi-annually. The effective interest rate for the year ended 31 December 2023 was 1.08% per annum (2022: 1.08% per annum).

(b) The Group borrowed a loan of US$400,000,000 from Bank of China (Hong Kong) Limited in August 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.55%. The proceeds were used to finance COSL Middle East FZE's daily operations. As at 31 December 2023, the loan balance was US$177,000,000.

(c) The Group borrowed a loan of US$98,000,000 from The Hongkong and Shanghai Banking Corporation Limited in September 2022. The loan is a revolving loan with an effective interest rate of SOFR+0.55%. The proceeds were used to finance COSL Middle East FZE's daily operations. As at 31 December 2023, the loan was fully repaid.

(d) The Group borrowed a loan of RMB1,690,000,000 from the Export-Import Bank of China in October 2023. The loan is a short-term loan with an effective interest rate of 2.20%. The proceeds were used for the purchase of the Group's certain drilling services projects.

	31 December 2023 RMB'000	31 December 2022 RMB'000
Bank borrowings repayable:		
Within one year	**2,965,515**	3,515,710
In the second year	**6,131**	5,370
In the third to fifth year, inclusive	**39,618**	38,330
Beyond five years	**111,647**	125,294
Total	**3,122,911**	3,684,704

37. LONG-TERM BONDS

	Year of maturity	**31 December 2023 RMB'000**	31 December 2022 RMB'000
2016 Corporate bonds			
(Type II of the First Tranche Issue as defined below) (Note (a))	2026	**3,072,443**	3,072,023
(Type II of the Second Tranche Issue as defined below) (Note (a))	2023	**–**	732,610
Guaranteed medium-term notes			
Second Drawdown Note (Note (b))	2025	**3,603,447**	3,540,146
Guaranteed senior notes			
2025 Notes (Note (c))	2025	**3,538,189**	3,477,168
2030 Notes (Note (c))	2030	**2,109,441**	2,072,162
Total		**12,323,520**	12,894,109
Current		**140,744**	872,231
Non-current		**12,182,776**	12,021,878
Total		**12,323,520**	12,894,109

Notes:

(a) At 26 May 2016, the Group issued its first tranche (the "First Tranche Issue") of domestic corporate bonds ("2016 Corporate Bonds") with an aggregate amount of RMB5,000,000,000. The First Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,000,000,000 was repaid on 27 May 2019. The second type of bonds with a principal amount of RMB3,000,000,000 (the "Type II of the First Tranche Issue") carries interest at an effective interest rate of 4.12% per annum and the maturity date is 27 May 2026.

At 21 October 2016, the Group issued its second tranche (the "Second Tranche Issue") of 2016 Corporate Bonds with an aggregate amount of RMB5,000,000,000. The Second Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,100,000,000 (the "Type I of the Second Tranche Issue") is repayable on 24 October 2021. As of 31 December 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. As of 31 December 2023, the Group has repaid all principal and interest.

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

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

(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.

38. LEASE LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Carrying amount at 1 January	**1,006,786**	910,093
New leases	**531,701**	409,515
Acquisition of subsidiaries	**–**	37,490
Accretion of interest recognised during the year	**43,752**	42,663
Payments	**(515,524)**	(414,953)
Lease modification	**(27,034)**	(11,962)
Exchange realignment	**7,507**	33,940
Carrying amount at 31 December	**1,047,188**	1,006,786
Current portion	**304,968**	437,193
Non-current portion	**742,220**	569,593
Total	**1,047,188**	1,006,786

The weighted average incremental borrowing rates applied to lease liabilities range from 0.59% to 5.00% (2022: from 0.59% to 5.00%).

The Group leases its certain drilling rigs under financial lease arrangements. At 31 December 2023, the undiscounted lease payments receivable by the Group in future periods under non-cancellable financial leases with its tenants are as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Within one year	**–**	5,044
Total	**–**	5,044

The amount recognised in profit or loss in relation to leases is as follows:

	2023 RMB'000	2022 RMB'000
Interest on lease liabilities	**43,752**	42,663
Depreciation charge of right-of-use assets	**415,317**	367,115
Expense relating to short-term leases	**1,172,088**	697,565
Variable payments not included in the measurement of lease liabilities	**975,365**	969,307
Total amount recognised in profit or loss	**2,606,522**	2,076,650

39. CONTRACT LIABILITIES

	31 December 2023 RMB'000	31 December 2022 RMB'000
Current	**1,207,351**	759,723
Non-current	**1,292,800**	458,722
Total	**2,500,151**	1,218,445

39. CONTRACT LIABILITIESWS (continued)

The Group's contract liabilities consist of the mobilisation fee, subsidies received from customers related to the adaptation of machinery for the provision of drilling services (the "Subsidies") and advance from customers relevant to certain operation contracts. The contract liabilities are recognised as revenues on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the liabilities relate.

The following table shows how much of the revenue recognised relates to carried-forward contract liabilities:

	Advance from customers RMB'000	**Mobilisation fee RMB'000**	**Subsidies RMB'000**	**Total RMB'000**
For the year ended 31 December 2023				
Revenue recognised that was included in the contract liability balance at the beginning of the year	**226,457**	**299,392**	**48,052**	**573,901**

	Advance from customers RMB'000	Mobilisation fee RMB'000	Subsidies RMB'000	Total RMB'000
For the year ended 31 December 2022				
Revenue recognised that was included in the contract liability balance at the beginning of the year	202,584	70,993	54,717	328,294

40. DEFERRED INCOME

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

	Government grants related to assets RMB'000	**Government grants related to income** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2022	150,591	27,399	57,862	235,852
Additions	1,000	26,582	–	27,582
Credited to profit or loss	(13,945)	(37,955)	(6,955)	(58,855)
Exchange realignment	–	–	–	–
At 31 December 2022 and 1 January 2023	137,646	16,026	50,907	204,579
Additions	**4,158**	**8,659**	**–**	**12,817**
Credited to profit or loss	**(16,988)**	**(7,475)**	**(6,601)**	**(31,064)**
Exchange realignment	**–**	**–**	**–**	**–**
At 31 December 2023	**124,816**	**17,210**	**44,306**	**186,332**

41. ISSUED CAPITAL

	31 December 2023 RMB'000	31 December 2022 RMB'000
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
Total	**4,771,592**	4,771,592

42. CONTINGENCES AND COMMITMENTS

(A) Capital commitments

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted, but not provided for	**2,070,732**	1,241,992

At the end of the reporting period, the Group's share of joint ventures' and an associate's own capital commitments was insignificant.

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

	2023 RMB'000	2022 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	**4,242,868**	2,981,479
Adjustments for:		
Finance costs	**969,394**	763,602
Interest income	**(181,132)**	(123,432)
Investment income	**(14,953)**	(16,307)
Gains arising from financial assets at FVTPL	**(71,135)**	(65,263)
Share of profits of an associate and joint ventures, net of tax	**(178,309)**	(287,558)
Exchange losses/(gains), net	**37,143**	(565,845)
Losses on disposal of property, plant and equipment, net	**37,260**	23,557
Gains arising from lease modifications	**(13,301)**	(356)
Depreciation of property, plant and equipment and amortisation of other intangible assets and Multiclient library	**5,195,328**	4,685,573
Depreciation of right-of-use assets	**415,317**	367,115
Impairment losses of accounts receivable and other receivables, net of reversal	**56,579**	49,435
Provision/(reversal) of impairment of inventories	**10,050**	(7,500)
Impairment of property, plant and equipment	**–**	30,198
Subtotal	**10,505,109**	7,834,698
Decrease in inventories	**178,756**	144,467
Decrease/(increase) in accounts receivable	**29,241**	(2,241,638)
(Increase)/decrease in pledged deposits	**(315)**	1,591
(Increase)/decrease in notes receivable	**(93,181)**	23,241
Decrease in prepayments, deposits and other receivables and other assets	**67,715**	13,582
(Increase)/decrease in receivables at FVOCI	**(343,750)**	1,662
(Increase)/decrease in contract assets	**(5,729)**	43,025
Increase in contract costs	**(405,498)**	(281,836)
Increase in trade and other payables and other liabilities, net of payables for purchases of property, plant and equipment	**2,438,797**	1,436,358
Decrease in notes payable	**(4,557)**	(42,307)
(Decrease)/increase in salary and bonus payables	**(15,107)**	245,889
Decrease in deferred income	**(15,805)**	(25,317)
Increase in contract liabilities	**1,268,112**	610,762
Decrease in provision	**(9,313)**	(24,680)
Cash generated from operations	**13,594,475**	7,739,497

43. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

Reconciliation of liabilities arising from financing activities

	1 January 2023 RMB'000	Financing cash flows (a) RMB'000	Non-cash changes: Foreign exchange movement RMB'000	Non-cash changes: Interest expenses and dividends declared RMB'000	Non-cash changes: New leases entered into and lease modified RMB'000	Non-cash changes: Others (b) RMB'000	31 December 2023 RMB'000
Loans from related parties (Note 35)	4,633,869	139,777	37,418	316,877	–	–	5,127,941
Interest-bearing bank borrowings (Note 36)	3,684,704	(804,417)	52,809	183,214	–	6,601	3,122,911
Long-term bonds (Note 37)	12,894,109	(1,150,214)	154,074	417,605	–	7,946	12,323,520
Lease liabilities (Note 38)	1,006,786	(515,524)	7,507	43,752	504,667	–	1,047,188
Dividend payable (included in trade and other payables)	40,000	(953,455)	–	989,955	–	–	76,500
Total	22,259,468	(3,283,833)	251,808	1,951,403	504,667	14,547	21,698,060

	1 January 2022 RMB'000	Financing cash flows (a) RMB'000	Non-cash changes: Foreign exchange movement RMB'000	Non-cash changes: Interest expenses and dividends declared RMB'000	Non-cash changes: New leases entered into and lease modified RMB'000	Non-cash changes: Acquisition of subsidiaries RMB'000	Non-cash changes: Others (b) RMB'000	31 December 2022 RMB'000
Loan from related parties (Note 35)	2,232,061	2,060,696	259,891	81,221	–	–	–	4,633,869
Interest-bearing bank borrowings (Note 36)	198,524	3,341,716	82,938	54,571	–	–	6,955	3,684,704
Long-term bonds (Note 37)	20,103,168	(8,989,667)	1,195,461	578,565	–	–	6,582	12,894,109
Lease liabilities (Note 38)	910,093	(414,953)	33,940	42,663	397,553	37,490	–	1,006,786
Dividend payable (included in trade and other payables)	–	(865,739)	–	905,739	–	–	–	40,000
Total	23,443,846	(4,867,947)	1,572,230	1,662,759	397,553	37,490	13,537	22,259,468

(a) The cash flows from loans from related parties, interest-bearing bank borrowings and long-term bonds represented the net amount of certain proceeds and repayments in the consolidated statement of cash flows.

(b) Others mainly represented amortisation of an upfront fee of interest-bearing bank borrowings and expenses for issuance of long-term bonds.

44. RELATED PARTY TRANSACTIONS

As disclosed in Note 1, the Company is a subsidiary of CNOOC, which is an SOE subject to the control of the State Council of the PRC Government.

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

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties.

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

a. Included in revenue – gross revenue earned from provision of services to the following related parties

	2023 RMB'000	2022 RMB'000
i CNOOC Limited Group		
Provision of drilling services	**8,194,841**	6,821,765
Provision of well services	**21,736,778**	16,984,054
Provision of marine support services	**3,411,480**	3,183,428
Provision of geophysical acquisition and surveying services	**1,939,479**	1,873,748
Total	**35,282,578**	28,862,995
ii CNOOC Group		
Provision of drilling services	**18,888**	236,677
Provision of well services	**441,282**	373,181
Provision of marine support services	**83,249**	68,650
Provision of geophysical acquisition and surveying services	**81,589**	60,448
Total	**625,008**	738,956
iii Joint ventures and an associate		
Provision of drilling services	**20,640**	49,791
Provision of well services	**25,280**	6,795
Provision of marine support services	**472**	682
Provision of geophysical acquisition and surveying services	**263**	364
Total	**46,655**	57,632
iv Associates invested by CNOOC		
Provision of drilling services	**50,710**	48,677
Provision of well services	**307,278**	61,546
Provision of marine support services	**7,269**	4,475
Provision of geophysical acquisition and surveying services	**63**	1,161
Total	**365,320**	115,859

During the current year, the revenue arising from operating leases from CNOOC Limited Group was RMB277,051,000 (2022: RMB91,250,000), the revenue arising from operating leases from CNOOC Group was RMB6,173,000 (2022: Nil).

44. RELATED PARTY TRANSACTIONS (continued)

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

b. *Included in operating expenses*

	2023 RMB'000	2022 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	**50,786**	58,837
Transportation services	**800**	687
Leasing of equipment	**688**	1,767
Management services	**289**	581
Labour services	**15,955**	10,371
Subtotal	**68,518**	72,243
Property services	**44,016**	38,264
Total	**112,534**	110,507
ii CNOOC Group		
Materials, utilities and other ancillary services	**1,586,843**	1,404,024
Leasing of equipment	**217,324**	142,440
Transportation services	**57,754**	54,134
Management services	**32,597**	144,513
Repair and maintenance services	**8,399**	4,844
Labour services	**86,262**	111,386
Subtotal	**1,989,179**	1,861,341
Property services	**156,938**	160,291
Total	**2,146,117**	2,021,632
iii Joint ventures and an associate		
Materials, utilities and other ancillary services	**571,225**	374,247
Leasing of equipment	**11,952**	12,302
Labour services	**–**	41,021
Subtotal	**583,177**	427,570
Property services	**–**	–
Total	**583,177**	427,570
iv Associates invested by CNOOC		
Materials, utilities and other ancillary services	**163,141**	89,963
Leasing of equipment	**–**	80
Repair and maintenance services	**–**	350
Management services	**3,399**	2,450
Labour services	**–**	5,606
Total	**166,540**	98,449

c. *Included in interest income*

	2023 RMB'000	2022 RMB'000
CNOOC Finance		
Interest income	**20,862**	14,491

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

44. RELATED PARTY TRANSACTIONS (continued)

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

d. *Dividend from joint ventures*

	2023 RMB'000	2022 RMB'000
Dividend from joint ventures	**102,502**	98,945

e. *Included in finance costs*

During the current year, the finance costs on the loans from related parties (Note 35) were US$44,968,000 (2022: US$12,076,000), which is equivalent to approximately RMB316,878,000 (2022: RMB81,221,000).

During the current year, the finance costs on the lease liabilities due to related parties were RMB13,937,000 (2022: RMB14,773,000).

f. *Deposits*

	31 December 2023 RMB'000	31 December 2022 RMB'000
Deposits placed with CNOOC Finance	**1,781,695**	1,199,983

g. During the current year, the other income from CNOOC Limited Group in respect of compensation for equipment dropping into wells when rendering services was RMB1,189,000 (2022: RMB9,395,000).

h. *Right-of-use assets*

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

	2023 RMB'000	2022 RMB'000
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.

i. *Contingences and commitments with related parties*

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

	31 December 2023 RMB'000	31 December 2022 RMB'000
Contracted, but not provided for	**5,144**	831

The Group had no guarantees granted to related parties as of 31 December 2023 and 2022.

44. RELATED PARTY TRANSACTIONS (continued)

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

j. Outstanding balances with related parties

Accounts receivable

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due from CNOOC Limited Group	**9,840,639**	10,160,288
Due from CNOOC Group	**75,961**	154,487
Due from joint ventures and an associate	**17,644**	20,607
Due from associates invested by CNOOC	**74,797**	59,976
Total	**10,009,041**	10,395,358

Prepayments, deposits and other receivables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due from CNOOC Limited Group	**30**	7
Due from CNOOC Group	**67**	3,061
Due from joint ventures and an associate	**677**	411
Total	**774**	3,479

Contract assets

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due from CNOOC Limited Group	**169**	814

Trade and other payables

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due to CNOOC Limited Group	**68,855**	65,532
Due to CNOOC Group	**547,202**	687,966
Due to joint ventures and an associate	**419,181**	237,447
Due to associates invested by CNOOC	**196,367**	70,092
Total	**1,231,605**	1,061,037

Loans from related parties

	31 December 2023 RMB'000	31 December 2022 RMB'000
Unsecured loans due to CNOOC Group (Note 35)	**5,127,941**	4,633,869

44. RELATED PARTY TRANSACTIONS (continued)

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

j. *Outstanding balances with related parties (continued)*

Contract liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due to CNOOC Limited Group	**133,251**	65,172
Due to CNOOC Group	**354,573**	346,629
Total	**487,824**	411,801

Other non-current liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due to CNOOC Limited Group	**–**	106,394

Lease liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
Due to CNOOC Group	**190,301**	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 31 December 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 SOFR+0.5%, 1M SOFR+0.4% and 3M SOFR+0.5% per annum and is repayable on demand. Lease liabilities have fixed terms of repayment and are measured at the present value of lease payments that are unpaid using the incremental borrowing rate at the lease commencement date.

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

The lease expenses relating to agreements with the CNOOC Group and the CNOOC Limited Group in respect of variable lease payments determined by utilisation days and day rates as well as short-term leases are disclosed in Note 44(A).

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

44. 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 31 December 2023 and 2022, as summarised below:

	31 December 2023 RMB'000	31 December 2022 RMB'000
Cash and cash equivalents	**1,452,508**	1,155,816
Time deposits	**3,030**	1,419
Certificates of deposit	**1,676,160**	1,616,347
Total	**3,131,698**	2,773,582
Long-term bank loans (Note 36)	**157,396**	168,994
Current portion of long-term bank loans (Note 36)	**2,965,515**	3,515,710
Total	**3,122,911**	3,684,704

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

	2023 RMB'000	2022 RMB'000
Finance costs	**156,963**	54,571

(B) Compensation of key management personnel of the Group

	2023 RMB'000	2022 RMB'000
Short-term employee benefits	**10,368**	10,671
Post-employment benefits	**–**	1,356
Total compensation paid to key management personnel	**10,368**	12,027

Further details of Directors', supervisors and the chief executive's emoluments are included in Note 11.

45. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

	31 December 2023			
	Amortised cost RMB'000	FVTPL RMB'000	FVTOCI RMB'000	Total RMB'000
Financial assets included in deposits and other receivables (Note 25)	50,744	–	–	50,744
Financial assets at FVTPL (Note 28)	–	4,501,296	–	4,501,296
Receivables measured at FVTOCI (Note 29)	–	–	351,950	351,950
Accounts receivable (Note 26)	14,125,168	–	–	14,125,168
Notes receivable (Note 27)	115,940	–	–	115,940
Pledged deposits (Note 32)	11,291	–	–	11,291
Time deposits (Note 32)	2,226,439	–	–	2,226,439
Cash and cash equivalents (Note 32)	5,977,506	–	–	5,977,506
Total	22,507,088	4,501,296	351,950	27,360,334

	31 December 2022			
	Amortised cost RMB'000	FVTPL RMB'000	FVTOCI RMB'000	Total RMB'000
Financial assets included in deposits and other receivables (Note 25)	73,852	–	–	73,852
Financial assets at FVTPL (Note 28)	–	5,106,036	–	5,106,036
Receivables measured at FVTOCI (Note 29)	–	–	8,200	8,200
Accounts receivable (Note 26)	14,175,184	–	–	14,175,184
Notes receivable (Note 27)	22,759	–	–	22,759
Pledged deposits (Note 32)	10,976	–	–	10,976
Time deposits (Note 32)	548,535	–	–	548,535
Cash and cash equivalents (Note 32)	3,561,740	–	–	3,561,740
Certificates of deposit (Note 31)	1,616,347	–	–	1,616,347
Deposits paid for monetary funds (Note 31)	1,000,000	–	–	1,000,000
Total	21,009,393	5,106,036	8,200	26,123,629

45. FINANCIAL INSTRUMENTS (continued)

(a) Financial instruments by category (continued)

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows: (continued)

Financial liabilities

	31 December 2023 RMB'000	31 December 2022 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables (Note 33)	**13,752,763**	11,145,020
Notes payable	**7,309**	11,866
Interest-bearing bank borrowings – current portion (Note 36)	**2,965,515**	3,515,710
Long-term bonds (Note 37)	**140,744**	872,231
Loans from related parties (Note 35)	**2,478,945**	2,437,610
Subtotal	**19,345,276**	17,982,437
Non-current		
Interest-bearing bank borrowings (Note 36)	**157,396**	168,994
Loans from related parties (Note 35)	**2,648,996**	2,196,259
Long-term bonds (Note 37)	**12,182,776**	12,021,878
Subtotal	**14,989,168**	14,387,131
Total	**34,334,444**	32,369,568

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

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

Financial assets	Fair value as at 31 December 2023 RMB'000	Fair value as at 31 December 2022 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial assets at FVTPL – monetary funds	**–**	200,025	Level 1	Quoted bid prices in an active market
Receivables at FVTOCI – notes receivable	**351,950**	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	**4,501,296**	4,906,011	Level 3	Discounted cash flows. Future cash flows estimated based on estimated return

45. FINANCIAL INSTRUMENTS (continued)

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

Reconciliation of Level 3 fair value measurements is as follows:

	Financial assets at FVTPL RMB'000
At 31 December 2021	4,403,632
Purchase	5,900,000
Redemption	(5,400,000)
Change in fair value	2,379
At 31 December 2022	4,906,011
At 31 December 2022	4,906,011
Purchase	**4,500,000**
Redemption	**(4,900,000)**
Change in fair value	**(4,715)**
At 31 December 2023	**4,501,296**

The principal unobservable input used by the Group for floating rate corporate wealth management products is the exchange rate in future periods.

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

The fair value of short-term and long-term loans at floating rates is approximately equal to their 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 consolidated financial statements approximate to their fair values.

	Carrying amounts		**Fair values**	
	31 December 2023 RMB'000	31 December 2022 RMB'000	**31 December 2023 RMB'000**	31 December 2022 RMB'000
Financial liabilities				
Long-term bonds (Note 37)	**12,323,520**	12,894,109	**11,838,740**	12,153,699
Interest-bearing bank borrowings – non-current (Note 36)	**157,396**	168,994	**155,982**	164,235
Total	**12,480,916**	13,063,103	**11,994,722**	12,317,934

The fair value measurement of the long-term bonds issued by the Group is categorised within Level 1, it is determined based on the market prices as of 31 December 2023; The fair value measurement of non-current interest-bearing bank borrowings is categorised within Level 2, it is 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.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, loans from related parties, long-term bonds, cash and short term deposits and investments in corporate wealth management products, certificates of deposit, monetary funds and a debt instrument. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB and USD, the aforesaid currency is defined as the functional currency of the Company and some subsidiaries respectively. RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has foreign currency sales, purchases, bank borrowings, loans from related parties, long-term bonds, pledged deposits and cash and cash equivalents denominated in foreign currencies, which expose the Group to foreign currency risk. Management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

The loans for foreign operations within the Group that form part of the Group's net investment in the foreign operations are denominated in foreign currencies, other than the functional currency of the lender.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Financial assets		Financial liabilities	
	31 December 2023 RMB'000	31 December 2022 RMB'000	**31 December 2023 RMB'000**	31 December 2022 RMB'000
US$	**10,290,583**	11,648,545	**456,937**	233,441
Others	**853,086**	967,406	**962,389**	572,312

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values or future cash flows of monetary assets and liabilities) by using a sensitivity analysis on the change in the foreign exchange rates of the US dollar, from which the Group's foreign currency risk has mainly arisen as at 31 December 2023 and 2022. The sensitivity analysis also includes inter-company balances where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. The following table details the Group's sensitivity to a 5.0% (2022: 5.0%) appreciation or depreciation of the US dollar.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Foreign currency risk (continued)

	Increase/(decrease) in profit		Increase/(decrease) inother comprehensive income	
	2023 **RMB'000**	2022 RMB'000	**2023** **RMB'000**	2022 RMB'000
Appreciation of US$	**21,253**	66,580	**394,580**	415,883
Depreciation of US$	**(21,253)**	(66,580)	**(394,580)**	(415,883)

Interest rate risk

The interest rate risk of the Group relates primarily to five variable-rate loans from related parties (see Note 35) and certain cash and cash equivalents (see Note 32). The Group currently does not have an interest rate policy. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on time deposits is insignificant as the fixed deposits are short-term.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for cash and cash equivalents as the Directors consider that the fluctuation in interest rates on cash and cash equivalent is minimal. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole year. 50 basis points (2022: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased/(decreased) by 50 basis points (2022: 50 basis points) and all other variables were held constant, the Group's post-tax profit would (decrease)/increase by approximately RMB24,687,000 for the year ended 31 December 2023 (2022: the Group's post-tax profit would (decrease)/increase by approximately RMB34,029,000) without considering the effect of capitalisation of borrowing costs.

Credit risk and impairment assessment

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and investments in corporate wealth management products, certificates of deposit, monetary funds and debt instrument, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages this credit risk by only dealing with reputable financial institutions.

According to the Group's credit risk management policy, the Group always recognises lifetime ECL for accounts receivable, a lease receivable and contract assets. For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. The Group has concentrations of credit risk in respect of accounts receivable as the Group's largest accounts receivable and the five largest accounts receivable represent 57% (2022: 59%) and 81% (2022: 80%) of the total accounts receivable respectively.

No other financial assets carry a significant exposure to credit risk.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	12-month or lifetime ECL	31 December 2023 Gross carrying amount RMB'000	31 December 2022 Gross carrying amount RMB'000
Financial assets at amortised cost			
Financial assets included in deposits and other receivables	12-month ECL – assessed individually	**27,723**	52,069
	12-month ECL – provision matrix	**31,966**	26,623
Total		**59,689**	78,692
Accounts receivable (Note)	Lifetime ECL (not credit-impaired) – assessed individually	**12,432,274**	12,632,095
	Lifetime ECL (not credit-impaired) – provision matrix	**445,061**	495,166
	Lifetime ECL (credit-impaired) – assessed individually	**4,005,803**	3,835,288
	Lifetime ECL (credit-impaired) – provision matrix	**253,176**	190,135
Total		**17,136,314**	17,152,684
Notes receivable at amortised cost	12-month ECL	**115,940**	22,759
Pledged deposits	12-month ECL	**11,291**	10,976
Time deposits	12-month ECL	**2,226,439**	548,535
Cash and cash equivalents	12-month ECL	**5,977,506**	3,561,740
Certificates of deposit	12-month ECL	**–**	1,616,347
Deposits paid for monetary funds	12-month ECL	**–**	1,000,000
Financial assets at FVTOCI			
Receivables at FVTOCI	12-month ECL	**351,950**	8,200
Other items			
Contract assets	Lifetime ECL (credit-impaired) – assessed individually	**53,700**	47,971

Note: For accounts receivable, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at an amount equal to lifetime ECL. Except for debtors with significant outstanding balances or insignificant balances with specific risks, the Group determines the expected credit losses on these items by using a provision matrix.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The Group has measured expected credit losses at the individual instrument level for most of its relevant financial assets. Besides, there are insignificant balances where expected credit losses are measured on a collective basis.

The following table shows the movement in lifetime ECL that has been recognised for accounts receivable under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022			
Changes due to financial instruments recognised as at 1 January 2022:	15,417	2,681,375	2,696,792
– Transfer to credit-impaired	–	–	–
– Impairment losses recognised	18,827	46,090	64,917
– Impairment losses reversed	(7,579)	(3,440)	(11,019)
– Write-offs	(20,739)	(277)	(21,016)
Exchange adjustments	4,511	243,315	247,826
As at 31 December 2022	10,437	2,967,063	2,977,500
As at 1 January 2023			
Changes due to financial instruments recognised as at 1 January 2023:	**10,437**	**2,967,063**	**2,977,500**
– Transfer to credit-impaired	**–**	**–**	**–**
– Impairment losses recognised	**37,786**	**37,610**	**75,396**
– Impairment losses reversed	**(9,040)**	**(10,460)**	**(19,500)**
– Write-offs	**(1,388)**	**(70,670)**	**(72,058)**
Exchange adjustments	**505**	**49,303**	**49,808**
As at 31 December 2023	**38,300**	**2,972,846**	**3,011,146**

Changes in the loss allowance for accounts receivable are mainly due to the default of certain debtors.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk and impairment assessment (continued)

The following tables show a reconciliation of loss allowances that has been recognised for other receivables:

	12M ECL RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at 1 January 2022			
Changes due to financial instruments recognised as at 1 January 2022:	9,501	500	10,001
– Impairment losses recognised	3,394	–	3,394
– Impairment losses reversed	(7,857)	–	(7,857)
– Write-offs	(273)	(500)	(773)
Exchange adjustments	75	–	75
As at 31 December 2022	4,840	–	4,840
As at 1 January 2023			
Changes due to financial instruments recognised as at 1 January 2023:	**4,840**	**–**	**4,840**
– Impairment losses recognised	**3,645**	**–**	**3,645**
– Impairment losses reversed	**(2,962)**	**–**	**(2,962)**
– Write-offs	**(30)**	**–**	**(30)**
As at 31 December 2023	**5,493**	**–**	**5,493**

Change in the loss allowance for other receivables are mainly due to the settlement of other receivables.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of bank borrowings, loans from related parties and long-term bonds and ensures compliance with loan covenants.

The Group's objective is to maintain a balance between continuity of funding and flexibility through long-term bonds and interest-bearing loans. 27% of the Group's borrowings would mature in less than one year as at 31 December 2023 (2022: 32%) based on the carrying value of interest-bearing bank borrowings, loans from related parties and long-term bonds reflected in the financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities and lease liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are at floating rates, the undiscounted amount is derived from the interest rate at the end of the reporting period.

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	31 December 2023					
	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	2,967,640	20,205	59,446	133,422	3,180,713	3,122,911
Loans from related parties	2,478,945	–	2,648,996	–	5,127,941	5,127,941
Long-term bonds	374,043	6,719,857	3,266,453	1,984,437	12,344,790	12,323,520
Lease liabilities	363,311	295,236	350,015	130,762	1,139,324	1,047,188
Financial liabilities included in trade and other payables	13,752,763	–	–	–	13,752,763	13,752,763
Notes payable	7,309	–	–	–	7,309	7,309
Total	19,944,011	7,035,298	6,324,910	2,248,621	35,552,840	35,381,632

	31 December 2022					
	On demand or less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	3,516,827	19,298	57,314	150,072	3,743,511	3,684,704
Loan from a related party	2,437,610	–	2,196,259	–	4,633,869	4,633,869
Long-term bonds	1,123,791	374,043	9,938,493	2,032,254	13,468,581	12,894,109
Lease liabilities	444,312	204,671	280,891	144,150	1,074,024	1,006,786
Financial liabilities included in trade and other payables	11,145,020	–	–	–	11,145,020	11,145,020
Notes payable	11,866	–	–	–	11,866	11,866
Total	18,679,426	598,012	12,472,957	2,326,476	34,076,871	33,376,354

46. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, loans from related parties, long-term bonds, lease liabilities, certain trade and other payables, notes payable, salary and bonus payables, employee benefit liabilities less cash and cash equivalents (excluding pledged deposits and time deposits). Capital represents equity attributable to owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
Interest-bearing bank borrowings (Note 36)	3,122,911	3,684,704
Trade and other payables (Note 33)	14,339,226	11,629,065
Notes payable	7,309	11,866
Salary and bonus payables	1,040,432	1,033,179
Loans from related parties (Note 35)	5,127,941	4,633,869
Long-term bonds (Note 37)	12,323,520	12,894,109
Lease liabilities (Note 38)	1,047,188	1,006,786
Employee benefit liabilities	15,440	7,587
Less: Cash and cash equivalents (Note 32)	(5,977,506)	(3,561,740)
Net debt	31,046,461	31,339,425
Equity attributable to owners of the Company	41,643,019	39,409,165
Non-controlling interests	613,087	566,802
Total capital	42,256,106	39,975,967
Capital and net debt	73,302,567	71,315,392
Gearing ratio	42%	44%

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
NON-CURRENT ASSETS		
Property, plant and equipment	**28,404,701**	28,733,946
Right-of-use assets	**1,544,758**	698,219
Other intangible assets	**139,907**	139,408
Multiclient library	**160,187**	36,755
Investments in subsidiaries	**–**	–
Investments in an associate and joint ventures	**6,549,629**	5,570,097
Contract costs	**106,362**	–
Other long-term receivables	**1,342,761**	1,968,076
Other non-current assets	**1,678,463**	1,652,421
Deferred tax assets	**–**	–
Total non-current assets	**39,926,768**	38,798,922
CURRENT ASSETS		
Inventories	**1,433,212**	1,701,596
Prepayments, deposits and other receivables	**703,302**	968,056
Accounts receivable	**11,672,520**	11,858,105
Notes receivable	**74,599**	5,802
Receivables at fair value through other comprehensive income	**351,950**	8,200
Financial assets at fair value through profit or loss	**4,501,296**	5,106,036
Contract assets	**16,212**	15,989
Other current assets	**328,934**	1,696,501
Pledged deposits	**7,820**	7,377
Time deposits	**1,676,160**	–
Cash and cash equivalents	**3,626,069**	2,095,985
Total current assets	**24,392,074**	23,463,647
CURRENT LIABILITIES		
Trade and other payables	**11,725,023**	12,637,047
Notes payable	**7,309**	11,866
Salary and bonus payables	**623,056**	634,627
Tax payable	**275,952**	167
Interest-bearing bank borrowings	**1,709,409**	18,279
Long-term bonds	**73,458**	806,068
Lease liabilities	**370,631**	283,522
Contract liabilities	**668,186**	454,029
Other current liability	**375,393**	442,652
Total current liabilities	**15,828,417**	15,288,257
NET CURRENT ASSETS	**8,563,657**	8,175,390
TOTAL ASSETS LESS CURRENT LIABILITIES	**48,490,425**	46,974,312

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	31 December 2023 RMB'000	31 December 2022 RMB'000 (Restated)
NON-CURRENT LIABILITIES		
Contract liabilities	–	31,087
Interest-bearing bank borrowings	**157,396**	168,995
Long-term bonds	**2,998,985**	2,998,565
Lease liabilities	**1,158,407**	411,892
Other non-current liabilities	**11,430**	11,430
Deferred income	**186,132**	204,579
Deferred tax liabilities	**366,883**	203,001
Total non-current liabilities	**4,879,233**	4,029,549
Net assets	**43,611,192**	42,944,763
EQUITY		
Issued capital	**4,771,592**	4,771,592
Reserves	**38,839,600**	38,173,171
Total equity	**43,611,192**	42,944,763

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves

	Capital reserve RMB'000	Statutory reserve funds RMB'000 (Note(i))	Special reserve RMB'000	Exchange Fluctuation Reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 31 December 2021	12,371,645	2,508,656	–	(15,926)	21,477,317	715,739	37,057,431
Effect of adoption of amendments to HKAS 12	–	–	–	–	6,233	–	6,233
At 1 January 2022 (Restated)	12,371,645	2,508,656	–	(15,926)	21,483,550	715,739	37,063,664
Profit for the year	–	–	–	–	1,767,895	–	1,767,895
Other comprehensive income for the year	–	–	–	159,637	–	–	159,637
Total comprehensive income for the year	–	–	–	159,637	1,767,895	–	1,927,532
Appropriation of safety fund	–	–	113,533	–	–	–	113,533
Utilisation of safety fund	–	–	(111,213)	–	–	–	(111,213)
Final 2021 dividend paid	–	–	–	–	–	(715,739)	(715,739)
Proposed final 2022 dividend	–	–	–	–	(763,455)	763,455	–
Others	–	–	–	–	(104,606)	–	(104,606)
At 31 December 2022 (Restated)	**12,371,645**	**2,508,656**	**2,320**	**143,711**	**22,383,384**	**763,455**	**38,173,171**
At 31 December 2022	**12,371,645**	**2,508,656**	**2,320**	**143,711**	**22,306,075**	**763,455**	**38,095,862**
Effect of adoption of amendments to HKAS 12	**–**	**–**	**–**	**–**	**77,309**	**–**	**77,309**
At 1 January 2023 (Restated)	**12,371,645**	**2,508,656**	**2,320**	**143,711**	**22,383,384**	**763,455**	**38,173,171**
Profit for the year	**–**	**–**	**–**	**–**	**1,398,631**	**–**	**1,398,631**
Other comprehensive income for the year	**–**	**–**	**–**	**33,573**	**–**	**–**	**33,573**
Total comprehensive income for the year	**–**	**–**	**–**	**33,573**	**1,398,631**	**–**	**1,432,204**
Appropriation of safety fund	**–**	**–**	**601,624**	**–**	**–**	**–**	**601,624**
Utilisation of safety fund	**–**	**–**	**(603,944)**	**–**	**–**	**–**	**(603,944)**
Final 2022 dividend paid	**–**	**–**	**–**	**–**	**–**	**(763,455)**	**(763,455)**
Proposed final 2023 dividend	**–**	**–**	**–**	**–**	**(1,002,034)**	**1,002,034**	**–**
At 31 December 2023 (Note (ii))	**12,371,645**	**2,508,656**	**–**	**177,284**	**22,779,981**	**1,022,034**	**38,839,600**

47. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movements in the Company's reserves (continued)

Notes:

(i) As detailed in Note 15, the Company is required to transfer a minimum percentage of after-tax profit, if any, to the statutory common reserve fund, until the fund aggregates 50% of the Company's registered capital. As the aggregate amount of the statutory reserve funds as at 31 December 2023 and 2022 were in excess of 50% of the Company's registered capital, the Directors are of the view that no further provision of these funds is required for both years.

(ii) As at 31 December 2023, in accordance with the PRC Company Law, an amount of approximately RMB12,371,645,000 (2022: RMB12,371,645,000) standing to the credit of the Company's capital reserve account and an amount of approximately RMB2,508,656,000 (2022: RMB2,508,656,000) standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting principles in the PRC, were available for distribution by way of a future capitalisation issue. In addition, the Company had retained profits of approximately RMB23,782,015,000 (2022: RMB23,146,839,000 (Restated)) available for distribution as dividends. Except for the aforesaid, the Company did not have any reserves available for distribution to its shareholders at 31 December 2023.

The retained profits of the Company determined under the relevant PRC accounting principles in the PRC amounted to approximately RMB23,782,015,000 as at 31 December 2023 (2022: RMB23,146,839,000 (Restated)).

48. EVENTS AFTER THE REPORTING PERIOD

As at 26 March 2024, the board of directors of the Company proposed to distribute the dividend for the year ended 31 December 2023 of RMB0.21 per ordinary share (tax inclusive) in cash to the shareholders with an amount aggregate of RMB1,002,034,320. The proposal is subject to the approval by the shareholders at the 2023 Annual General Meeting of the Company.

49. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 26 March 2024.

Company Information

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English Name
China Oilfield Services Limited

Short Name
中海油服/COSL

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The Registration Date
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Newspapers for Disclosure of Information
Shanghai Securities News
Securities Times
Website designated by CSRC on which the Company's annual report is posted: www.sse.com.cn

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Place of Listing of Shares, Stock Name and Stock Code
Place of Listing of H Share
The Stock Exchange of Hong Kong Limited
H Share abbreviation: CHINA OILFIELD
Stock Code of H Share: 2883

Place of Listing of A Share
Shanghai Stock Exchange
A Share abbreviation: 中海油服
Stock Code of A Share: 601808

Unified Social Credit Code
9112011671092921XD

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Documents for Inspection

1. Financial statements signed and sealed by legal representative, the person in charge of accounting work and the person in charge of accounting department.

2. Original copy of auditors' report (PRC) with seals of audit firm and signed and sealed by certified public accountants.

3. Original copy of auditors' report (Hong Kong) signed by certified public accountants.

4. Original copy of all documents of the Company and announcements disclosed on the newspaper designated by the CSRC during the reporting period.

5. 2023 Annual Report of the Company published on the website of The Stock Exchange of Hong Kong Limited.

China Oilfield Services Limited
Zhao Shunqiang
Chairman
26 March 2024

Glossary

COSL, the Company or the Group	China Oilfield Services Limited
CNOOC	China National Offshore Oil Corporation
CNOOC Limited	CNOOC Limited
CNOOC Limited Group	CNOOC Limited and its subsidiaries
2D	Seismic data acquisition in two dimensional form, by utilizing a single sound source and one or more acquisition points; typically 2D is used to map geographical structures for initial analysis
3D	Seismic data acquisition in three-dimensional form, by utilizing two sound sources and two or more acquisition points; typically 3D is used to acquire refined seismic data and to raise the probability of successful exploration well drilling
ELIS	Enhanced Logging Imaging System
LWD Tools	Logging-While-Drilling Tools
OSHA	Occupational Safety and Health Administration
QHSE	Quality, health, safety and environment
WTI	West Texas Intermediate crude oil
IPM	Integrated Project Management
HTHP	High temperature and high pressure
LWD	Logging-while-drilling, generally means the measuring of physical parameters of rock formation during the process of drilling, and transmitting the real time measured results by data telemetry system to the ground surface for processing
Cementing	The technique of filling of cement slurries into the ring-shaped space formed between the inner well hole casing and the well wall to cement them together
Well completion	Services and installation of equipment that are necessary to prepare a well for production, including casing, cementing and well treatment, such as acidizing and fracking, as well as the installation of necessary equipment and devices
Well workover	Any work on a completed well designed to maintain, restore or improve production from a currently producing petroleum reservoir, this may include replacement of casing and well treatment, such as sand control, fracking and acidizing
Available day utilization rate	Operating days/(calendar days – days of repairs and maintenance)
Calendar day utilization rate	Operating days/calendar days

Integrated marine surveying vessels	Vessels providing marine surveying, marine geological coring, CPT in-situ testing, marine environment observation/sampling and marine supporting services
Geophysical vessels	Vessels carrying out marine seismic survey. Equipped with seismic survey equipment, streamers towed behind vessel, collecting seismic data by generating and receiving seismic waves during continuous sailing
RSS	Rotary Steerable System
Seismic data	Data recorded in either two dimensional (2D) or three dimensional (3D) form from sound wave reflections off of subsurface geology. This data is used to understand and map geological structures for exploratory purposes to predict the location of undiscovered reserves
Streamers	Clear flexible tubing containing numerous hydrophones used for marine seismic surveys; streamers are towed behind seismic vessels in the operation waters to collect seismic data
Jack-up rigs	Jack-up rigs are so named because they are self-elevating with three or four movable legs that can be extended ("jacked") above or below the drilling deck. During towing, the legs of a jack-up rig are elevated. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor (or onto the sea floor with mat supported jack-ups). This anchors the rig and holds the drilling deck well above the waves
Semi-submersible rigs	Semi-submersible rigs do not rest on the sea floor as jack-up rigs. Instead, the working deck sits atop giant pontoons and hollow columns. These afloat above the water when the rig moves. At the drill site, the crew pumps seawater into the pontoons and columns to partially submerge the rig, hence the name semi-submersible. With much of its bulk below the water's surface, the semi-submersible becomes a stable platform for drilling, moving only slightly with wind and currents. Like jack-ups, most semi-submersibles are towed to the drill site. Because of their exceptional stability, "semis" are well suited for drilling in rough waters. Semi-submersible rigs can drill in water as deep as 10,000 feet
Module rigs	Complete rig installation fixed on offshore jacket which is immovable as a whole
bbl	A barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees)
foot	Measuring unit of length, which is equivalent to approximately 0.305 meter
Standard coal	The uniform standard of thermal value, China required the thermal value of 1 kg standard coal to be 7,000 kilocalorie
Recordable incidents	Injury incident caused by work or impact of the work environment leading to death or occupational diseases or loss of consciousness, restricted working ability or mobility, or job transfer or injury incident which requires more than a simple medical treatment

CHINA OILFIELD SERVICES LIMITED

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

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