COSL

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

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

(Stock Code: 2883)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

FINANCIAL HIGHLIGHTS

1. Revenue was RMB12,723.0 million.
2. Profit from operations was RMB1,354.5 million.
3. Profit for the period was RMB808.5 million.
4. Basic earnings per share were RMB0.17.

The interim results of the Company for the six months ended 30 June 2021 are unaudited.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
REVENUE	*5*	**12,735,429**	14,511,357
Sales surtaxes		**(12,401)**	(14,694)
Revenue, net of sales surtaxes		**12,723,028**	14,496,663
Other income		**158,199**	177,394
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library		**(2,236,779)**	(2,184,765)
Depreciation of right-of-use assets		**(148,084)**	(295,771)
Employee compensation costs		**(2,475,465)**	(2,486,712)
Repair and maintenance costs		**(171,145)**	(125,896)
Consumption of supplies, materials, fuel, services and others		**(2,885,976)**	(2,925,623)
Subcontracting expenses		**(2,279,623)**	(2,356,442)
Lease expenses	*6*	**(727,107)**	(651,477)
Other operating expenses		**(600,014)**	(582,429)
Impairment of property, plant and equipment	*10*	**–**	(843,830)
(Impairment losses)/reversal of impairment losses under the expected credit loss model, net of reversal	*6*	**(2,514)**	889
Total operating expenses		**(11,526,707)**	(12,452,056)
PROFIT FROM OPERATIONS		**1,354,520**	2,222,001
Exchange (losses)/gains, net		**(82,086)**	60,502
Finance costs		**(417,816)**	(477,248)
Interest income		**65,842**	30,213
Investment income	*6*	**23,484**	77,507
Gains arising from financial assets at fair value through profit or loss		**50,987**	25,486
Share of profits of associates and joint ventures, net of tax		**151,483**	158,671
Other gains and losses, net	*6*	**(21,486)**	(6,444)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (CONTINUED)

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
PROFIT BEFORE TAX	*6*	**1,124,928**	2,090,688
Income tax expense	*7*	**(316,398)**	(368,117)
PROFIT FOR THE PERIOD		**808,530**	1,722,571
Attributable to:			
Owners of the Company		**801,457**	1,714,199
Non-controlling interests		**7,073**	8,372
		808,530	1,722,571
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*9*	**16.80 cents**	35.93 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**808,530**	1,722,571
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	**(12,912)**	54,417
Share of other comprehensive income of joint ventures, net of related income tax	**2,894**	1,885
Income tax effect relating to items that may be reclassified subsequently to profit or loss	**12,950**	(24,198)
	2,932	32,104
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**2,932**	32,104
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**811,462**	1,754,675
Attributable to:		
Owners of the Company	**806,183**	1,743,639
Non-controlling interests	**5,279**	11,036
	811,462	1,754,675

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**45,583,578**	46,918,930
Right-of-use assets	*11*	**972,163**	767,186
Goodwill	*12*	**–**	–
Other intangible assets		**71,965**	75,509
Multiclient library		**269,474**	253,840
Investments in associates and joint ventures		**1,078,250**	1,102,008
Contract costs		**190,914**	184,545
Financial assets at fair value through profit or loss		**–**	–
Other non-current assets	*15*	**1,693,750**	158,760
Deferred tax assets		**67,110**	158,780
Total non-current assets		**49,927,204**	49,619,558
CURRENT ASSETS			
Inventories		**2,767,085**	2,246,758
Prepayments, deposits and other receivables		**450,281**	259,239
Accounts receivable	*13*	**13,870,958**	10,212,212
Notes receivable		**19,098**	10,050
Receivables at fair value through other comprehensive income		**57,428**	3,010
Financial assets at fair value through profit or loss		**1,012,806**	5,539,402
Debt instrument at amortised cost	*14*	**1,000,000**	1,000,416
Contract assets		**172,098**	320,397
Contract costs		**–**	18,514
Other current assets	*15*	**376,441**	125,351
Pledged deposits		**6,853**	3,659
Time deposits		**3,380**	–
Cash and cash equivalents		**5,126,058**	6,583,742
Total current assets		**24,862,486**	26,322,750

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2021

	Notes	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
CURRENT LIABILITIES			
Trade and other payables	*16*	**8,051,733**	9,393,051
Notes payable		**1,539**	–
Salary and bonus payables		**652,248**	820,138
Tax payable		**203,799**	168,111
Loan from a related party	*17*	**2,261,546**	2,284,336
Interest-bearing bank borrowings	*18*	**18,280**	18,291
Long term bonds	*19*	**4,719,524**	3,265,377
Lease liabilities		**249,429**	224,285
Contract liabilities		**379,505**	388,144
Other current liabilities	*15*	**652,325**	314,191
Total current liabilities		**17,189,928**	16,875,924
NET CURRENT ASSETS		**7,672,558**	9,446,826
TOTAL ASSETS LESS CURRENT LIABILITIES		**57,599,762**	59,066,384
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**32,920**	24,906
Interest-bearing bank borrowings	*18*	**185,692**	191,146
Long term bonds	*19*	**17,814,509**	19,455,678
Lease liabilities		**593,255**	366,303
Contract liabilities		**35,533**	61,057
Deferred income		**248,754**	278,486
Total non-current liabilities		**18,910,663**	20,377,576
Net assets		**38,689,099**	38,688,808
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,771,592**	4,771,592
Reserves		**33,733,350**	33,738,338
		38,504,942	38,509,930
Non-controlling interests		**184,157**	178,878
Total equity		**38,689,099**	38,688,808

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

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

As at 30 June 2021, particulars of the principal subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2021	31 December 2020	Principal activities
COSL Chemicals (Tianjin), Ltd. (a)	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	**100%**	100%	Manufacture and marketing of drilling fluids
PT.COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	**100%**	100%	Provision of oil & gas exploration services
COSL– HongKong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	**100%**	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	**100%**	100%	Provision of drilling services
COSL Drilling Strike Pte. Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Provision of drilling services
COSL Prospector Pte. Ltd.	Singapore 27 February 2007	Singapore	US$189,779,384	**100%**	100%	Provision of drilling services
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	**100%**	100%	Provision of drilling services

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2021	31 December 2020	Principal activities
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	**100%**	100%	Provision of oil & gas exploration services
COSL Norwegian AS ("CNA")	Norway 23 June 2008	Norway	Norwegian Krone ("NOK") 1,541,328,656	**100%**	100%	Investment holding
COSL Drilling Pan– Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	**100%**	100%	Management of jack-up drilling rigs
COSL Drilling Pan– Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	**100%**	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS") (b)	Indonesia 27 July 2010	Indonesia	US$250,000	**49%**	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	**100%**	100%	Provision of oilfield services and related activities
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	**100%**	100%	Bond issuance
COSL Deepwater Technology Co. Ltd. (a)	Shenzhen, PRC 12 September 2013	PRC	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	RMB200,000,000	**100%**	100%	Provision of oil & gas exploration services

(a) COSL Chemicals (Tianjin), Ltd., COSL Deepwater Technology Co. Ltd. and COSL Hainan 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 condensed consolidated financial information for the six months ended 30 June 2021 and 2020.

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 current interim period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 30 June 2021, particulars of all associates and joint ventures of the Group are as follows:

Name of entity	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 30 June 2021	31 December 2020	Percentage of Voting rights held 30 June 2021	31 December 2020	Principal activities
China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50%**	50%	**50%**	50%	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd.	US$6,650,000	Tianjin, PRC 30 November 1983	**50%**	50%	**50%**	50%	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50%**	50%	**50%**	50%	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60%**	60%	**50%**	50%	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.	US$2,000,000	Tianjin, PRC 14 April 1993	**50%**	50%	**50%**	50%	Provision of well completion services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50%**	50%	**50%**	50%	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD ("PBS-COSL") (b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49%**	49%	**50%**	50%	Provision of drilling services
COSL (Malaysia) SDN.BHD. ("COSL Malaysia") (c)	Ringgit Malaysia 350,000	Malaysia 31 July 2017	**49%**	49%	**50%**	50%	Provision of drilling services
Well Technology Company Ltd.	RMB 260,000,000	Foshan, PRC 24 July 2020	**40%**	40%	**40%**	40%	Provision of well technology services

(a) The Group has 60% of the equity interests in Magcobar, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of Magcobar, more than two-thirds of the voting rights in the board of directors are required for decisions on directing the relevant activities of this entity. The board of directors of Magcobar shall comprise five directors whereby the Company shall appoint three directors and the other sole investor shall appoint two directors. In the opinion of the Directors, the Group does not have control over Magcobar and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement.

(b) The Group has 49% of the equity interests in PBS-COSL, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of PBS-COSL, the board of directors of PBS-COSL shall comprise four directors whereby both the Company and the other sole investor shall appoint two directors each. Unanimous approvals by the directors of PBS-COSL are required for decisions on directing the relevant activities of PBS-COSL. In the opinion of the Directors, the Group does not have control over PBS-COSL and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement.

(c) The Group has 49% of equity interests in COSL Malaysia, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of COSL Malaysia, a majority of 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 consents 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. As at 30 June 2021, the Group has yet injected any capital into COSL Malaysia since the capital injection time according to the joint venture agreement has not due yet.

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial information for the six months ended 30 June 2021 has been prepared in accordance with HKAS 34 *Interim Financial Reporting* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform – Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions*

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

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("RFR"). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. These amendments had no material impact on the interim financial position and performance of the Group.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the interim financial position and performance of the Group as there were no lease payments reduced or waived by the lessors as a result of the covid-19 pandemic during the period.

4. OPERATING SEGMENT INFORMATION

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

The Group has four reportable and operating segments as follows:

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

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

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

(d) the geophysical acquisition and surveying services segment is engaged in the provision of offshore seismic data collection and marine surveying.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment result, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains/(losses), net, investment income and gains/(losses) arising from financial assets at fair value through profit or loss ("FVTPL") are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the corporate planning and finance department), pledged deposits, time deposits, certain other receivables, financial assets at FVTPL, debt instrument at amortised cost and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than loan from a related party, interest-bearing bank borrowings and long term bonds (funds managed by the corporate planning and finance department), certain other current liabilities, 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.

Six months ended 30 June 2021 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue:					
Sales to external customers, net of sales surtaxes	4,347,797	6,019,996	1,535,917	819,318	12,723,028
Sales surtaxes	5,039	5,674	999	689	12,401
Revenue, before net of sales surtaxes	4,352,836	6,025,670	1,536,916	820,007	12,735,429
Intersegment sales	62,551	108,462	68,792	135	239,940
Segment revenue	4,415,387	6,134,132	1,605,708	820,142	12,975,369
Eliminations	(62,551)	(108,462)	(68,792)	(135)	(239,940)
Group revenue	4,352,836	6,025,670	1,536,916	820,007	12,735,429
Segment results	20,251	1,385,989	189,371	(111,094)	1,484,517
Reconciliation:					
Exchange losses, net					(82,086)
Finance costs					(417,816)
Interest income					65,842
Investment income					23,484
Gains arising from financial assets at FVTPL					50,987
Profit before tax					1,124,928
Income tax expense					316,398
As at 30 June 2021 (Unaudited)					
Segment assets	37,808,781	15,080,017	8,266,369	5,590,835	66,746,002
Unallocated assets					8,043,688
Total assets					74,789,690
Segment liabilities	4,077,072	4,799,434	1,164,616	827,979	10,869,101
Unallocated liabilities					25,231,490
Total liabilities					36,100,591

Six months ended 30 June 2020 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Total *RMB'000*
Revenue:					
Sales to external customers, net of sales surtaxes	6,171,011	6,050,385	1,534,262	741,005	14,496,663
Sales surtaxes	2,932	9,495	1,667	600	14,694
Revenue, before net of sales surtaxes	6,173,943	6,059,880	1,535,929	741,605	14,511,357
Intersegment sales	25,820	29,729	57,630	90	113,269
Segment revenue	6,199,763	6,089,609	1,593,559	741,695	14,624,626
Eliminations	(25,820)	(29,729)	(57,630)	(90)	(113,269)
Group revenue	6,173,943	6,059,880	1,535,929	741,605	14,511,357
Segment results	1,060,268	1,245,487	131,754	(63,281)	2,374,228
Reconciliation:					
Exchange gains, net					60,502
Finance costs					(477,248)
Interest income					30,213
Investment income					77,507
Gains arising from financial assets at FVTPL					25,486
Profit before tax					2,090,688
Income tax expense					368,117
As at 31 December 2020 (Audited)					
Segment assets	38,748,467	12,572,299	7,747,673	4,402,933	63,471,372
Unallocated assets					12,470,936
Total assets					75,942,308
Segment liabilities	3,912,895	5,801,358	1,363,215	768,187	11,845,655
Unallocated liabilities					25,407,845
Total liabilities					37,253,500

Geographical information

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

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

The following table presents revenue information for the Group's geographical areas for the six months ended 30 June 2021 and 2020.

		International		
Six months ended 30 June 2021 (Unaudited)	**Domestic** *RMB'000*	**North Sea** *RMB'000*	**Others** *RMB'000*	**Total** *RMB'000*
Segment revenue:				
Sales to external customers	**10,485,207**	**392,417**	**1,857,805**	**12,735,429**
Less: Sales surtaxes	**(12,401)**	**–**	**–**	**(12,401)**
Revenue, net of sales surtaxes	**10,472,806**	**392,417**	**1,857,805**	**12,723,028**

		International		
Six months ended 30 June 2020 (Unaudited)	Domestic *RMB'000*	North Sea *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue:				
Sales to external customers	10,484,349	2,083,743	1,943,265	14,511,357
Less: Sales surtaxes	(14,694)	–	–	(14,694)
Revenue, net of sales surtaxes	10,469,655	2,083,743	1,943,265	14,496,663

Information about a major customer

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control of CNOOC Limited, accounted for 84% (six months ended 30 June 2020: 72%) of the total sales of the Group for the six months ended 30 June 2021.

5. REVENUE

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue from contracts with customers	**12,562,560**	14,389,925
Revenue arising from operating leases	**172,869**	121,432
	12,735,429	14,511,357

Disaggregation of revenue from contracts with customers, before net of sales surtaxes for the six months ended 30 June 2021 and 2020

	For the six months ended 30 June 2021 (unaudited)				
Segments	**Drilling services**	**Well services**	**Marine support services**	**Geophysical acquisition and surveying services**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Timing of revenue recognition					
Goods transferred at a point in time	**–**	**15,613**	**–**	**1,643**	**17,256**
Services transferred over time	**4,179,967**	**6,010,057**	**1,536,916**	**818,364**	**12,545,304**
Total	**4,179,967**	**6,025,670**	**1,536,916**	**820,007**	**12,562,560**

	For the six months ended 30 June 2020 (unaudited)				
Segments	Drilling services	Well services	Marine support services	Geophysical acquisition and surveying services	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Timing of revenue recognition					
Goods transferred at a point in time	–	26,840	–	3,399	30,239
Services transferred over time	6,052,511	6,033,040	1,535,929	738,206	14,359,686
Total	6,052,511	6,059,880	1,535,929	741,605	14,389,925

The Group's most contracts with customers generally provide for payment on a day rate or operation volume basis. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice.

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

	For the six months ended 30 June 2021 (unaudited)				
Segments	**Drilling services** *RMB'000*	**Well services** *RMB'000*	**Marine support services** *RMB'000*	**Geophysical acquisition and surveying services** *RMB'000*	**Revenue from contracts with customers** *RMB'000*
Segment revenue	**4,415,387**	**6,134,132**	**1,605,708**	**820,142**	**12,975,369**
Less: Revenue arising from operating leases	**(172,869)**	**–**	**–**	**–**	**(172,869)**
Eliminations	**(62,551)**	**(108,462)**	**(68,792)**	**(135)**	**(239,940)**
Revenue from contracts with customers	**4,179,967**	**6,025,670**	**1,536,916**	**820,007**	**12,562,560**

	For the six months ended 30 June 2020 (unaudited)				
Segments	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical acquisition and surveying services *RMB'000*	Revenue from contracts with customers *RMB'000*
Segment revenue	6,199,763	6,089,609	1,593,559	741,695	14,624,626
Less: Revenue arising from operating leases	(121,432)	–	–	–	(121,432)
Eliminations	(25,820)	(29,729)	(57,630)	(90)	(113,269)
Revenue from contracts with customers	6,052,511	6,059,880	1,535,929	741,605	14,389,925

6. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Losses/(gains) arising from lease modifications	**7,593**	(44)
Losses on disposal of plant and equipment and other intangible assets, net	**13,893**	6,488
Other gains and losses, net	**21,486**	6,444
Lease expenses in respect of land and buildings, berths and equipment *(Note)*	**727,107**	651,477
Income from investments in floating and fix rate corporate wealth management products, liquidity funds and debt instrument	**(23,484)**	(77,507)
Cost of inventories recognised as an expense	**1,802,212**	1,952,791
Impairment of property, plant and equipment	**–**	843,830
Impairment losses/(reversal of impairment losses) under the expected credit loss model, net of reversal	**2,514**	(889)

Note: Lease expenses for the six months ended 30 June 2021 and 2020 represent short-term leases and variable lease payments not included in the measurement of lease liabilities.

7. INCOME TAX EXPENSE

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

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

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

According to the HNTE certificate renewed by the Group's subsidiary COSL Chemicals (Tianjin), Ltd. in October 2020, the CIT rate of COSL Chemicals (Tianjin), Ltd. is 15% for the period from October 2020 to September 2022.

According to the HNTE certificate renewed by the Group's subsidiary COSL Deepwater Technology Co. Ltd. in December 2019, the CIT rate of COSL Deepwater Technology Co. Ltd. is 15% for the period from 2019 to 2021.

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

Countries and regions	Six months ended 30 June **2021** **(Unaudited)**	 2020 (Unaudited)
Indonesia	**22%**	22%
Mexico	**30%**	30%
Norway	**22%**	22%
The United Kingdom	**19%**	19%
Iraq	**Withholding tax based on 7% of revenue generated in Iraq**	Withholding tax based on 7% of revenue generated in Iraq
United Arab Emirates	**Not subject to any income tax**	Not subject to any income tax
Singapore	**17%**	17%
The United States of America	**21%**	21%
Canada	**Net federal corporate income tax of 15% and provincial income tax ranging from 8% to 16%, depending on the province and the size of the business**	Net federal corporate income tax of 15% and provincial income tax ranging from 10% to 16%, depending on the province and the size of the business
Malaysia	**24%**	24%
Saudi Arabia	**20%**	20%
Myanmar	**Withholding tax based on 2.5% of revenue generated in Myanmar**	Withholding tax based on 2.5% of revenue generated in Myanmar
Brazil	**34%**	34%
Cameroon	**Withholding tax based on 15% of revenue generated in Cameroon**	Withholding tax based on 15% of revenue generated in Cameroon
New Zealand	**28%**	28%

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

	Six months ended 30 June **2021** ***RMB'000*** **(Unaudited)**	 2020 *RMB'000* (Unaudited)
Overseas income taxes:		
Current	**71,924**	65,746
Deferred	**21,968**	3,714
PRC corporate income taxes:		
Current	**147,093**	327,679
Deferred	**77,511**	(29,909)
(Over)/under provision in prior years	**(2,098)**	887
Total tax charge for the period	**316,398**	368,117

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

	Six months ended 30 June			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
	(Unaudited)	**(Unaudited)**	(Unaudited)	(Unaudited)
Profit before tax	**1,124,928**		2,090,688	
Tax at the statutory tax rate of 25%	**281,232**	**25.0**	522,672	25.0
Tax effect as an HNTE	**(162,820)**	**(14.5)**	(249,810)	(11.9)
Tax effect of income not subject to tax	**(43,133)**	**(3.8)**	(39,668)	(1.9)
Tax effect of expenses not deductible for tax	**89,881**	**8.0**	86,254	4.1
Tax benefit for qualifying research and development expenses	**(49,785)**	**(4.4)**	(40,427)	(1.9)
Effect of non-taxable profit and different tax rates for overseas subsidiaries	**185,840**	**16.4**	183,514	8.8
Tax effect of tax losses and deductible temporary differences unrecognised	**22,209**	**2.0**	211,917	10.1
Utilisation of tax losses previously not recognised	**(419)**	**–**	(342,057)	(16.4)
(Over)/under provision in respect of prior years	**(2,098)**	**(0.2)**	887	–
Translation adjustment *(Note)*	**(925)**	**(0.1)**	(1,435)	(0.1)
Others	**(3,584)**	**(0.3)**	36,270	1.8
Total tax charge at the Group's effective tax rate	**316,398**	**28.1**	368,117	17.6

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

8. DIVIDENDS

During the current interim period, a final dividend of RMB0.17 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2020 (2020: RMB0.16 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2019) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period was approximately RMB811,171,000 (2020: RMB763,455,000).

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

9. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	Six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share calculation (profit for the period attributable to owners of the Company)	**801,457**	1,714,199

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share calculation (share)	**4,771,592,000**	4,771,592,000

There were no differences between the basic and diluted earnings per share amounts for the six-month periods ended 30 June 2021 and 2020 as the Group had no dilutive potential ordinary shares in issue during those periods.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired certain machinery equipment, vessels and drilling rigs with an aggregate cost amounting to approximately RMB1,206,355,000 (six months ended 30 June 2020: RMB928,087,000), of which approximately RMB857,957,000 was transferred from construction in progress (six months ended 30 June 2020: RMB580,365,000). Additions of construction in progress amounting to approximately RMB733,304,000 were recognised during the six months ended 30 June 2021 (six months ended 30 June 2020: RMB567,669,000). Drilling rigs, machinery and equipment with an aggregate net carrying amount of RMB18,327,000 (six months ended 30 June 2020: RMB10,115,000) were disposed of during the six months ended 30 June 2021, resulting in a loss on disposal of RMB13,893,000 (six months ended 30 June 2020: loss on disposal of RMB6,488,000).

Out of the total finance costs incurred, no finance costs (six months ended 30 June 2020: nil) was capitalised in property, plant and equipment in the six months ended 30 June 2021.

No impairment losses are recognised in the six months ended 30 June 2021 (six months ended 30 June 2020: RMB843,830,000) after the Group's due impairment assessment in the light of the current economic environment in certain markets in which the Group operates as well as the slow recovery of oil price.

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

The fair value less costs of disposal is arrived at on the basis of valuation carried out by an independent property agent. The fair values of relevant assets are determined based on a variety of valuation methods, including the income approach and market approach, and the reasonableness of the assumptions and range of estimates indicated by those valuation methods were also considered by the Group. The income approach is by reference to the projected discounted cash flows over the remaining economic life of relevant assets. The market approach is by reference to the value that would be received from selling the asset in an orderly transaction between market participants at the measurement date. The above estimates of fair value required to use significant unobservable inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets, non-binding quotes from brokers and/or indicative bids, estimated utilisation rates, service prices, cost level and capital requirements.

In assessing value in use, the estimated future cash flows are discounted to their present value. The cash flow projection was based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The discount rate applied to the cash flow projection is 7.0%-9.4% (six months ended 30 June 2020: 7.0%-8.6%). The discount rate used is a long-term weighted-average cost of capital, which is based on management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the value in use calculations reflect management's judgements and expectation regarding the past performance of the relevant assets, as well as future industry conditions and operations, including estimated utilisation rates, day rates, cost level and capital requirements.

11. RIGHT-OF-USE ASSETS

During the six months ended 30 June 2021, the Group entered into certain lease agreements and recognised right-of-use assets of RMB406,333,000 (six months ended 30 June 2020: RMB140,459,000) and lease liabilities of RMB406,333,000 (six months ended 30 June 2020: RMB82,937,000) on lease commencement.

12. GOODWILL

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

13. ACCOUNTS RECEIVABLE

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

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Outstanding balances aged:		
Within six months	**12,696,440**	9,543,578
Six months to one year	**877,908**	497,115
One year to two years	**200,065**	125,692
Over two years	**96,545**	45,827
	13,870,958	10,212,212

14. DEBT INSTRUMENT AT AMORTISED COST

The balance represents a debt instrument invested by the Group, carrying annual interest rate of 3.8% and maturing on 27 December 2021. The Group is going to hold the instrument until maturity and therefore measures it at amortised cost.

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Value-added tax to be deducted and prepaid	**376,441**	90,178
Value-added tax recoverable	**–**	35,173
Other current assets	**376,441**	125,351
Output value-added tax to be recognised	**(652,325)**	(314,191)
Other current liabilities	**(652,325)**	(314,191)
Time deposits	**1,500,000**	–
Deposits paid for the acquisition of property, plant and equipment	**13,000**	25,588
Value-added tax recoverable	**164,275**	130,545
Income tax recoverable	**16,475**	2,627
Other non-current assets	**1,693,750**	158,760

16. TRADE AND OTHER PAYABLES

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Trade payables	**7,574,397**	8,846,958
Other payables	**477,336**	546,093
	8,051,733	9,393,051

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

	30 June 2021 *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Outstanding balances aged:		
Within one year	**6,927,849**	8,140,199
One year to two years	**535,514**	626,382
Two years to three years	**87,221**	34,840
Over three years	**23,813**	45,537
	7,574,397	8,846,958

17. LOAN FROM A RELATED PARTY

	Contractual interest rate per annum *(%)*	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Loan from a related party – unsecured	LIBOR+0.5%	**2,261,546**	2,284,336

During the six months ended 30 June 2021, the Group did not obtain any new loans (six months ended 30 June 2020: Nil).

18. INTEREST-BEARING BANK BORROWINGS

During the six months ended 30 June 2021, no bank borrowings denominated in US$ were repaid by the Group (six months ended 30 June 2020: US$42,100,000, equivalent to approximately RMB298,283,000), and the Group repaid bank borrowings denominated in RMB of RMB9,100,000 (six months ended 30 June 2020: RMB9,100,000).

No bank borrowings were obtained during the six months ended 30 June 2021 and 2020.

The weighted average effective interest rate of bank borrowings for the six months ended 30 June 2021 was 1.08% per annum (six months ended 30 June 2020: 2.93% per annum) and the borrowings are repayable in instalments over a period of 1 to 15 years.

19. LONG TERM BONDS

	Year of maturity	**30 June 2021** *RMB'000* **(Unaudited)**	31 December 2020 *RMB'000* (Audited)
Corporate bonds *(Note (a))*	2022	**1,508,400**	1,542,000
2016 Corporate Bonds			
(Type II of the First Tranche Issue as defined below) *(Note (b))*	2026	**3,009,893**	3,071,183
(Type I of the Second Tranche Issue as defined below) *(Note (b))*	2021	**104,062**	102,493
(Type II of the Second Tranche Issue as defined below) *(Note (b))*	2021	**2,966,664**	2,917,698
Senior unsecured USD bonds *(Note (c))*	2022	**6,523,768**	6,585,160
Guaranteed medium term notes			
Second Drawdown Note *(Note (d))*	2025	**3,279,482**	3,311,019
Guaranteed senior notes			
2025 Notes *(Note (e))*	2025	**3,222,541**	3,253,958
2030 Notes *(Note (e))*	2030	**1,919,223**	1,937,544
		22,534,033	22,721,055
Current		**4,719,524**	3,265,377
Non-current		**17,814,509**	19,455,678
		22,534,033	22,721,055

Notes:

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500,000,000. The bonds carry an effective interest rate of 4.48% per annum and the redemption or maturity date is 14 May 2022.

(b) On 26 May 2016, the Group issued its first tranche (the "First Tranche Issue") of domestic corporate bonds ("2016 Corporate Bonds") with an aggregate amount of RMB5,000,000,000. The First Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,000,000,000 was repaid on 27 May 2019. The second type of bonds with a principal amount of RMB3,000,000,000 ("Type II of the First Tranche Issue") carries an effective interest rate of 4.12% per annum and the maturity date is 27 May 2026.

On 21 October 2016, the Group issued its second tranche (the "Second Tranche Issue") of 2016 Corporate Bonds with an aggregate amount of RMB5,000,000,000. The Second Tranche Issue includes two types of bonds. The first type of bonds with a principal amount of RMB2,100,000,000 ("Type I of the Second Tranche Issue") is repayable on 24 October 2021. The Group has the right to adjust or not to adjust the coupon rate for the fourth and fifth years at the end of the third year on 24 October 2019 by giving a notice to the bondholders. The bondholders have the right to require the Group to redeem Type I of the Second Tranche Issue at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date whether the Group chose to adjust the coupon rate or not. The remaining bonds will be subject to the interest rate offered by the Group at the end of the third year until the maturity date. The effective interest rate of Type I of the Second Tranche Issue is 3.13% per annum. During the year of 2019, the RMB1,998,100,000 principal of Type I of the Second Tranche was redeemed as required by the bondholders. According to the market environment, the Group chose not to adjust the coupon rate for the fourth and fifth years, that is, the coupon rate remains at 3.08% in the following interest-bearing years. The remaining Type I of the Second Tranche Issue of RMB101,900,000 will be held until the maturity date on 24 October 2021.

The second type of bonds with a principal amount of RMB2,900,000,000 ("Type II of the Second Tranche Issue") is repayable on 24 October 2023. The Group has the right not to adjust or to 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 to require the Group to redeem 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 effective interest rate of Type II of the Second Tranche Issue is 3.38% per annum.

(c) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Company, issued 10-year senior unsecured USD bonds, with a US$1,000,000,000 principal amount. The redemption or maturity date is 6 September 2022. The effective interest rate of the senior unsecured bonds is 3.38% per annum.

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

On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with a nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate is 4.58% per annum after taking into consideration of initial transaction costs. The principal of the Second Drawdown Note will be repaid on 30 July 2025.

(e) On 24 June 2020, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, issued two tranches of Guaranteed Senior Notes. The Company has unconditionally and irrevocably guaranteed the due and punctual payment of the Guaranteed Senior Notes.

The first tranche of the notes (the "2025 Notes") are 5-year guaranteed senior notes, with a US$500,000,000 principal amount. The redemption or 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") are 10-year guaranteed senior notes, with a US$300,000,000 principal amount. The redemption or maturity date is 24 June 2030. The effective interest rate of the 2030 Notes is 2.62% per annum.

20. REVIEW OF INTERIM RESULTS

The interim results for the six months ended 30 June 2021 have been reviewed with no disagreement by the Audit Committee of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Industry Overview

In the first half of 2021, with the positive momentum of global economy, oil demand gradually increased, and the international oil price fluctuated around an upward trend. Under the context of "peak carbon dioxide emissions and carbon neutrality", the trend of international oil companies attempting to explore and transform into new energy companies is accelerating, and increased investment in new energy. The international oil companies continued to maintain cautious towards oil and gas exploration and development investment, and were especially cautious about risky exploration, frontier areas, and deep-water exploration and development. The saturation situation of oversupply in the oilfield service market was still existed, and some exploration and development projects have been delayed, postponed or even cancelled. The utilization rate of large-scale equipment is still at a low level, representing a significate difference when compared with the utilization rate before the COVID-19 pandemic (hereinafter "Pandemic"). In particular, the utilization rate of medium and low-end drilling rigs is still at a historically low level, and the price of oilfield services has not yet returned to the level before the Pandemic. From the perspective of operating performance, the overall global oilfield service industry continued to be in a downturn trend. Most heavy-asset oilfield service companies recorded poor profitability and their asset returns are at historically low levels. On the other hand, the domestic economy continued to improve in general. Driven by the national "Seven-Year Action Plan" for improving reserves and production, the domestic oilfield service market remained stable relatively.

Business Review

In the first half of 2021, although the international oil prices rebounded, the investments in exploration and development of international oil companies were still lagging and remain cautions, the scale of oilfield service market had slow recovery. Due to the continued impact of the Pandemic across the world, the year-on-year operation volume and utilization rate of equipment have recorded a certain level of decline due to the delay in operations. Meanwhile, the overall domestic economy has maintained steady growth and driven by the implementation of CNOOC's "Seven-Year Action Plan" and the promotion of safety strategy of national energy, the Company endeavored to overcome the adverse effects brought by the Pandemic and the decline in operation volume, to continue to optimize production and operation, strived to promotion cost reduction, quality improvement and efficiency improvement, actively practiced green low-carbon development strategy, with its technical system more improved and the operation and maintenance of its equipment constantly enhanced. In the first half of the year, the Company's revenue was RMB12,723.0 million and net profit was RMB808.5 million.

Drilling Services Segment

Revenue for the Company's drilling services segment in the first half of the year was RMB4,347.8 million, a 29.5% decrease compared with RMB6,171.0 million for the same period of last year. An amount of US$188 million settlement income was received from Equinor Energy AS (hereinafter referred to as "Equinor") during the same period of last year.

In the first half of 2021, due to the continuity of the Pandemic worldwide and delay in market orders, the overall operation volume of drilling rigs has declined. The Company continued to strengthen its refined management, strived to create leading cost advantages, constantly explored the standardization, modularization and serialization of management for large equipment as well as improved the industry chain. While continuing to explore the international market, the Company also fully safeguarded the efficient supply of equipment, technology and personnel for the national "Seven-Year Action Plan". "HYSY936" continued to provide effective services to customers from the Americas; "China Merchants Hailong 7" commenced the first well drilling operation for new customers in North America; The drilling operation in North America undertaken by "COSLHunter" were successfully completed; "COSLConfidence" successfully passed the contract start-up inspection by American customers; "COSLBoss" accomplished the drilling operation project in Southeast Asia; "China Merchants Hailong 6" successfully completed the first oil testing operation in Southeast Asia; "COSLGift" passed the annual operation safety audit of Middle East customers with high scores and received high praise; "COSLStrike" successfully completed the handling of downhole complex situation and received written praise from Middle East customers; "COSL1" modular drilling rig completed the pre-launch inspection for the new operation project in the Americas; "COSL3" received written praise for efficient operations from customers in the Americas; self-developed "One Drilling Pipe Processing Work Station" and others received the invention patent authorization from China National Intellectual Property Administration.

As of 30 June 2021, the Company operated and managed a total of 56 drilling rigs, including 43 jack-up drilling rigs and 13 semi-submersible drilling rigs. Of these, 28 were operating in the China sea and 7 in overseas such as North America and Southeast Asia, while 19 were on standby and 2 were under repair in shipyards. During the first half of the year, operating days for the Company's drilling rigs amounted to 6,578 days, representing a decrease of 1,084 days or 14.1% compared with the same period of last year. The calendar day utilisation rate of drilling rigs was 65.3%, representing a decrease of 10.9 percentage points compared with the same period of last year, due to the decrease in operation volume.

Operation details for the Company's jack-up and semi-submersible drilling rigs during the first half of 2021 are as follows:

	For the six months ended 30 June		
Drilling Services	**2021**	2020	Change
Operating days (day)	**6,578**	7,662	(14.1%)
Jack-up drilling rigs	**5,296**	5,985	(11.5%)
Semi-submersible drilling rigs	**1,282**	1,677	(23.6%)
Available day utilisation rate	**68.9%**	80.7%	Down 11.8 percentage points
Jack-up drilling rigs	**71.8%**	83.3%	Down 11.5 percentage points
Semi-submersible drilling rigs	**59.1%**	72.6%	Down 13.5 percentage points
Calendar day utilisation rate	**65.3%**	76.2%	Down 10.9 percentage points
Jack-up drilling rigs	**68.6%**	79.8%	Down 11.2 percentage points
Semi-submersible drilling rigs	**54.5%**	65.8%	Down 11.3 percentage points

As of 30 June 2021, operating days for the Company's jack-up drilling rigs amounted to 5,296, representing a decrease of 689 days compared with the same period of last year. Operating days for semi-submersible drilling rigs amounted to 1,282, representing a decrease of 395 days compared with the same period of last year.

During the first half of 2021, the average daily revenue for the Company's jack-up drilling rigs increased in comparison with the same period of last year due to the impact of price recovery. Details are as follows:

	For the six months ended 30 June			
Average daily revenue (US$10,000 per day)	**2021**	2020	Change	Percentage change
Jack-up drilling rigs	**7.6**	6.3	1.3	20.6%
Semi-submersible drilling rigs	**14.5**	15.3	(0.8)	(5.2%)
Subtotal of drilling rigs	**8.9**	8.2	0.7	8.5%

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

(2) US$/RMB exchange rate was 1:6.4601 on 30 June 2021 and 1:7.0795 on 30 June 2020.

Well Services Segment

The first half of the year saw various degree of changes in the operation volume of main lines in the Company's well services segment, and its overall revenue was RMB6,020.0 million, which was basically equal to RMB6,050.4 million for the same period of last year.

In the first half of 2021, the Company promoted key core technology research, enhanced the capability of transforming scientific research result, persisted in the path of international development, bravely took on the task of being a pioneer in technological development, and provided strong technical support for the promotion of deep-sea oil and gas resources. In the first half of the year, the Company successfully completed certain high-temperature well wireline logging operation, realized for the first time the high-end logging operation of self-developed high-temperature wireline logging equipment such as ultra-high-temperature full logging system, high-temperature acoustoelectric imaging, and high-temperature magnetic resonance and rotating shaft wall coring; the constant flow temperature range index of its self-developed synthetic base drilling fluid broke through the minimum and maximum temperature of 3°C and 180°C respectively, indicating that the national self-developed drilling fluid technology has reached international leading standard; with the successfully self-developed drilling quadrupole acoustic logging tool (QUAST), the Company completed the logging operations with high quality in two sea areas, promoted the rapid improvement in the logging while drilling technical service capabilities which the Company has had intellectual property rights; completed the first airtight temporary blocking and fracking operation, indicating that the Company achieved breakthrough again on the path of exploring and practicing new process and technology on fracking; successfully completed the first overseas operation for self-developed "D+W" system's Drilog tools, new synthetic base drilling fluids and its supporting technology were recognized by the international market; successfully completed the acidizing stimulation operation of certain oilfield wells in the Middle East, and helped reviving such well after being shut down for 8 years; successfully signed its first cooperation order for drilling fluids and well cementing services in North America with new international customers.

Marine Support Services Segment

In the first half of the year, revenue from the Company's marine support services business was RMB1,535.9 million, which was equal to the revenue for the same period of last year. Of which, RMB1,039.5 million was revenue from self-owned vessels.

In the first half of 2021, the Company's marine support services segment continued to strengthen cost control and green development concept, strived to perform cost management for single vessel, optimized energy saving and emission reduction measures and construction of safety capacity, increased quality of equipment operation and maintenance, enhanced international market expansion. The Company's four 5,000 horsepower LNG power guard supply vessels were put into operation. The Company fully completed the tug-on-water operation and anchor retrieval operation of the world's first 100,000-tonne deep-water semi-submersible oil production and storage drilling rig "Shen Hai Yi Hao" as well as added new marine support resources in the America's project market.

As of 30 June 2021, operating days for self-owned vessels of the Company's marine support services business amounted to 14,806, representing a decrease of 735 days compared with the same period of last year. The calendar day utilisation rate decreased by 4.1 percentage points to 92.9% compared with the same period of last year, with various degree of decline in the operation volume of main business lines. Details are in the following table:

	For the six months ended 30 June		
Marine Support Services (self-owned vessels)	**2021**	2020	Percentage change
Operating days (day)	**14,806**	15,541	(4.7%)
Standby vessels	**6,258**	6,770	(7.6%)
AHTS vessels	**4,951**	4,825	2.6%
Platform supply vessels	**2,420**	2,535	(4.5%)
Multipurpose vessels	**634**	712	(11.0%)
Workover support barges	**543**	699	(22.3%)

Geophysical Acquisition and Surveying Services Segment

Revenue for the Company's geophysical acquisition and surveying services segment was RMB819.3 million for the first half of the year, representing an increase of RMB78.3 million or 10.6% compared with the same period of last year. It was mainly due to the substantial increase in the operation volume of ocean bottom cable business during the period, which led to an increase in revenue.

In the first half of 2021, facing the sluggish geophysical industry, the Company actively strengthened its refined management, enhanced technology innovation, continuously raised production and operation capacity, fully protected the exploration resources and constantly reduced costs and improved quality and efficiency. The self-developed streamer acquisition equipment "Hailiang" and streamer integrated navigation system "Haitu" have achieved commercial production and application which filled up the China's equipment technology gap in such field, thus enabling the nation's self-developed marine seismic streamer acquisition equipment technology to attain international advanced level. The geophysical vessel "HYSY720" continuously carried out several 3D seismic acquisition projects in the South America sea, and its high-quality, safe, efficient and environmental-friendly operations were well received by customers. Two geophysical vessels jointly completed the most difficult two-ship seismic acquisition project in the country's geophysical streaming operation till now, with operation efficiency of up to 95%. The Company also organized CNOOC's first Ocean Bottom Node (OBN) operating fleet, which enabled the Company to have an OBN seismic acquisition operation capability of over 100-meter water depth.

As of 30 June 2021, under the impact of Pandemic and operation delays as a result, the operation volume of the Company's 2D acquisition business was 2,156 km, a 76.2% decrease compared with the same period of last year. The 3D acquisition business's operation volume was 9,667 km^2, a 7.6% decrease compared with the same period of last year. The operation volume of ocean bottom cable was full and was 990 km^2, a 68.1% increase compared with the same period of last year; ocean bottom node business has been newly added and the operation volume was 210 km^2. Details are as follows:

Geophysical Acquisition and Surveying Services	**For the six months ended 30 June**		Percentage
	2021	2020	change
2D acquisition (km)	**2,156**	9,077	(76.2%)
3D acquisition (km^2)	**9,667**	10,466	(7.6%)
of which: multi-client acquisition (km^2)	**1,771**	2,918	(39.3%)
Ocean bottom cable (km^2)	**990**	589	68.1%
Ocean bottom node (km^2)	**210**	0	N/A

Financial Review

1. Analysis of interim condensed consolidated statement of profit or loss

1.1 Revenue

In the first half of 2021, the recovery of oilfield service market scale was slow, the Company's revenue decreased by RMB1,773.7 million or 12.2% compared with the same period of last year. Details of analysis are as follows:

Revenue of each business segment for the first half of 2021:

Unit: RMB million	**For the six months ended 30 June**			
Business segment	**2021**	2020	Change	Percentage change
Drilling services	**4,347.8**	6,171.0	(1,823.2)	(29.5%)
Well services	**6,020.0**	6,050.4	(30.4)	(0.5%)
Marine support services	**1,535.9**	1,534.3	1.6	0.1%
Geophysical acquisition and surveying services	**819.3**	741.0	78.3	10.6%
Total	**12,723.0**	14,496.7	(1,773.7)	(12.2%)

- Revenue of drilling services business decreased by 29.5% over the same period of last year, mainly due to the receipt of US$188 million settlement income from Equinor during the same period of last year.

- Revenue of well services business remained the same over the same period of last year, mainly due to the varying degree of change in the operation volume of each business line.

- Revenue of marine support services business remained the same over the same period of last year, mainly due to the overall operation volume of marine support services during the period was basically the same over the same period of last year.

- Revenue of geophysical acquisition and surveying services business increase by 10.6% compared with the same period of last year, mainly due to the significant increase in the operation volume and revenue of ocean bottom cable business during the period.

1.2 Operating expenses

In the first half of 2021, the Company's operating expenses amounted to RMB11,526.7 million, representing a decrease of RMB925.4 million or 7.4% from RMB12,452.1 million for the same period of last year.

The table below breaks down the Company's operating expenses from the first half of 2021:

Unit: RMB million	**For the six months ended 30 June**			
	2021	2020	Change	Percentage change
Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library	**2,236.8**	2,184.9	51.9	2.4%
Depreciation of the right-of-use assets	**148.1**	295.8	(147.7)	(49.9%)
Employee compensation costs	**2,475.5**	2,486.7	(11.2)	(0.5%)
Repair and maintenance costs	**171.1**	125.9	45.2	35.9%
Consumption of supplies, materials, fuel, services and others	**2,886.0**	2,925.6	(39.6)	(1.4%)
Subcontracting expenses	**2,279.6**	2,356.4	(76.8)	(3.3%)
Lease expenses	**727.1**	651.5	75.6	11.6%
Impairment of property, plant and equipment	**0.0**	843.8	(843.8)	(100.0%)
Impairment losses/(reversal of impairment losses) under the expected credit loss model, net of reversal	**2.5**	(0.9)	3.4	(377.8%)
Other operating expenses	**600.0**	582.4	17.6	3.0%
Total operating expenses	**11,526.7**	12,452.1	(925.4)	(7.4%)

Depreciation of property, plant and equipment and amortisation of intangible assets and multiclient library for the period increased by RMB51.9 million compared with the same period of last year.

Depreciation of right-of-use assets for the period decreased by RMB147.7 million compared with the same period of last year, mainly due to the decrease in lease contracts measured by right-of-use assets for the period.

Employee compensation cost for the period decreased by RMB11.2 million compared with the same period of last year.

Repair and maintenance costs for the period increased by RMB45.2 million compared with the same period of last year, mainly due to the equipment repairment arrangements for the period increased over the same period of last year.

Consumption of supplies, materials, fuel, services and others for the period decreased by RMB39.6 million compared with the same period of last year. Subcontracting expenses decreased by RMB76.8 million compared with the same period of last year, mainly due to the Company's continuous efforts in reducing costs, and quality and efficiency enhancement, as well as strengthening lean cost control.

Lease expenses for the period increased by RMB75.6 million compared with the same period of last year, mainly due to adjustment made in equipment deployment, causing an increase in short-term operating leases and variable lease payments during the period.

There was no impairment loss of property, plant and equipment for the period. Whereas for the same period of last year, taking the settlement with Equinor into account, the Company recognised an impairment loss of asset of RMB843.8 million based on the expected day rates and future cash flow of relevant platforms.

Impairment losses under the expected credit loss model for the period amounted to RMB2.5 million, mainly due to an increase in the expected credit loss made for other receivables.

Other operating expenses for the period amounted to RMB600.0 million, which mainly included more than 30 cost subjects 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, with an increase of RMB17.6 million compared with the same period of last year. Among which, pandemic prevention expenses decreased by RMB96.4 million, while other subjects increased or decreased. Of the total other operating expenses, travel expenses amounted to RMB157.5 million, health, safety and environmental protection expenses amounted to RMB108.3 million, transfer fees for technology research amounted to RMB61.3 million, overseas business trip expenses amounted to RMB39.8 million, and other office expenses, consulting fees and audit fees and so on amounted to RMB233.1 million in total.

In the same period of 2020, other operating expenses amounted to RMB582.4 million, which mainly included more than 30 cost subjects 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 which travel expenses amounted to RMB143.4 million, pandemic prevention expenses amounted to RMB112.0 million, health, safety and environmental protection expenses amounted to RMB90.6 million, overseas business trip expenses amounted to RMB85.7 million. Transfer fees for other technology research, consulting fees, audit fees and so on, amounted to RMB150.7 million in total.

The table below shows operating expenses for business segment in the first half of 2021:

Unit: RMB million	**For the six months ended 30 June**			
Business segment	**2021**	2020	Change	Percentage change
Drilling services	**4,358.3**	5,158.6	(800.3)	(15.5%)
Well services	**4,827.0**	5,034.3	(207.3)	(4.1%)
Marine support services	**1,355.2**	1,417.3	(62.1)	(4.4%)
Geophysical acquisition and surveying services	**986.2**	841.9	144.3	17.1%
Total	**11,526.7**	12,452.1	(925.4)	(7.4%)

1.3 *Profit from operations*

The Company's profit from operations during the first half of 2021 amounted to RMB1,354.5 million, representing a decrease of RMB867.5 million as compared to RMB2,222.0 million from the same period of last year.

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

Unit: RMB million	**For the six months ended 30 June**		
Business segment	**2021**	2020	Change
Drilling services	**25.5**	1,061.1	(1,035.6)
Well services	**1,284.0**	1,125.5	158.5
Marine support services	**198.8**	131.8	67.0
Geophysical acquisition and surveying services	**(153.8)**	(96.4)	(57.4)
Total	**1,354.5**	2,222.0	(867.5)

1.4 *Financial expenses, net*

In the first half of 2021, the Company's net financial expenses were RMB434.1 million, representing an increase of RMB47.6 million compared with RMB386.5 million for the same period of last year. Of which, net exchange gain decreased by RMB142.6 million compared with the same period of last year, finance costs decreased by RMB59.4 million compared with the same period of last year, and interest income increased by RMB35.6 million compared with the same period of last year.

1.5 Investment income

In the first half of 2021, the Company's investment income amounted to RMB23.5 million, representing a decrease of RMB54.0 million or 69.7% compared with RMB77.5 million for the same period of last year, mainly due to a decrease in income from wealth management products during the period.

1.6 Gains arising from financial assets at fair value through profit or loss

In the first half of 2021, gains arising from financial assets at fair value were RMB51.0 million, representing an increase of RMB25.5 million compared with RMB25.5 million for the same period of last year. This was mainly due to an increase in redemption of monetary funds and increase in gains from fair value changes of wealth management products during the period.

1.7 Other gains and losses

In the first half of 2021, net loss from disposal/retirement of assets and lease modifications was RMB21.5 million, while the net loss from disposal/retirement of assets for the same period of last year was RMB6.4 million.

1.8 Profit for the period

In the first half of 2021, the Company's profit for the period was RMB808.5 million, as compared with RMB1,722.6 million for the same period of last year.

1.9 Basic earnings per share

In the first half of 2021, the Company's basic earnings per share amounted to RMB16.80 cents as compared with basic earnings per share of RMB35.93 cents for the same period of last year.

2. Analysis of interim condensed consolidated statement of financial position

As of 30 June 2021, total assets of the Company amounted to RMB74,789.7 million, representing a decrease of RMB1,152.6 million or 1.5% as compared with RMB75,942.3 million at the end of 2020. Total liabilities were RMB36,100.6 million, representing a decrease of RMB1,152.9 million or 3.1% as compared with RMB37,253.5 million at the end of 2020. Shareholders' equity was RMB38,689.1 million, basically unchanged as compared with RMB38,688.8 million at the end of 2020.

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

Unit: RMB million

Item	**30 June 2021**	31 December 2020	Percentage change	Reason
Other non-current assets	**1,693.8**	158.8	966.6%	Mainly due to the increase in time deposits at the end of the period.
Deferred tax assets	**67.1**	158.8	(57.7%)	Mainly due to the decrease in deductible temporary differences at the end of the period.
Prepayments, deposits and other receivables	**450.3**	259.2	73.7%	Mainly due to the increase in cash dividends declared by joint ventures.
Accounts receivable	**13,871.0**	10,212.2	35.8%	Mainly due to the payment schedule of customers.
Notes receivable	**19.1**	10.1	89.1%	Mainly due to the increase in commercial acceptance drafts.
Receivables at fair value through other comprehensive income	**57.4**	3.0	1,813.3%	Mainly due to the increase in bank acceptance at the end of the period.
Financial assets at fair value through profit or loss	**1,012.8**	5,539.4	(81.7%)	Mainly due to the redemption of expired monetary funds and corporate wealth management products during the period.
Contract assets (current assets)	**172.1**	320.4	(46.3%)	Mainly due to the decrease in contract assets as a result of confirmation of invoices by customers.
Contract costs (current assets)	**0.0**	18.5	(100.0%)	Mainly due to full transfer of mobilisation costs at the end of the period.
Other current assets	**376.4**	125.4	200.2%	Mainly due to the increase in input value-added tax (VAT) which is subject to verification and prepaid tax at the end of the period.
Time deposits	**3.4**	0.0	N/A	Mainly due to the increase in time deposits at the end of the period.
Pledged deposits	**6.9**	3.7	86.5%	Mainly due to the increase in pledged deposits at the end of the period.
Notes payable	**1.5**	0.0	N/A	Mainly due to the increase in commercial acceptance drafts.
Long term bonds (current liabilities)	**4,719.5**	3,265.4	44.5%	Mainly due to the increase in corporate bonds due within one year.
Other current liabilities	**652.3**	314.2	107.6%	Mainly due to the increase in the output VAT to be recognized.
Deferred tax liabilities	**32.9**	24.9	32.1%	Mainly due to the decrease in deferred income tax assets, resulting in an increase in deferred income tax liabilities after elimination.
Lease liabilities (non-current liabilities)	**593.3**	366.3	62.0%	Mainly due to the increase in equipment configuration during the period.
Contract liabilities (non-current liabilities)	**35.5**	61.1	(41.9%)	Mainly due to the amortisation of contract values during the period.

3. Analysis of interim condensed consolidated statement of cash flows

At the beginning of 2021, the Company held cash and cash equivalents of RMB6,583.7 million. Net cash outflows from operating activities for the period amounted to RMB1,888.8 million. Net cash inflows from investing activities were RMB1,809.9 million. Net cash outflows from financing activities were RMB1,339.3 million. The impact of foreign exchange fluctuations on cash was a decrease of RMB39.5 million. As of 30 June 2021, the Company's cash and cash equivalents amounted to RMB5,126.1 million.

3.1 Cash flows from operating activities

As of 30 June 2021, the Company's net cash outflows from operating activities amounted to RMB1,888.8 million, as compared with the net cash outflows of RMB310.4 million for the same period of last year, mainly due to the receipt of US$188 million settlement income from Equinor over the same period of last year.

3.2 Cash flows from investing activities

As of 30 June 2021, net cash inflows from the Company's investing activities amounted to RMB1,809.9 million, while net cash inflows from the Company's investing activities amounted to RMB2,569.8 million for the same period of last year. This was mainly due to the cash outflows paid for purchases of bank wealth management products, debt instrument and time deposits decreased by RMB1,996.6 million as compared with the same period of last year. Cash inflows received from the disposal of/expired investments in bank wealth management products and monetary funds decreased by RMB2,485.3 million as compared with the same period of last year. Cash outflows paid for purchases of property, plant, equipment and other intangible assets increased by RMB469.3 million as compared with the same period of last year. The total decrease of cash outflows from other investing activities was RMB198.1 million.

3.3 Net cash flows from financing activities

As of 30 June 2021, the Company's net cash outflows from financing activities amounted to RMB1,339.3 million, as compared with RMB3,736.4 million of cash inflows from financing activities over the same period of last year. This was mainly due to no issuance of long term bonds during the period; cash inflows from the issuance of RMB5,613.7 million as compared with the same period of last year; cash outflows from the repayment of bank loans decreasing by RMB298.3 million over the same period of last year; cash outflows from the repayment of lease liabilities decreasing by RMB228.6 million as compared with the same period of last year; and the decrease in cash outflows from other financing activities was RMB11.1 million.

3.4 The impact of foreign exchange rate changes on cash during the period was a decrease of RMB39.5 million.

4. Capital Expenditure

In the first half of 2021, the Company's capital expenditure was RMB1,126.9 million, representing an increase of RMB185.3 million or 19.7% compared with RMB941.6 million for the same period of last year.

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

Unit: RMB million	For the six months ended 30 June			
Business segment	**2021**	2020	Change	Percentage change
Drilling services	**302.6**	232.8	69.8	30.0%
Well services	**599.6**	492.1	107.5	21.8%
Marine support services	**128.8**	156.5	(27.7)	(17.7%)
Geophysical acquisition and surveying services	**95.9**	60.2	35.7	59.3%
Total	**1,126.9**	941.6	185.3	19.7%

The capital expenditure of the drilling services segment was mainly used for the transformation and renovation of drilling rig equipment. The capital expenditure of the well services segment was mainly used for the construction of technical service-related equipment. The capital expenditure of the marine support services segment was mainly used for the construction of oilfield services vessel. The increased capital expenditure of the geophysical acquisition and surveying services segment was mainly used for the purchase of operation equipment.

5. Major Subsidiaries

China Oilfield Services (BVI) Limited, COSL Hong Kong International Limited, COSL Norwegian AS ("CNA"), COSL Singapore Limited are major subsidiaries of the Company mainly engaged in drilling and well services and related business.

As of 30 June 2021, China Oilfield Services (BVI) Limited's total assets amounted to RMB3,617.6 million and equity was RMB531.4 million. China Oilfield Services (BVI) Limited realised revenue of RMB953.8 million in the first half of 2021, representing an increase of RMB118.2 million compared with the same period of last year. The revenue increase was mainly resulted from gradual market recovery and increase in operation. Net profit amounted to RMB103.8 million, representing an increase of RMB110.7 million compared with the same period of last year.

As of 30 June 2021, COSL Hong Kong International Limited's total assets amounted to RMB6,881.1 million and equity was RMB6,881.1 million. COSL Hong Kong International Limited realised revenue of RMB16,700 in 2021, and revenue in the same period of last year was zero. Net profit amounted to RMB500, and net profit in the same period of last year was RMB-22,100.

As of 30 June 2021, CNA's total assets amounted to RMB8,819.1 million and equity was RMB-1,655.9 million. CNA realised revenue of RMB399.5 million in the first half of 2021, representing a decrease of RMB1,885.5 million or 82.5% compared with the same period of last year. The major reason was the receipt of a settlement income of US$188 million from Equinor in the same period of last year. Net profit amounted to RMB-293.7 million, representing a decrease of RMB758.9 million compared with the same period of last year. Taking into account the settlement with Equinor in the same period of last year, CNA recognised an asset impairment loss of RMB843.8 million based on the expected day rates and future cash flow of COSLInnovator, whereas there was no impairment loss for the period.

As of 30 June 2021, COSL Singapore Limited's total assets amounted to RMB24,237.6 million and equity was RMB-1,761.2 million. COSL Singapore Limited realised revenue of RMB710.1 million in the first half of 2021, representing a decrease of RMB168.5 million or 19.2% compared with the same period of last year. Net profit amounted to RMB-351.1 million, representing a decrease in loss of RMB189.8 million compared with the same period of last year. COSL DRILLING STRIKE PTE. LTD. and COSL PROSPECTOR PTE. LTD. are major subsidiaries of COSL Singapore Limited.

As of 30 June 2021, the total assets of COSL DRILLING STRIKE PTE. LTD. amounted to RMB3,697.7 million and equity was RMB-3,038.6 million. COSL DRILLING STRIKE PTE. LTD. realised revenue of RMB91.7 million in the first half of 2021, representing a decrease of RMB21.9 million or 19.3% compared with the same period of last year. Net profit amounted to RMB-137.1 million, representing an increase in loss of RMB5.6 million compared with the same period of last year.

As of 30 June 2021, the total assets of COSL PROSPECTOR PTE. LTD. amounted to RMB8,018.6 million and equity was RMB-4,615.2 million. COSL PROSPECTOR PTE. LTD. realised revenue of RMB208.8 million in the first half of 2021, representing a decrease of RMB54.8 million compared with the same period of last year. Net profit amounted to RMB-259.6 million, representing a decrease in loss of RMB86.9 million compared with the same period of last year.

PROSPECTS

The latest "World Economic Outlook Report" released by the International Monetary Fund (IMF) forecasts that the global economy is expected to grow by 6.0% and Chinese economy by 8.1% in 2021. The continued recovery of global economy is expected to facilitate the growth in demand for crude oil. The upstream exploration and development investment by oil companies is likely to increase, the oilfield service market will recover slowly and the low utilization rate of oilfield service equipment will be alleviated. At the same time, driven by the national "Seven-Year Action Plan" for improving reserves and production, the domestic market demand for oilfield services remains stable, and the Company will gain more market opportunities.

In the second half of the year, the Company will comprehensively enhance its technological research and development capabilities and promote the establishment of "strategic partners", implement our safety responsibilities, realize our "peak carbon dioxide emissions and carbon neutrality" target objectives, and cultivate new development momentum, further reduce overall costs, enhance service capabilities and service efficiency, and help oil companies in increasing reserves and production. At the same time, the Company will keep abreast on the development of the global economy, the trend of international oil prices, investment in upstream exploration and development as well as the oilfield service market condition, and it will formulate targeted response measures in accordance with the development trends of the industry.

SUPPLEMENTARY INFORMATION

Audit Committee

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Company as well as the risk management, internal control and financial reporting matters. The Company's unaudited interim results and financial report for the six months ended 30 June 2021 has been reviewed by the audit committee.

Corporate Governance Code

During the six months ended 30 June 2021, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (hereinafter "Listing Rules").

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

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors of the Company have confirmed that they have, for the six months ended 30 June 2021, complied with the Model Code for Securities Transactions by Directors of Listed Issuers (hereinafter "Model Code") as set out in Appendix 10 of the Listing Rules. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code.

Purchase, Sale and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2021.

PROGRESS OF BUSINESS PLAN

In the second quarter of 2021, the market remained cautious on upstream exploration and development expenses. At the same time, the oilfield service market was lagging and the market size was in slow recovery. The workload of the Company's major segment was lower than that of the same period of last year, and the Company achieved a revenue of RMB12.72 billion and a net profit of RMB0.81 billion in the first half of the year. During the second quarter, the Company continued to implement cost reduction, quality improvement, efficiency enhancement, strengthen strategic cooperation, optimize industry structure, improve cost management. The Company achieved substantial increase in revenue margin and profit to cost ratio quarter-on-quarter. Given the trend of change in oil prices, it is expected that, in the second half of the year, upstream investments will be strengthened, oilfield service market opportunities may increase, new projects and operations will enter into a more stable phase, and the overall workload will be further improved. At the same time, affected by factors such as dedicated repair plans, scientific research that enter into the settlement stage and safety inspections, higher requirements will be put forward on cost control. The Company will continue to focus on research and development of key technologies, stabilize domestic market, expand foreign market, speed up launch and operation of projects and enhance the efficiency of projects under operation. It will also step up its efforts in improving quality and efficiency, and accelerate the construction of a systematic, structural, and long-term cost reduction mechanism, strive to achieve sustained profitability and better operating performance quarter-to-quarter in the third quarter.

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2020, other than those disclosed in this results announcement.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

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

By Order of the Board
China Oilfield Services Limited
Wu Yanyan
Company Secretary

25 August 2021

As at the date of this announcement, the executive directors of the Company are Messrs. Zhao Shunqiang (Chairman) and Qi Meisheng; the non-executive directors of the Company are Messrs. Xu Yugao and Zhao Baoshun; and the independent non-executive directors of the Company are Messrs. Wong Kwai Huen, Albert, Lin Boqiang and Ms. Chiu Lai Kuen, Susanna.