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**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)**

**ANNOUNCEMENT**  
**PROVISIONS FOR ASSET IMPAIRMENT**

This announcement is made pursuant to Rule 13.09(2) and 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong).

By the approval of the board of directors and the supervisory committee of China Oilfield Services Limited (the "Company"), the Company will make asset impairment for certain assets. The details of the proposal are as follows:

**I. OVERVIEW OF THE PROVISIONS FOR ASSET IMPAIRMENT**

**1. Reasons for provisions for asset impairment**

In the second quarter of 2018, although international crude oil prices rise favourably, the competition in oilfield services industry remained fierce, utilization rate of large equipment and service price have not recovered to normal level, and the assets of a Singapore subsidiary of the Company have shown indication of impairment. In accordance with the provisions of the Accounting Standards for Business Enterprises No.8 – Asset Impairment and the Hong Kong Accounting Standards No.36 – Impairment of Assets, the Company performed impairment testing and recognized provision for impairment.

**2. Particulars of provisions for asset impairment**

Strictly according to relevant rules of the accounting standards, the Company performed impairment testing. The Company estimates the recoverable amount of assets based on the higher of fair value less costs of disposal and value in use. The Company will recognize provision for impairment for the shortfall between the recoverable amount of assets and the carrying value.

The estimated future cash flows of the drilling rigs are determined based on the Company's estimation of relevant data such as rig utilization rate, daily fee rate, estimated expenses and capital expenditures by assessing the existing working contracts and future market trends. The discount rate applied is 8% per annum which is the Company's long-term weighted average cost of capital. The net value of the fair value of the assets deducting disposal expenses was determined according to market price valuation reports issued by relevant assets brokerage companies. The Company has recognized provision of approximately RMB122.96 million for fixed asset impairment.

### **3. Impact of provisions for asset impairment on the Company's financial position**

The provisions for impairment of assets will reduce the Company's total profit by approximately RMB122.96 million.

## **II. THE EXPLANATION OF THE PROVISIONS FOR ASSET IMPAIRMENT FROM THE BOARD OF DIRECTORS**

The Company's board of directors considers that the provisions for asset impairment are based on the principle of prudence with sufficient justifications, and a genuine and fair reflection of the Company's financial conditions and the value of assets.

## **III. OPINIONS ON THE PROVISIONS FOR ASSET IMPAIRMENT FROM THE SUPERVISORY COMMITTEE**

The supervisory committee of the Company considers that the decision-making procedure for asset impairment complies with the relevant requirements under the laws, regulations and articles of association of the Company. The provisions for asset impairment are in compliance with the relevant provisions of the Accounting Standards for Business Enterprises and the Company's strategic development needs. It reflects the actual conditions of the Company and value of assets of the Company more fairly. The supervisory committee gives its consent to the provisions for asset impairment.

#### **IV. INDEPENDENT OPINIONS ON THE PROVISIONS FOR ASSET IMPAIRMENT FROM INDEPENDENT NON-EXECUTIVE DIRECTORS**

The independent non-executive directors of the Company consider that the provisions for asset impairment are in compliance with the relevant provisions of the Accounting Standards for Business Enterprises, the Hong Kong Financial Reporting Standards and the Company's accounting policies. It fairly reflects the value of assets of the Company, ensures the normal operation of the Company, and will not harm the legitimate interests of the Company and its small and medium shareholders. The independent non-executive directors give their consent to the provisions for asset impairment.

#### **V. EXPLANATION OF OTHER MATTERS**

The specific financial data in the interim report of 2018 to be formally disclosed by the Company shall prevail.

By Order of the Board of  
**China Oilfield Services Limited**  
**Jiang Ping**  
*Company Secretary*

22 August 2018

*As at the date of this announcement, the executive directors of the Company are Messrs. Qi Meisheng (Chairman) and Cao Shujie; the non-executive directors of the Company are Messrs. Meng Jun and Zhang Wukui; and the independent non-executive directors of the Company are Messrs. Law Hong Ping, Lawrence, Fong Chung, Mark and Wong Kwai Huen, Albert.*