COSL

CHINA OILFIELD SERVICES LIMITED

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

ANNUAL REPORT 2015

HOPE AHEAD

Company Profile

INTRODUCTION

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

OUR BUSINESS

Our four core business segments are drilling services, well services, marine support services and geophysical and surveying services. COSL not only provides services of single operation for the customers, but also offers integrated project management services; COSL's business activities are conducted not only in offshore China, but also in South East Asia, Middle East, Europe, Oceania, North America, South America and Africa.

OUR PERFORMANCE

In 2015, COSL provided clients with single, bundling, integrating and general contracting business services in each phase of surveying, exploration and production of oil and gas through business in four main sectors. Furthermore, the Company's performance in some broaden operating aspects such as society and environment has also fulfilled its expectation (details please refer to Financial Statements and Sustainability Report).

STRATEGIC TARGET

COSL aims at becoming an international first-class oilfield services provider. To achieve this, the Company insists on working in a sustainable operating model, targets on balancing the development of economic, society and environment endeavors to provide our clients with safe, high quality, effective and eco-friendly services, striving for a win-win benefit with our shareholders, clients, staff and business partners.

CORPORATE GOVERNANCE

Corporate governance of COSL includes not only those set out in the Corporate Governance Code of the Hong Kong Stock Exchange, the Company Law of PRC and the Articles of Association of the Company, but also stricter and self-established standards.

PROSPECT

The Company has steady market share in the offshore China market and laid a solid foundation in the markets, such as South East Asia, North sea, Middle East, Gulf of Mexico, Europe, Oceania and other regions, which provides a sturdy platform for continuous business development.

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

Business Overview

DOMESTIC

The Company maintains the leading position in China offshore oilfield services market and provides services in drilling, well-tech, marine support, and geophysical and surveying. Revenue from Mainland China in 2015 amounted to RMB15.47 billion, representing 66.8% of the total revenue.

INTERNATIONAL

In 2015, the international business of the Company remained stable and the operation performance has been improved in four major regions of the company. Revenue from the international market in 2015 amounted to RMB7.70 billion, representing 33.2% of the total revenue.

Asia-pacific region includes Indonesia, India, Thailand, Singapore, Australia and New Zealand etc.

Businesses involve geophysical services, drilling, well completion, logging, directional drilling, cementing, drilling & completion fluids, work-over services and marine support.

Middle East region includes Iraq, United Arab Emirates, and Qatar.

Businesses involve drilling, logging, directional drilling, cementing, drilling & completion fluids, completion and work-over services.

America region includes Mexico and Canada etc.

Businesses involve drilling and logging services.

Europe regions includes Norway and UK etc.

Businesses involve drilling services and accommodation rigs.

CONTENT

HOPE AHEAD

2015 Milestones

January
"HAI YANG SHI YOU 981" successfully completed its first foreign voyage and prepared for operation overseas.

February
Company successfully completed ELIS logging operation twice in Canada. It is the first show of ELIS, the company's self-developed logging equipment in the North American market.

March
The Company's self-developed third generation logging system, ELIS-eXceed, has successfully completed the logging service in the specific area of Shanxi, showing the industrialization of the third generation logging system turning materialized.

"COSLGIFT", started to drill the first well for Chevron Energy Company (China) in China Sea.

April
PT.COSL Drilling Indo. obtained the drilling contract of 4+1 wells in Indonesia.

The Company successfully completed the first sand control operation with IPM, it demonstrates that the Company was equipped with the business capability to complete sand control integrated operation independently.

May
The Company's self-developed RSS and LWD equipment have jointly finished offshore operation in the specific area of Bohai. They could automatically complete the mining test of marine "cluster well" and complex hydrocarbon layer. In the same month, the Company's self-developed new LWD and RSS equipment have successfully passed the first drilling test in Xinjiang Luntai.

June
The drilling fluid and cementing businesses of the Company received recognition of "Best in class performance" for the Shell Yinggehai project. The Company also became the 9th major contractor to be included in the contract management system in international drilling by Shell in August.

July
The Company won 6 awards in the "All-Asia Executive Team" rankings organized by the internationally renowned financial magazine, Institutional Investor, including "Most Honored Companies" and "Best Investor Relations" in oil & gas section, etc..

August
"HAI YANG SHI YOU 981" successfully completed the operation of the first self-operating HTHP well, Lingshui 25-1S-1.

September
Numerous self-developed new technical equipments for formation testing, such as the cable formation testing EFDF dual packer module, successfully completed their testing.

October
In the list of "Vessels of Safety and Integrity" and "Captains of Safety and Integrity" for 2015 announced by Maritime Safety Administration of the People's Republic of China, 11 vessels and 11 captains of the Company were honored.

November
"HAI YANG SHI YOU 718" obtained a 2D seismic collection contract in New Zealand seas by Shell. This operation is the first collaboration between the Company and Shell in international waters.

December
COSL Mexico S.A. de C.V was recognized by Petroleos Mexicanos (PEMEX) as a "Core Quality Contractor of the Company".

2015 Performances

Total revenue for the year: RMB 23,174.2 million	Profit from operations: RMB 1,631.5 million	Profit for the year: RMB 1,108.7 million
Basic earnings per share: RMB 0.23/share	Total assets: RMB 93,525.1 million	Shareholders' equity: RMB 46,828.7 million

Credit rating

Standard & Poor's: BBB+ (expected to be stable)	Moody's: Baa1 (expected to be negative)	Fitch: A (expected to be stable)

Financial Highlights

Unit: RMB million

	2015	2014	Decrease %
Revenue			
Domestic revenue	15,474.4	22,900.9	(32.4)
International revenue	7,699.8	10,092.3	(23.7)
Total	23,174.2	32,993.2	(29.8)
Operating expenses	21,785.2	24,791.0	(12.1)
Profit from operations	1,631.5	8,425.9	(80.6)
Profit before tax	1,396.4	8,522.5	(83.6)
Income tax expense	287.6	1,002.3	(71.3)
Profit for the year	1,108.7	7,520.2	(85.3)
Basic earnings per share (RMB/share)	0.23	1.57	(85.4)
Net assets per share (RMB/share)	9.8	9.9	(1.0)
Ratio			
Return on equity (%)	2.4	17.8	
Return on asset (%)	1.2	9.1	
Gearing ratio (%)	39.5	38.0	
Price/Earnings ratio	24.3	6.8	
Dividend yield (%)	1.2	4.5	
Dividend payout ratio (%)	30.2	30.6	

Notes:

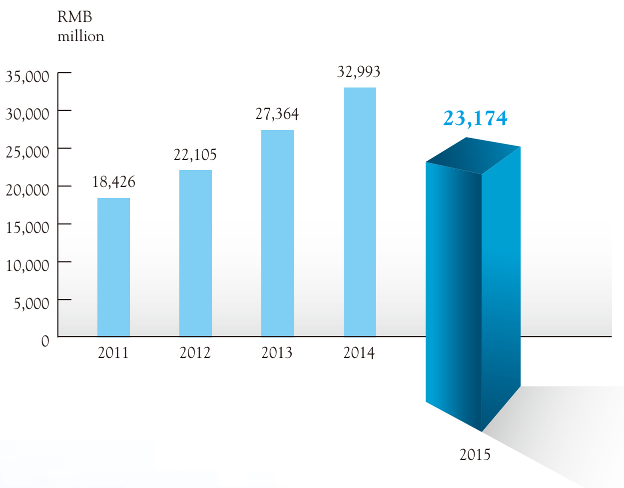
1. *Return on equity = Net profit for the year/(shareholders' equity in the beginning of the period+ shareholders' equity at the end of the period)/2*
2. *Return on asset = Net profit for the year/Average total assets*
3. *Gearing ratio = Net debt at the end of the period/(total capital at the end of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

FIVE-YEAR FINANCIAL POSITION REVIEW

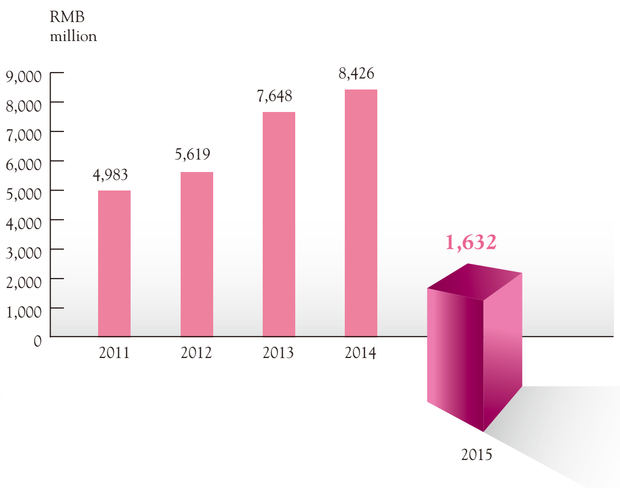
Unit: RMB million

Major financial data and indicators	2015	2014	Decrease over the same period last year (%)	2013	2012	2011
Revenue	23,174.2	32,993.2	(29.8)	27,363.8	22,104.7	18,426.1
Profit from operations	1,631.5	8,425.9	(80.6)	7,648.3	5,618.6	4,982.8
Profit for the year	1,108.7	7,520.2	(85.3)	6,726.4	4,569.8	4,039.5
Earnings per share (RMB/share)	0.23	1.57	(85.4)	1.49	1.01	0.90
	As at the end of 2015	**As at the end of 2014**	**Increase/ (decrease) over the end of the same period last year (%)**	**As at the end of 2013**	**As at the end of 2012**	**As at the end of 2011**
Shareholders' equity	46,828.7	47,322.1	(1.0)	37,259.8	32,204.9	28,459.2
Total assets	93,525.1	86,874.3	7.7	79,262.3	74,648.5	64,851.1

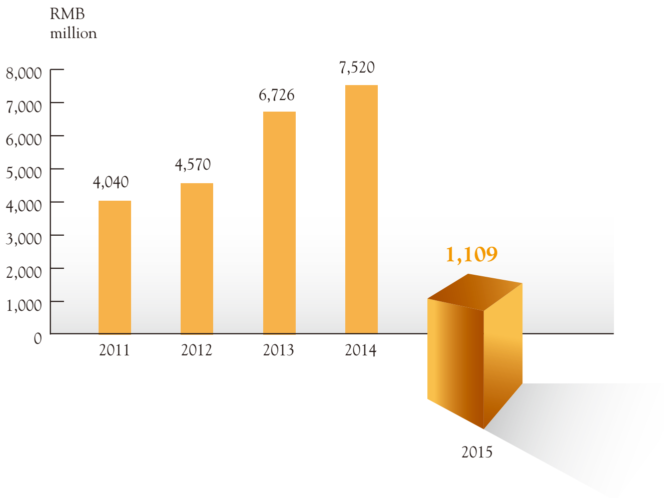
Revenue



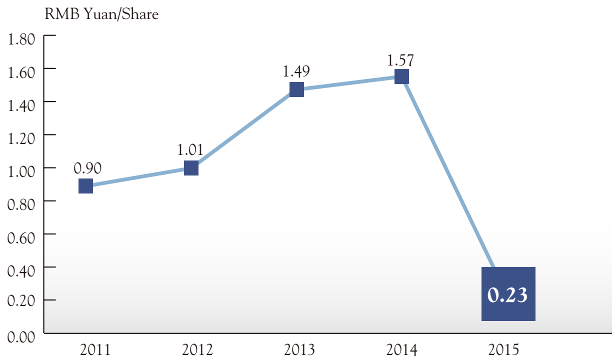
Profit from operations



Profit for the year

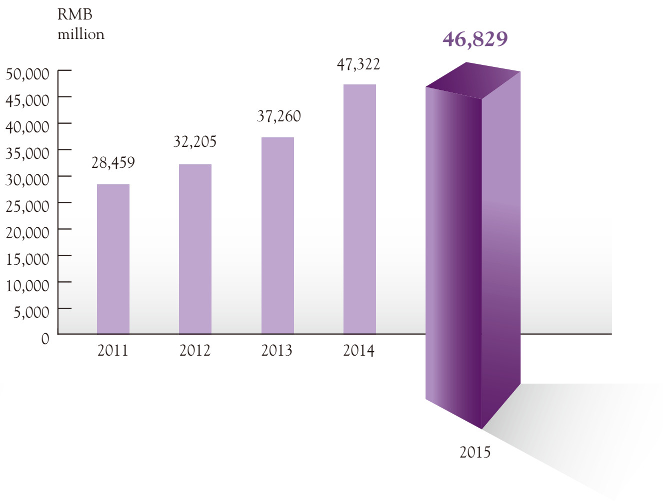


Earnings per share



Total Assets

Shareholders' Equity



Chairman's Statement

"In 2016, the Company will be more proactive in seizing the opportunities and overcoming the challenges. Also, the board of directors believe that, with the solid experiences of the Company and the leading comparable advantages, progress and innovation of COSL among the industry, there will be a new chapter for the further development of the Company."

Liu Jian
Chairman

Dear shareholders and friends,

In 2015, we faced a sustained period of low oil prices and plentiful supply in oilfield services market. During this year, we continued to adjusting our operating strategies and expanding the market. We were aiming to remain our leading position in the industry by refined management and cost control. I will present our achievements in 2015 and list the major concerns of the Board of Directors in 2016.

1. BUSINESS PERFORMANCE

In 2015, the Company achieved revenue of RMB23.17 billion, profit for the year amounted to RMB1.11 billion and basic earnings per share were RMB0.23. The Company proposed to declare a dividend of RMB0.068 per share (tax inclusive) for 2015, which will be submitted to the annual general meeting ("AGM") for consideration. In particular, in 2015, the Company proactively secured multiple channels for financing to ensure that we have stable cash flow and sufficient cash available which is crucial for the Company during the downturn of the industry.

Moreover, you are reminded to be aware of the technology sector of the Company. A number of technological results have achieved major breakthroughs and commercialization during the year. Company's technology and core competitiveness were enhanced significantly.

2. BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors performed all duties diligently and made decisions democratically. During the year, with thorough understanding of the circumstances, we communicated our views honestly with an open mind, ensuring that major decisions of the Company were collectively discussed and made so as to maintain the sustainable and healthy development of various businesses of the Company. In 2015, the Board focused more on risk management and a thematic reporting mechanism was formulated. More comprehensive topics were discussed and the decision-making process became more efficient. During the year, the Board paid close attention to the trend of the industry and gave great concern to the impairment risk of the Company's assets. Profit alerts were issued on our own initiative to shareholders and investors disclosing our operating risks. The Board demanded stronger cash flow management by the Company, concern over debt structure and more proactive response should be given to the future operating environment. Regarding internal auditing, the Board also required the management to constantly expand the international business coverage. All these tasks were effectively implemented.

In 2015, some changes were made to the Board of Directors in compliance with laws and regulations and as required by the articles of association of the Company. Mr. Tsui Yiu Wa resigned from his position of independent director of the Company and Mr. Zeng Quan resigned from his position of non-executive director of the Company. On behalf of the Company, I appreciate their contribution to the Company during their term of

Two senior position monitors are working.

directorship. Mr. Fong Chung, Mark and Mr. Cheng Chi joined the Board. Mr. Fong is an expert in the accounting field while Mr. Cheng has extensive experience in financial management. The Board welcome them to join us. During the period, the term of service of myself and Mr. Li Yong as an executive director of the Company expired and we were re-elected at the Company's AGM. We would like to express our gratitude for the trust and support of shareholders.

3. SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Sustainability has always been the target of the Company. The Company complied with the 10 Principles of United Nationals Global Compact Organizations and relevant requirements of regulatory authorities. In 2015, the energy consumption per unit of output value and emission volume of carbon dioxide have both further reduced. In particular, it should be pointed out that the rate of recordable incidents of the Company dropped further in 2015. Major safety and production risks were under better control and the safety standard of the Company was constantly improved. In addition, the Company valued the community and strived to build harmonious relations in the community. "Blue Power", the youth volunteering team set up by the Company, also added to our fulfillment of corporate social responsibility. The Company has been included as a constituent stock in the Hang Seng (China A) Corporate Sustainability Benchmark Index for four consecutive years and became a constituent stock in the Hang Seng Corporate Sustainability Benchmark Index for the second year, expressing the recognition of the achievement of the Company in sustainable development by the capital market.

4. THE BOARD'S MAJOR CONCERN IN 2016

In 2016, the operating environment will be tougher and more complicated. In face of such difficult conditions, the Board and the Company will make more proactive response. 1. Safety and risk management. We will constantly raise the standard of safety management, promote the establishment of risk management in its routine work and strengthen the judgments and control over risks. 2. Market expansion. While maintaining our position in the domestic market, steps will be taken to further promote the internationalization of the Company. We will closely combine the changing needs of customers, and adopt an innovative business model to increase our share of international business. 3. Cash flow management. The Company will take active measures to reduce costs and improve efficiency, strictly control the pace of investment, endeavour to expand financing sources and enhance efficiency of capital utilization. 4. Technological and management innovation. It will facilitate the Company in new technological breakthroughs, accelerate the application of new technology to production explore new management modes and seek new opportunities.

The concern and support of shareholders are essential to the development of the Company, and core value of creating win-win situations with shareholders, clients, employees and business partners has a more profound meaning in such new circumstances. In 2016, the Company will be more proactive in seizing the opportunities and overcoming the challenges. Also, the board of directors believe that, with the solid experiences of the Company and the leading comparable advantages, progress and innovation of COSL among the industry, there will be a new chapter for the further development of the Company. At last, I would like to express my gratitude to all of our staff for their relentless dedication to the development of the Company, and the shareholders and friends for their support and encouragement.

Liu Jian
Chairman

29 March 2016

Chief Executive Officer's Report

Li Yong
Chief Executive Officer and President

Dear shareholders,

In 2015, the price of crude oil and capital expenditure of oil and gas continued to drop globally. And the competition in oilfield services is increasingly fierce now. Company's revenue was RMB23.17 billion for the year with the profit from operation of RMB1.63 billion during this period of low price. With sufficient cash flow and highly effective capital management, we were in a better position to combat risk than our peers in the industry. Meanwhile, the Company promptly adjusted its operating strategy in response to new market trends. It actively adopted multiple measures and made improvements in areas including market development and cost control, optimizing internal management and financial structure, promoting safe production and applying R&D results, which laid the foundation for the development of the Company in the coming few years.

STRENGTHENING MARKET EXPANSION AND COORDINATING MARKET PLANS

The company consolidated the current market share in the domestic market and continued to strengthen the strategic partnership with CNOOC, launching new service modes and providing quality and effective services to clients by leveraging its own advantages in the low oil price environment. The deep water operation capability was steadily enhanced and obtained remarkable results. "COSLPROSPECTOR" successfully completed the operation for three wells in Liwan. "HAI YANG SHI YOU 981" successfully completed the operation for CNOOC's first self-operated HTHP deep water well.

Internationally, the Company increased its efforts in market exploration. Apart from providing a single type of service, we expanded the scale of integrated services and formulated customized solutions catering to the clients' specific needs. Our key projects progressed smoothly. "HAI YANG SHI YOU 981" completed the deep-water operation in the Bay of Bengal with a completed well depth of 5,030 meters. "COSLINNOVATOR" was the first to be awarded the title of "perfect well" by Statoil Petroleum AS. "HAI YANG SHI YOU 718" successfully obtained the Shell 2D seismic collection project in New Zealand. Furthermore, the Company has also obtained operation contracts in Indonesia, Mexico, Far East and etc.

OPTIMIZING INTERNAL RESOURCES AND ENHANCING OUR COMPETITIVENESS

To adapt to new circumstances, the Company constantly adjusted its strategy for equipment development, and leasing would become a more common practice for the Company in its future development to realize its competitiveness of differentiation. Capital expenditure was reduced to take full advantage of its financial strength. In 2015, the Company had sufficient cash flow and smooth financing channels. During the period, the Company successfully completed the issue of US$1 billion medium term notes such that the cash flow of the Company was guaranteed. Stronger cost control and continuous refined management were adopted. Through multiple measures including reduction of procurement costs and disposal of obsolete equipment, the Company surpassed the target of cost reduction of 2015. The human resources structure was optimized and the qualification and standards of management team and staff were further enhanced.

The Skills Competition.

SELF-DEVELOPED TECHNOLOGY BREAKTHROUGH AND R&D RESULTS COMMERCIALIZATION

The R&D of the Company has made a good progress in 2015. Guided by valued client's demand and market change, our competitiveness of service constantly improved by the commercialization of R&D results. The Company's self-developed EZFLOW drill-in fluid was successfully applied in Bohai Sea with significant output results. The self-developed LWD and RSS were successfully applied in oilfields in Bohai Sea and other locations. The series of well completion technology achieved major breakthrough, fully realizing industrialization of well completion business. Breakthroughs were made in drilling and completion fluid and cementing technology and services in the deep water, ultra-deep water, HTHP and high sulfuric content fields. The results of application of its major technologies were favourable and were highly recognized by both domestic and overseas customers.

SAFETY AND ENVIRONMENTAL PROTECTION

The Company has thoroughly observed safety and environmental protection laws, standards and regulations and improved the relevant institutional system. It strengthened the risk control over safe production, issued risk alerts for safe production, engaged in the management of work license, and provided more intensive training in safety and environmental protection, enabling employees to shift their concept from taking a passive role in safety to taking a more active role. The office of safety, environmental protection and work standard supervision was established to investigate the accidents and incidents, and provide the effective solutions. The Company strengthened the high-risk operation management and conducted special examination of safety and environmental protection. Information system made for decision-making on emergencies. During the period, risks to safe production were effectively under control with an occurrence rate of recordable incidents at 0.07. The energy consumption of RMB10,000 worth production was 0.2005 ton of standard coal, which was ahead of the annual target.

OUTLOOK FOR 2016

In 2016, we will face several challenges among the industry. The Company will continue our "specialize to become strong" strategy discovering its potential, expanding its market and focusing its efforts on concepts and modes of development. We will optimize financial structure and strengthen cash flow management; improve market planning; continuously reinforce the strategic cooperation with our major clients; increase the proportion of integrated services; accelerate the transfer and application of proprietary R&D results and enhance operational capabilities of complex wells such as HTHP wells; start research on the efficient approach of using old rigs. In 2016, the Company will be confident in providing customers with high quality and efficiency services and strive to achieve safe, healthy and sustainable development of the Company.

Li Yong
Chief Executive Officer and President

29 March 2016

Management Discussion and Analysis

Water depth can be reached up to

10,000 ft

Oil well drilling depth can be reached up to

30,000 ft

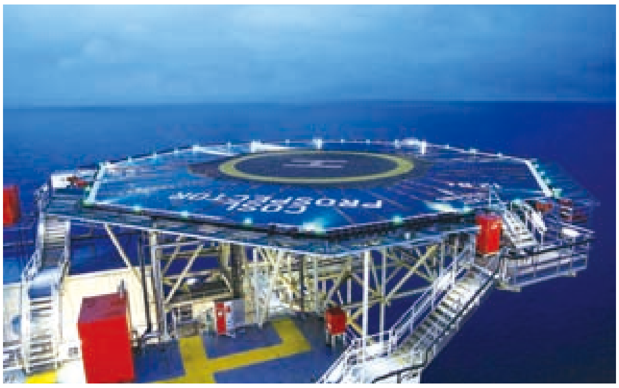
Drilling Services

Being a major drilling service provider in offshore China, as well as an important international drilling participant, we are capable of providing well drilling services with 10,000 ft water depth and 30,000 ft drilling depth.

COSLPROSPECTOR was in operation while the tugboats were replenished.

In 2015, drilling services revenue amounted to

RMB12,039.5 Million



COSLPROSPECTOR

2015 INDUSTRY REVIEW

Since oil prices continued to decrease in 2015, most of global oil projects have been deferred, postponed or directly cancelled. According to the data from IHS, investment in the global upstream oilfield exploration and development in 2015 decreased by 31.2% YOY, of which that in Asia Pacific decreased 20% YOY and that in North America decreased more than 40% YOY. The market competition of oilfield services was intensified and both of days of drilling and day rates decreased. Despite the abandon of many drilling rigs over the past year, supplies of jack-up and semi-submersible drilling rigs were still higher than demands of that as majority of new rigs were introduced to the market.

According to the data of Spears, the total scale of global oilfield equipments services market dropped from US$452.0 billion in 2014 to US$336.0 billion in 2015, representing a decrease of 26%. The scale of offshore drilling market dropped from US$60.0 billion in 2014 to US$55.0 billion in 2015 while the global geophysical market continued to slow down after reaching a peak of US$17.0 billion in 2012 and its market scale was less than US$12.0 billion in 2015.

Within the report period, easing of global petroleum supply and demand has become a normal state. The Organization of Petroleum Exporting Countries (OPEC) led by Saudi Arabia decides not to regulate the price by reduction of output and resorts to the market for determining the petroleum price, and thus the international petroleum stocks hit a new high. Many causes such as US's ban-lifting on will prolong the rebalance process of international petroleum market. Running of low international petroleum price poses enormous challenges and pressures on the oilfield services sector which will enter a relatively sluggish period.

Impacted by the periodic variation of macro economy and imbalance in matching of the difficulty of oil & gas resource exploitation and exploitation technology, the oilfield service sector is endowed with great periodic characteristics.

The Company is one of the largest providers of oilfield services. With a complete service chain and strong offshore oil service equipment group, the business has covered the whole process of oil and gas field exploration, development and production and the Company has developed into one of a few suppliers capable of providing integrated services in the global oilfield service industry. It can provide the customers with services for single business or integrated service for general contracting business.

BUSINESS REVIEW

In 2015, the price and volume of four major business segments declined to varying extents. Facing the challenges of the external operating environment, the Company insisted on safety in production, continuously strengthening the integration of resources and improving working efficiency. Cost reduction of the Company has been made through detailed management, enhanced repairing capability and various approaches including decrease administration expenses and the price of procurement, subcontracting and chartering, we managed to operate our major businesses smoothly throughout the year.

Drilling Services Segment

COSL is the major supplier of China offshore drilling services and an important participant in international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2015, the Group operated and managed a total of 43 drilling rigs (of which 32 are jack-up drilling rigs, and 11 are semi-submersible drilling rigs), 2 accommodation rigs and 5 module rigs.

In 2015, income from drilling services amounted to RMB12,039.5 million, representing a decrease of 30.8% as compared with RMB17,389.0 million of 2014 mainly due to the decreases in operation volume and day rates.

Under such a challenging situation, the Group continued to focus on its main businesses. We incorporated the "concept of safety in production" into our operation by improving production safety management and investigating and preventing safety risks. This helped to ensure our sustainable development in a long-term. Meanwhile, we actively expanded our markets and achieved for the first cooperation with Chevron Energy Company (China) in offshore China. In addition to consolidating and expanding the domestic market, we were also keen to develop the international market. We have successfully obtained projects in Gulf of Mexico, Indonesia and the Far East etc.

In terms of equipment management, "HAI YANG SHI YOU 981" completed its first operation in international market with a drilling depth of 5,030 meters, setting a new record for deepwater semi-submersible drilling rig in Asia. "COSLPROSPECTOR" has successfully started its first well operation in deep water area in the South China Sea, which supported the Group with leading technology and equipment to compete in international deepwater drilling market. Furthermore, PEMEX was highly satisfied with the quality and efficient operation of "HAI YANG SHI YOU 936" and "COSL1".

By the end of 2015, we had 15 drilling rigs operating in the China Sea, 9 rigs operating overseas such as in Norway (North Sea), Mexico and Indonesia, 15 were standby and 4 were being maintained in the shipyard.

In 2015, our drilling rigs operated for 11,176 days, representing a YOY decrease of 2,722 days. The calendar day utilization rate of the rigs reached 70.7%, 21.1 percentage points down compared to last year.

Operation details of jack-up and semi-submersible drilling rigs of the Group in 2015 are as follows:

	2015	2014	Decrease	Percentage Change
Operating days (day)	11,176	13,898	(2,722)	(19.6%)
Jack-up drilling rigs	8,802	10,381	(1,579)	(15.2%)
Semi-submersible drilling rigs	2,374	3,517	(1,143)	(32.5%)
Available day utilization rate	72.8%	96.4%	Down 23.6 percentage points	
Jack-up drilling rigs	75.9%	95.2%	Down 19.3 percentage points	
Semi-submersible drilling rigs	63.1%	100.0%	Down 36.9 percentage points	
Calendar day utilization rate	70.7%	91.8%	Down 21.1 percentage points	
Jack-up drilling rigs	73.7%	90.3%	Down 16.6 percentage points	
Semi-submersible drilling rigs	61.5%	96.4%	Down 34.9 percentage points	

Compared to the last year, operating days of jack-up drilling rigs was decreased 1,579 days, main causes of decreasing are as follows: ① an increase of 440 operating days by "HAI YANG SHI YOU 932", "Gulf Driller I" and "KAI XUAN YI HAO" which operated from last year"; ② a decrease of 189 operating days of "COSLHUNTER" and "COSLGIFT" subject to market fluctuation (both of them were operated from last year); ③ a decrease of 56 operating days due to the non-renewal of charter of "Kantan II"; ④ for other rigs, an increase of 179 operating days due to less maintenance and a decrease of 1,953 operating days due to more standby days.

Compared to the same period of last year, operating days of semi-submersible drilling rigs was decreased 1,143 days, main causes of decreasing are as follows ① an increase of 109 operating days of "COSLPROSPECTOR"; ② an increase of 1,285 standby days; ③ an increase of 33 operating days due to less maintenance.

Utilization rate of the calendar day decreased by 21.1 percentage points to 70.7% due to the increase of standby days.

Two accommodation rigs operated in the North Sea for 610 days, representing an increase of 39 days compared with the same period last year. Utilization rate of the calendar day increased by 5.4 percentage points to 83.6%, due to reduced maintenance.

Well Services

Being able to provide complete technological services for various stages of oil and gas exploration, development and production, achieved breakthroughs in high-end technology, and difficult well services business. The self-developed technologies were applied gradually.

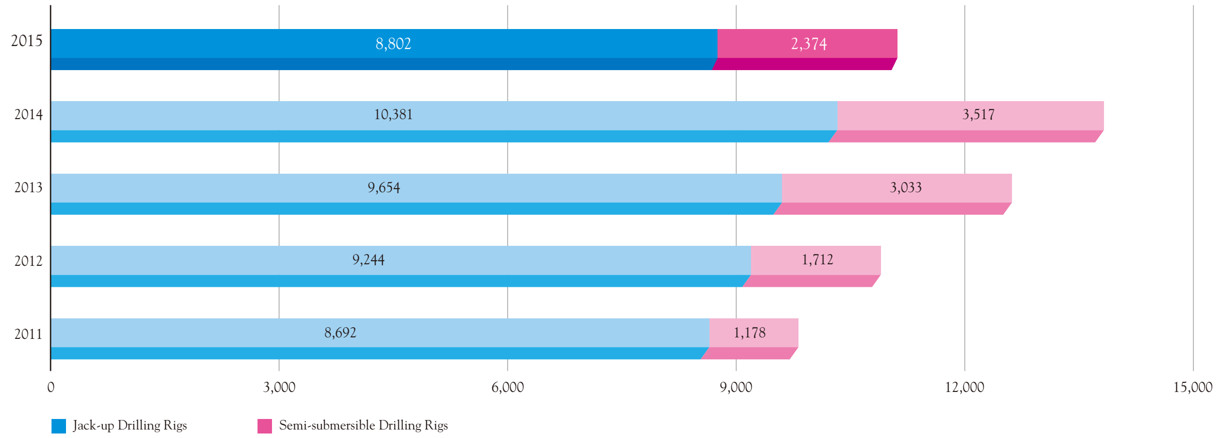
The excellent staff, Zhang Rong was giving guidance to the well-drilling engineers.

In 2015, well services revenue amounted to

RMB6,913.2 Million

Five module rigs operated in the Gulf of Mexico for 1,494 days, representing an increase of 24 days over the same period last year. Utilization rate of the calendar day decreased by 16.4 percentage points to 81.9% due to added standby days.

Number of Operating Days for Drilling Rigs in Recent Years (Day)



In 2015, the average day income of the drilling rigs of the Group decreased slightly compared with the same period last year, details as follows:

Average day income (ten thousand US$/day)	2015	2014	Decrease	Percentage Change
Jack-up drilling rigs	9.4	12.7	(3.3)	(26.0%)
Semi-submersible drilling rigs	29.6	32.2	(2.6)	(8.1%)
Drilling rigs sub-total	13.6	17.6	(4.0)	(22.7%)
Accommodation rigs	21.4	28.1	(6.7)	(23.8%)
Group average	14.0	18.0	(4.0)	(22.2%)

Note: (1) Average day income = Revenue/operating days.

(2) The average day income of semi-submersible drilling rigs for the year 2014 did not include the settlement of US$65 million in respect of the standby fee dispute between COSL Offshore Management AS, a subsidiary of the Group, and Statoil Petroleum AS of Norway.

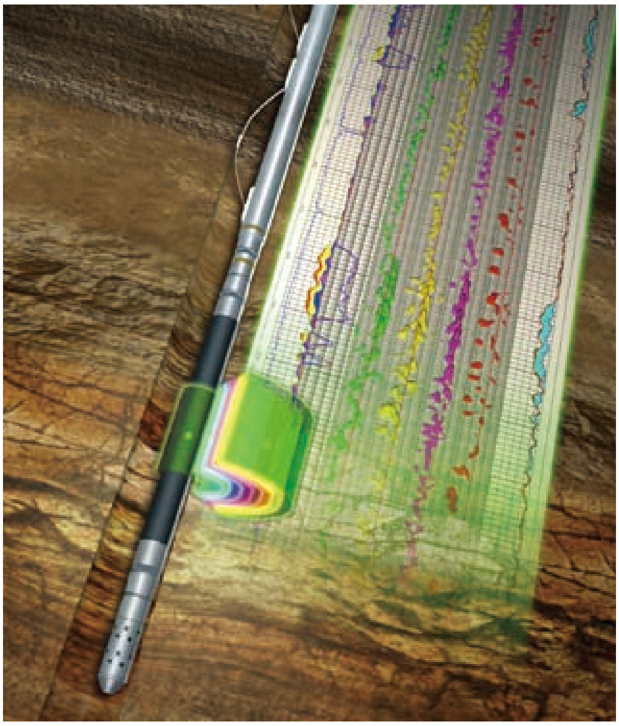
(3) USD/RMB exchange rate was 1: 6.4936 on 31 December 2015 and 1: 6.1190 on 31 December 2014, respectively.

Well Services Segment

The Group possesses over 30 years of experience in offshore well services operation and over 20 years of experience in onshore well services operation. Also, the Group is the main provider of China offshore well services together with the provision of onshore well services. The Group's major clients for well services include oil and gas companies in China (such as CNOOC Limited and Petrochina etc.) and international oil and gas companies (such as BP, Shell, ConocoPhillips and Chevron etc.). Through the continuous input in technology research and development, advanced technological facilities and an excellent management team, the Group provides comprehensive professional well services, including but not limited to logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, stimulation etc.

In 2015, revenue from the well service segment decreased by 27.5% from RMB9,533.4 million to RMB6,913.2 million this year mainly due to the decrease of operation volume and prices.

Under the low oil price environment, the Group continued to promote technology innovation and transformation of scientific research achievements in 2015. Self-developed RSS Welleader® and LWD Drilog®, were successfully applied to many oilfields in Bohai Sea and on lands. The Group has now become the first company in China, and the fourth in the world who owned both technologies, which has enhanced the Group's competitiveness in the international high-spec well services market. Our self-developed EZFLOW drill-in fluid was successfully applied in Bohai Sea with significant output results. Testing on two new achievements, Plate type Extra-large Probe of EFDT and Incongruous Pushing and Struck Releasing Device has been completed and started commercial application, signifying that the Group has made important improvement in solving different technical problems such as pressure testing and sampling in low porosity and low permeability reservoir and controlling operation risks. The self-owned EALT (Enhanced Array Lateralog Tool) has completed the prototype tool development and well testing demonstrating that the Tool bears the preliminary generalization ability. The technology of drilling & completion fluids and cementing service achieved a breakthrough in application to deepwater, ultra-deep water, HTHP and high sulfur content operation with satisfactory results. The development of gravel packing and sand control tools for offshore horizontal wells by the Group reaped fruit and were successfully applied in site operation. It is the first time the Group possesses internationally advanced gravel packing and sand control tools. The self-developed 7 inch cable through packer has passed functional tests and further enriched the product line of conventional well completion tools. The Group independently completed the first horizontal well CTU acidizing stimulation operation in Iraq.



Performance of EMRT, the nuclear magnetic resonance loggers.

Marine Support Services Segment

The Group operates and manages the professional oilfield operation fleet with the strongest offshore capability, the largest scale and the most comprehensive services in China offshore. The vessels amount to over 130, including AHTS vessels, platform supply vessels, standby vessels, workover support barges and crude oil tankers (of which 85 self-owned utility vessels and 3 oil tankers). The Group can provide comprehensive support and services for offshore oil and gas exploration, development, construction and oil/gas field production. Its major businesses include anchor handling, towing of drilling rigs/engineering barges, oil lifting, offshore transportation of crude oil and cargo, stand-by, ice-breaking, fire fighting, rescue, oil spill assisting, workover support and other marine support services, which can fulfill different needs of operators.

In 2015, the Group continued focusing on domestic market with active resources allocation to operate 5 utility vessels in Southeast Asia. In terms of equipment management, the Group further adjusted the structure of the fleet through disposal of old vessels and increasing the number of high-spec and deep water vessels. In 2015, there were 15 deepwater supply vessels and AHTS vessels with 6,000 to 30,000 horsepower being delivered to put in operation. In 2015, revenue of marine support services business fell by 22.1% from 2014 to 2015, amounted to RMB3,468.9 million and RMB2,703.4 million respectively. The chartered vessels operated 13,289 days in total in 2015, decreased by 3,894 days compared to last year, generating revenue of RMB938.5 million decreased by RMB425.0 million to the last year. The calendar day utilization rate of self-owned vessels was 87.2% in 2015, decreased by 6.4 percentage points compared to last year.


HAI YANG
SHI YOU 691

Marine Support Services

Owning and operating the largest and most comprehensive offshore utility fleet in China and as at 31 December 2015, COSL owned and managed more than 130 utility vessels and oil tankers.

The platform supply vessel of the Company was operating.

In 2015, marine support services revenue amounted to

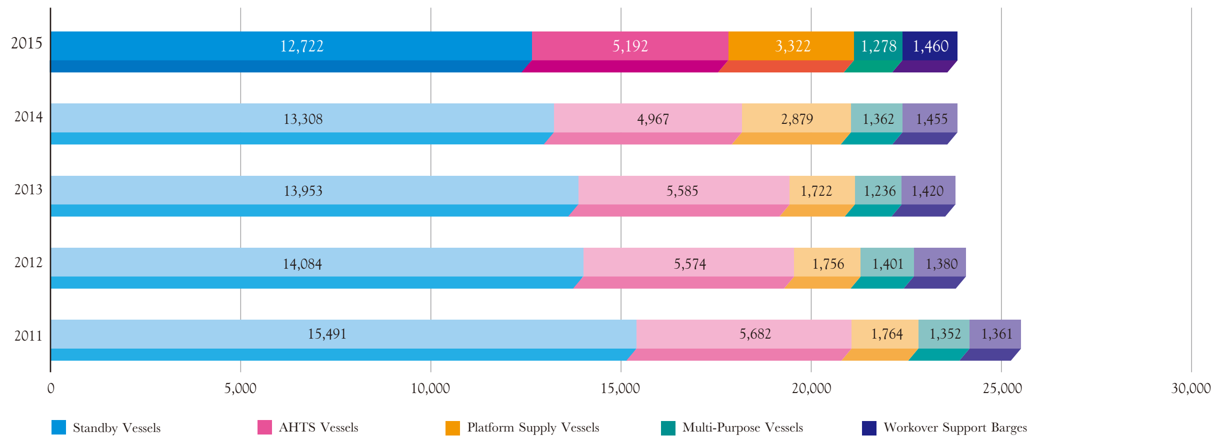
RMB2,703.4 Million

Self-owned utility vessels of the Group operated 23,974 days in 2015, representing an increase of 3 days as compared with last year. Details are as follows:

Operating days (day)	2015	2014	Increase/ (Decrease)	Percentage Change
Standby vessels	12,722	13,308	(586)	(4.4%)
AHTS vessels	5,192	4,967	225	4.5%
Platform supply vessels	3,322	2,879	443	15.4%
Multi-purpose vessels	1,278	1,362	(84)	(6.2%)
Workover support barges	1,460	1,455	5	0.3%
Total	23,974	23,971	3	0.01%

In 2015, the total transportation volume of oil tankers of the Group amounted to 1,725,000 tonnes, representing a decrease of 1.0% from 1,743,000 tonnes over the same period of last year.

Number of Operatings Days for Self-Owned Utility Vessels in Recent Years (Day)



Geophysical and Surveying Services Segment

With more than 50 years of experience in offshore oil and seismic acquisition & processing and over 30 years of experience in offshore surveying operation, the Group is a major supplier for China offshore geophysical and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical and surveying market. At the end of 2015, the Group owns 6 towing streamer seismic vessels, 1 undersea cable team and 5 integrated marine surveying vessels. Clients are provided with services including but not limited to integrated services of wide azimuth, broadband, high density seismic collection, processing and interpretation by undersea cable, and also integrated offshore surveying services, offshore pipeline inspection and underwater light structure installation services.

In 2015, revenue of geophysical and surveying services segment for the year dropped to RMB1,518.1 million, representing a decrease by 41.7% compared with RMB2,601.9 million for the same period last year, of which, the surveying services recorded revenue of RMB294.1 million, representing a decrease of 39.9% as compared with RMB489.3 million over the same period last year.

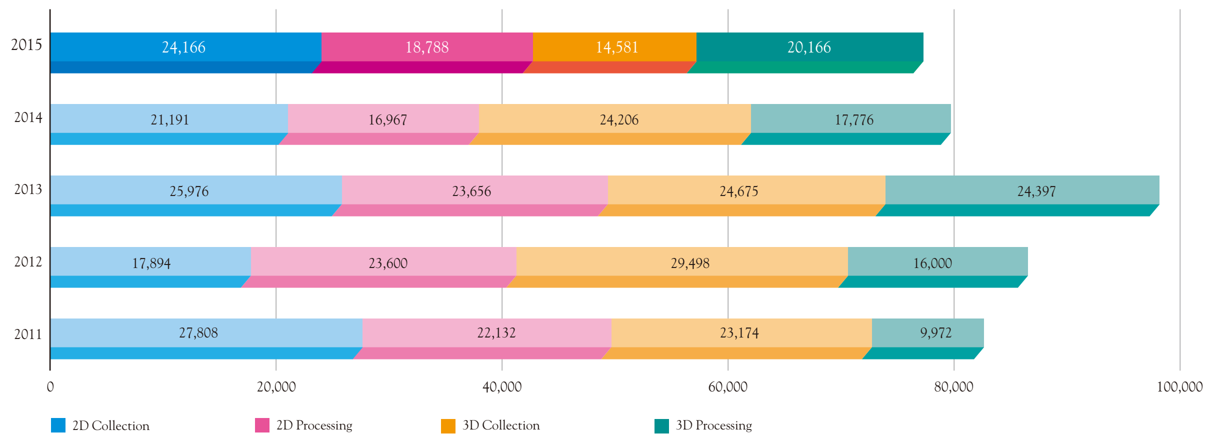
In 2015, with continuous effort on the R&D of collection equipment, the localization rate of equipment in the geophysical and geo-surveying service business was further increased. The scope of service in the seismic surveying and geo-surveying business was expanded by success of applying technological achievements, such as broadband and wide azimuth collection, shallow water de-multiple and broadband processing, deepwater borehole soil sampling and in-situ testing, deepwater sea floor in-situ testing and inspection of pipeline internals. In addition, innovation of the broadband, wide azimuth and high density joint operation technology for multiple vessels and hypocenters with "HAI YANG SHI YOU 721" as the focus was also implemented during the year. Meanwhile, faced with the market changes, in order to develop international market, 3 seismic vessels was conducted seismic acquisition operation in New Zealand, Myanmar and Mexican seas.

The details of operation volume for the geophysical collection and data processing businesses of the Group in 2015 are as follows:

Businesses	2015	2014	Increase/ (Decrease)	Percentage Change
2D collection (km)	24,166	21,191	2,975	14.0%
2D processing (km)	18,788	16,967	1,821	10.7%
3D collection (km^2)	14,581	24,206	(9,625)	(39.8%)
of which: submarine cable (km^2)	300	669	(369)	(55.2%)
3D processing (km^2)	20,166	17,776	2,390	13.4%

In 2015, the Group's operation volume of 3D collection decreased by 39.8% over the same period of last year while that of 2D collection increased by 14.0% due to allocation of 3D vessels for operation. Data processing shows the volume of 2D and 3D processing increased by 10.7% and 13.4%, respectively.

The Operating Volume of Geophysical Service Fleet in Recent Years (km/km^2)



Geophysical and Surveying Services

Being a major provider of geophysical and surveying services in offshore China, as well as an important participant in the global geophysical and surveying market, COSL currently owns 6 seismic vessels, 1 undersea cable team and 5 integrated marine surveying vessels.

HAI YANG SHI YOU 720 conducting marine seismic geophysical services.

In 2015, geophysical and surveying services revenue amounted to

RMB1,518.1 Million

MAJOR SUBSIDIARY

COSL Norwegian AS ("CNA") is a major subsidiary engaged in drilling operations of the Group. COSL Holding AS is a major subsidiary of CNA. By 31 December 2015, the total assets of CNA amounted to RMB26,745.5 million and equity amounted to RMB5,805.1 million. Affected by the changes of the external market, revenue of CNA in 2015 amounted to RMB3,714.1 million, representing a decrease of RMB1,231.3 million or 24.9% as compared with RMB4,945.4 million in the same period last year. The net loss amounted to RMB2,387.7 million while a net profit of RMB93.2 million was recorded in the same period last year, which was mainly due to the asset impairment loss of RMB2,083.2 million recognised in 2015.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2015, revenue of the Group amounted to RMB23,174.2 million, representing a decrease of RMB9,819.0 million or 29.8% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segment	2015	2014	Decrease	Percentage change
Drilling services	12,039.5	17,389.0	(5,349.5)	(30.8%)
Well services	6,913.2	9,533.4	(2,620.2)	(27.5%)
Marine support services	2,703.4	3,468.9	(765.5)	(22.1%)
Geophysical and surveying services	1,518.1	2,601.9	(1,083.8)	(41.7%)
Total	23,174.2	32,993.2	(9,819.0)	(29.8%)

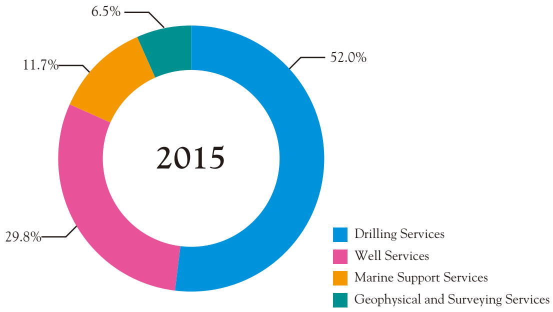
- Revenue generated from drilling services decreased by 30.8% over the same period last year. The main reasons include: ① Operation days of drilling rigs decreased by 2,722 days as compared with the same period last year. ② Service price of drilling rigs dropped. ③ The Group's subsidiary, COSL Offshore Management AS, reached settlement of US$65 million with Statoil Petroleum AS with respect to the dispute of standby fees in 2014, while no such settlement was recorded in 2015.

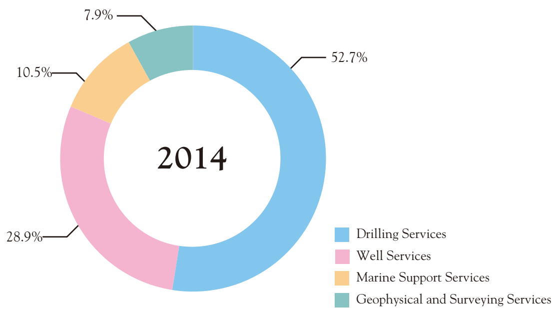
- Revenue of well services decreased by 27.5% over the same period last year, which was mainly due to the decrease in service price and operation volume.

- Revenue from marine support services decreased by 22.1% as compared with the same period last year, which was mainly due to the decrease of 3,891 days in operation and the decrease in service price.

- Revenue from geophysical and surveying services decreased by 41.7% as compared with the same period last year, which was mainly due to the decrease in operation volume.

Revenue Analysis – By Business





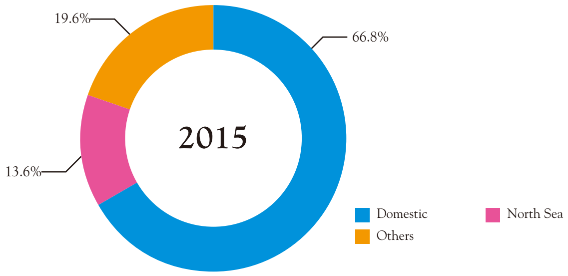
Analysis by operation area

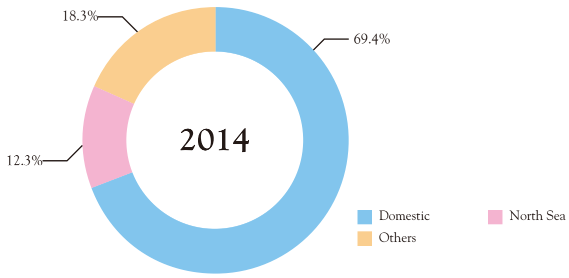
Unit: RMB million

Region	2015	2014	Decrease	Percentage Change
Domestic	15,474.4	22,900.9	(7,426.5)	(32.4%)
International	7,699.8	10,092.3	(2,392.5)	(23.7%)
of which: North sea	3,162.0	4,073.2	(911.2)	(22.4%)
Other	4,537.8	6,019.1	(1,481.3)	(24.6%)
Total	23,174.2	32,993.2	(9,819.0)	(29.8%)

In terms of operation area, the Group's main source of revenue was from domestic market, accounting for 66.8% of the Group's total income. In 2015, the Group's international business recorded revenue of RMB7,699.8 million (compared with RMB10,092.3 million over the same period last year), accounting for 33.2% of the Group's revenue for the year, representing an increase of 2.6 percentage points. Among which, North Sea was the largest contributor to the revenue generated from the international business, and recorded revenue of RMB3,162.0 million, representing 13.6% of the Group's revenue for the year.

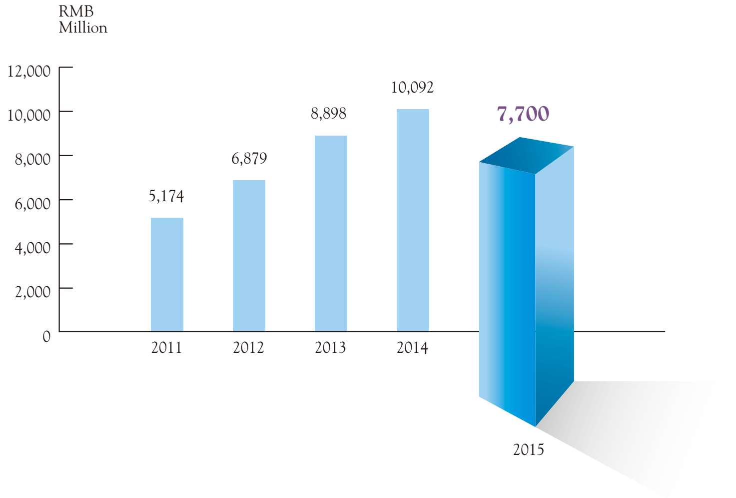
Operation Area





The latest five years revenue from international business

REVENUE FROM INTERNATIONAL BUSINESS



1.2 Operating expenses

For the year 2015, operating expenses of the Group amounted to RMB21,785.2 million, representing a decrease of RMB3,005.8 million, fell by 12.1% compared with RMB24,791.0 million for last year.

The table below shows the operating expenses for the Group in 2015 and 2014:

Unit: RMB million

	2015	2014	Increase/ (Decrease)	Percentage Change
Depreciation of property, plant and equipment and amortization of intangible assets	4,213.4	3,769.6	443.8	11.8%
Employee compensation costs	3,792.5	4,380.7	(588.2)	(13.4%)
Repair and maintenance costs	799.3	1,094.9	(295.6)	(27.0%)
Consumption of supplies, materials, fuel, services and others	4,569.3	5,955.0	(1,385.7)	(23.3%)
Subcontracting expenses	3,474.8	5,445.4	(1,970.6)	(36.2%)
Operating lease expenses	1,547.6	1,606.0	(58.4)	(3.6%)
Other operating expenses	2,185.0	2,165.2	19.8	0.9%
Impairment of goodwill	923.2	–	923.2	100.0%
Impairment of property, plant and equipment	280.1	374.2	(94.1)	(25.1%)
Total operating expenses	21,785.2	24,791.0	(3,005.8)	(12.1%)

Increase in equipment led to an increase in depreciation of property, plant and equipment and amortization of intangible assets of RMB443.8 million.

Due to a decrease in operation volume, detailed management and strict cost control of the Group, employee compensation cost, repair and maintenance cost, consumption of supplies and subcontracting expenses decreased more significantly in 2015.

Other operating expenses increased by RMB19.8 million as compared with the same period last year, which was mainly due to the increase in provision of RMB453.1 million bad debt allowance made for accounts receivable and other receivables during the year.

Concerned of the downturn of global oilfield services and further deteriorated market conditions, provision of RMB923.2 million was made for impairment of goodwill for the year.

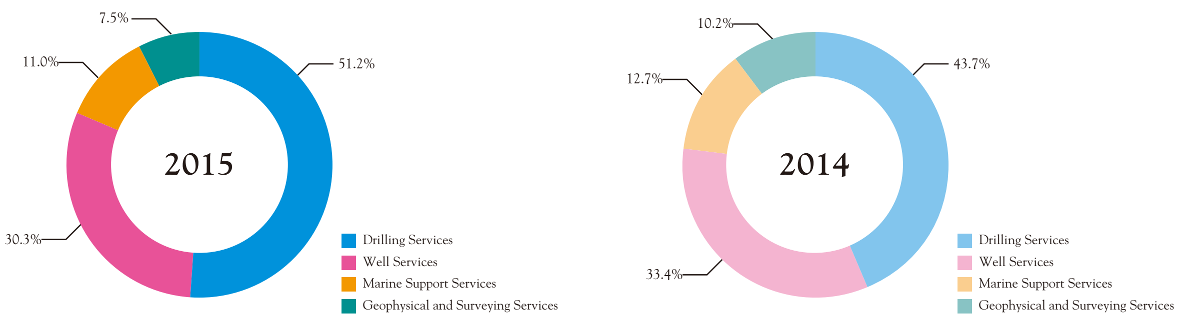
For the year 2015, impairment of property, plant and equipment amounted to RMB280.1 million, which was mainly attributable to the impairment loss against fixed assets of RMB280.1 million in respect of an individual asset in Norway according to the market situation. Last year, the asset impairment loss made in respect of a semi-submersible drilling rig in Norway, four chemical carriers and well services equipment in Libya was RMB374.2 million.

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

Unit: RMB million

Business segment	2015	2014	Increase/ (Decrease)	Percentage Change
Drilling services	11,153.7	10,826.9	326.8	3.0%
Well services	6,602.7	8,281.5	(1,678.8)	(20.3%)
Marine support services	2,393.5	3,165.4	(771.9)	(24.4%)
Geophysical and surveying services	1,635.3	2,517.2	(881.9)	(35.0%)
Total	21,785.2	24,791.0	(3,005.8)	(12.1%)

Analysis of Operating Expenses – By Business



1.3 Profits from operations

For the year 2015, the Group's profits from operations amounted to RMB1,631.5 million, representing a decrease of RMB6,794.4 million or 80.6% as compared with RMB8,425.9 million over the same period of last year.

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

Unit: RMB million

Business segment	2015	2014	Decrease	Percentage Change
Drilling services	972.6	6,575.5	(5,602.9)	(85.2%)
Well services	393.6	1,364.3	(970.7)	(71.2%)
Marine support services	317.3	319.7	(2.4)	(0.8%)
Geophysical and surveying services	(52.0)	166.4	(218.4)	(131.3%)
Total	1,631.5	8,425.9	(6,794.4)	(80.6%)

1.4 Financial expenses, net

Unit: RMB million

	2015	2014	Increase/ (Decrease)	Percentage Change
Exchange gains and losses, net	(87.7)	5.7	(93.4)	(1,638.6%)
Finance costs	700.3	587.5	112.8	19.2%
Interest income	(105.3)	(155.0)	49.7	(32.1%)
Financial expenses, net	507.3	438.2	69.1	15.8%

The increase in financial expenses for the year was mainly attributable to the increase in bond interest expenses due to issuance of medium term notes.

1.5 Investment income

For the year 2015, the Group's investment income amounted to RMB102.3 million, representing a decrease of RMB91.5 million or 47.2% as compared with RMB193.8 million over the same period of last year, which was mainly attributable to decrease in investment income from the Group's financial products and investment in monetary funds.

1.6 Share of profits of joint ventures, net of tax

For the year 2015, the Group's share of profits of joint ventures amounted to RMB169.7 million, representing a decrease of RMB171.3 million or 50.2% as compared with RMB341.0 million of last year. This was mainly attributable to the decrease in gains of joint ventures as affected by the market situation.

1.7 Profit before tax

The profit before tax attained by the Group was RMB1,396.4 million in 2015, representing a decrease of RMB7,126.1 million or 83.6% as compared with RMB8,522.5 million for the same period last year.

1.8 Income tax

The income tax expense of the Group in 2015 was RMB287.6 million, representing a decrease of RMB714.7 million or 71.3%, as compared with RMB1,002.3 million in 2014, which was mainly due to decrease in profit before tax as affected by market changes.

1.9 Profit for the year

For the year 2015, profit of the Group was RMB1,108.7 million, representing a decrease of RMB6,411.5 million or 85.3% as compared with RMB7,520.2 million for the same period last year.

1.10 Basic earnings per share

For the year 2015, the Group's basic earnings per share were approximately RMB0.23, representing a decrease of approximately RMB1.34 or 85.4% as compared with approximately RMB1.57 for the same period of last year.

1.11 Dividend

For the year 2015, the Board of the Company proposed a final dividend of RMB0.068 per share, totaling RMB324.5 million. If approved by the general meeting, the final dividends are expected to be paid on or before 30 June 2016.

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2015, the total assets of the Group amounted to RMB93,525.1 million, representing an increase of RMB6,650.8 million or 7.7% as compared with RMB86,874.3 million at the end of 2014. The total liabilities amounted to RMB46,696.4 million, representing an increase of RMB7,144.2 million or 18.1% as compared with RMB39,552.2 million at the end of 2014. Total equity amounted to RMB46,828.7 million, representing a decrease of RMB493.4 million or 1.0% as compared with RMB47,322.1 million by the end of 2014.

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

Unit: RMB million

Items		2015	2014	Increase/ (Decrease)	Percentage Change	Reasons
Assets						
1	Property, plant and equipment	60,388.0	55,338.1	5,049.9	9.1%	It was mainly attributable to large equipment such as new drilling rigs and utility vessels and also the increase in construction in progress such as drilling rigs, marine vessels, geophysical vessels and surveying vessels according to progress.
2	Goodwill	3,394.5	4,122.7	(728.2)	(17.7%)	Given the continuously weak global oilfield service industry and further deteriorated market conditions, provision was made for impairment of goodwill.
3	Other non-current assets	1,150.4	2,514.0	(1,363.6)	(54.2%)	It was mainly attributable to the prepayments for the construction of drilling rigs, marine vessels and geophysical vessels transferred to construction in progress according to progress.
4	Deferred tax assets	39.7	12.0	27.7	230.8%	Deductible temporary difference increased caused by the deductible loss for the year.
5	Notes receivable	1,906.5	2,775.8	(869.3)	(31.3%)	Cash was received upon maturity of the notes.
6	Time deposits with maturity of over three months	200.0	1,308.0	(1,108.0)	(84.7%)	Time deposits were due.
7	Cash and cash equivalents	12,574.0	5,432.2	7,141.8	131.5%	Medium term notes of US$1 billion were issued in this year.

Unit: RMB million

Items		2015	2014	Increase/ (Decrease)	Percentage Change	Reasons
Liabilities						
1	Salary and bonus payables	985.3	1,463.9	(478.6)	(32.7%)	Cash was paid to employees as per schedule.
2	Tax payable	111.3	279.2	(167.9)	(60.1%)	Operating income decreased due to market impact and tax payable was reduced accordingly.
3	Interest-bearing bank borrowings (current)	11,451.5	3,817.4	7,634.1	200.0%	Loans of US$623.9 million were repaid within the year while loans of US$1,763.5 million will be expired within one year.
4	Other current liabilities	429.4	117.0	312.4	267.0%	It was mainly attributable to the compensation from the compensation agreement between the Group and Statoil Petroleum AS with respect to the cancellation of the service contract of "COSLPIONEER".
5	Interest-bearing bank borrowings (non-current)	9,482.6	15,755.5	(6,272.9)	(39.8%)	It was mainly attributable to loan repayment and the long-term borrowing to be re-classified and due within one year.
6	Long term bonds	14,390.8	7,564.3	6,826.5	90.2%	Medium term notes of US$1 billion were issued in this year.
7	Employee benefit liabilities	66.4	95.7	(29.3)	(30.6%)	The liabilities of defined benefit plan for pension of the subsidiary, COSL Holding AS.
Equity						
1	Non-controlling interests	87.3	49.5	37.8	76.4%	The subsidiary PT. SAMUDAR TIMUR SANTOSA generated profit for the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2015, the Group held cash and cash equivalents of RMB5,432.2 million, in 2015, the net cash inflows from operating activities amounted to RMB6,556.2 million; net cash outflows from investing activities amounted to RMB3,316.2 million; net cash inflows from financing activities amounted to RMB3,431.8 million and the impact of foreign exchange fluctuations resulted in an increase in cash of RMB470.0 million. By 31 December 2015, the Group's cash and cash equivalents amounted to RMB12,574.0 million.

3.1 Cash flows from operating activities

For the year ended 31 December 2015, net cash inflows from operating activities of the Group amounted to RMB6,556.2 million, representing a decrease of 35.5% as compared with the same period of last year. This was mainly attributed to a decrease in revenue as affected by the market.

3.2 Cash flows from investing activities

For the year ended 31 December 2015, net cash outflows generated from investing activities of the Group amounted to RMB3,316.2 million, representing a decrease of RMB9,122.1 million or 73.3% as compared with the same period last year, which was mainly attributable to the decrease of RMB2,611.8 million in cash outflows of purchase of property, plant and equipment, the decrease of RMB3,386.5 million in net cash outflows from the acquisition and disposal of available-for-sale investments (which were mainly monetary funds and wealth management products subscribed by the Group), a decrease of RMB1,816.1 million in cash outflows from placement and withdrawal of time placement with maturity over three months, a decrease of RMB1,373.6 million in cash outflows of deposits for purchase of property, plant and equipment and increase of RMB65.9 million in cash outflows from other investing activities.

3.3 Net cash flows from financing activities

For the year ended 31 December 2015, net cash inflows from financing activities of the Group amounted to RMB3,431.8 million, representing an increase in inflows of RMB5,351.0 million as compared with the same period of last year. This was mainly attributable to the increase in cash inflow of RMB10,198.9 million due to increase in bank borrowings and issuance of US$1 billion Medium Term Notes. The placing of 276,272,000 H shares took place in 2014, but there was no such financing activities during 2015 which resulted in the decrease in cash inflow of RMB4,573.4 million. Dividend distribution resulted in the increase in cash outflow of RMB238.6 million. Other financing activities increased cash outflows by RMB35.9 million in aggregate.

3.4 The effect of foreign exchange fluctuations on cash during the year was an increase in cash of RMB470.0 million.

4. Capital expenditure

In 2015, the capital expenditure of the Group amounted to RMB7,866.5 million, representing a decrease of RMB212.4 million or 2.6% as compared with the same period last year, of which capital expenditures on fixed assets and construction in progress were RMB7,317.4 million.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segment	2015	2014	Increase/ (Decrease)	Percentage Change
Drilling services	3,973.6	3,482.8	490.8	14.1%
Well services	705.1	1,181.2	(476.1)	(40.3%)
Marine support services	1,543.8	2,231.4	(687.6)	(30.8%)
Geophysical and surveying services	1,644.0	1,183.5	460.5	38.9%
Total	7,866.5	8,078.9	(212.4)	(2.6%)

The capital expenditure of the drilling services segment was mainly used for the construction of drilling rigs (i.e. 2 400-feet jack-up drilling rigs and 1 deepwater semi-submersible drilling rig, etc.). The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipment. The capital expenditure of the marine support services segment was mainly used for the construction of utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the construction of geophysical vessel and integrated surveying vessels.

5. Charge on assets

As of 31 December 2015, the Group had no large scale charges against its assets.

6. Employee

As of 31 December 2015, the Group had 16,074 employees on service. The Company has basically formed an employment structure in term of marketization and put in place a reasonable remuneration structure.

2016 BUSINESS OUTLOOK

The low prices of oil caused a large impact to the investment in oil industry and most of oil and gas companies over the world have adjusted their investment plans, especially reducing upstream investments. According to the forecast published by IHS, the global offshore exploration and development expenditure will be US$153 billion in 2016, representing a further decrease by 8.4% as compared with 2015. The capital expenditure of CNOOC Limited, a major customer of the Company, will also decrease significantly in 2016.

Under the circumstance of the growing demand on oil globally, decrease in investment will affect the supply of oil in the future, which will lead to the recovery of the oil price gradually. With exclusion of the extreme political issues, global oil prices will remain low in the first half year of 2016 and may slightly increase in the second half of 2016. With such uncertainties of the decline of international oil and gas market, oilfield services industry will face the most rigorous challenges over the latest several years.

The international oilfield service industry is still in a competition pattern where the market shares are highly concentrated. The annual report on oilfield service market issued by Spears indicates that, the top ten drilling contractors at the offshore drilling market take up 55% of the global market shares; the geophysical prospecting market suffered from stagnation and slump in recent years since 2012 when it climbed to the peak of US$17 billion. The top ten geophysical prospecting service providers occupy 83% of the global geophysical prospecting market shares; and Schlumberger, Halliburton and Baker Hughes, the top three providers in the field of technical service, totally hold 77% of the global well cementing market shares, 69% of drilling and completion fluid market shares, 66% of directional well market shares, 74% of wireline logging market shares and 91% of well LWD market shares respectively. The current sharp drop in petroleum price will not impact such competition pattern and further concentration of market shares also occur in the field of technical service.

Since 2010, those high-cost oilfield development projects have driven gradual decline in upstream return on investment, therefore, at the end of 2013 when the oil price was still higher than US$100/bbl, the oil companies began to cut the budget and postpone the projects. Such situation becomes extremely severe when the oil price is dropped significantly. The industry's slump period is expected to be long. With continuous reduction of order backlogs, the oilfield service providers resort to the measures of canceling new projects and abandoning old vessels in a bid to cope with current overstock, but such measures are still incapable of achieving market equilibrium. It is estimated that, in the next one or two years, the global oilfield service industry will be exposed to a further job cut, bankruptcy and merger.

According to IHS's forecasts, by 2020, the global investments in upstream offshore exploration will return to the level of 2014. In the last decade, the compound growth rate of oilfield service market was 10%, and the rate from 2015 to 2020 is estimated to be 8%; the global demands in self-elevating drilling platforms in 2017 is expected to decline by 22.5% compared with the level of 2014, and the demands in floating drilling rigs in 2017 will be decrease by 22.7% compared with the level of 2014.

Recognition & Awards

Corporate Governance Report

As a domestic and overseas listing company, the Company has reviewed the compliance with the Corporate Governance Code (hereafter referred to as the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and the regulatory documents on listed companies issued by China Securities Regulatory Commission. Upon the review, the Board is of the view that the corporate governance of the Company has generally met the requirements set out in the Code and the regulations during the reporting period. During the 12 months ended 31 December 2015, the Company has strictly complied with principles and code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules.

The Board is of the view that the improvement in corporate governance in 2015 was mainly reflected in the following aspects:

1. Optimizing the Company's basic systems. The Company has revised "Administration Management System", "Market Management System" and "Internal Supervision Management System".

2. Further strengthening of internal control and risk management. The Board discussed on the job responsibility of risk management, and decided not to establish Risk Management Committee, and the job responsibility of Risk Management is directly exercised by the Board. The responsibility of the Board and the management in respect of risk management have been specified by implementing relevant system.

3. Improving information disclosure and investor relation. According to the industry environment and actual operation situation, the Company timely publish risk alerts to investors in the first quarter report, interim report, third quarter report and the announcement which was published in the fourth quarter, expressing the sincerity to be accountable to investors and the idea of offering maximum protection to small and medium investors.

In 2015, the stock of the Company continued to be included in the Hang Seng (China A) Corporate Sustainability Benchmark Index (29 A share listed companies), and to be included again in the Hang Seng Corporate Sustainability Benchmark Index (91 Hong Kong listed companies), which showed the recognition of its corporate governance standards by the capital markets.

I. DIRECTOR'S INVOLVEMENT IN SECURITIES TRANSACTIONS

Following specific enquiries with all directors, the Board confirmed that during the 12 months ended 31 December 2015, the provisions of the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules were observed. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code. Upon specific inquiries, all directors have confirmed that they were in strict compliance with the provisions of the Model Code. In addition, directors, supervisors and senior management of the Company confirmed that during the 12 months ended 31 December 2015, they complied with the "Management Rules with regard to the Holding of and Changes in Company Shares by Directors, Supervisors and Senior Management of Listed Companies" regulated by the China Security Regulatory Commission.

II. PERFORMANCE OF THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

The composition of the Board of Directors during 2015 and on the date of this report is as follows:

Chairman:	Liu Jian
Executive directors:	Li Yong and Li Feilong
Non-executive directors:	Cheng Chi (appointed at the 2015 first Extraordinary General Meeting ("EGM") held on 29 December 2015), Zeng Quan (resigned at the 2015 first EGM held on 29 December 2015)
Independent non-executive directors:	Fang Wo, Felix, Law Hong Ping, Lawrence and Fong Chung, Mark (appointed at the 2014 AGM held on 2 June 2015), Tsui Yiu Wa (resigned at the 2014 AGM held on 2 June 2015)

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

The Articles of Association of the Company clearly define the duties and functions of the Board of Directors and the Management. The division of functions is consistent with those disclosed in the Corporate Governance Report 2014 (for details, please search our website for Articles of Association of the Company or Annual Report 2014).

The duty and authority of the Board in the Articles of Association of the Company is consistent with those disclosed in the Corporate Governance Report 2014 (for details, please search our website for Articles of Association of the Company or Annual Report 2014).

Besides, the Company has a specified system to divide responsibilities between the Board and the management towards making investment decisions: all equity investment shall be approved by the Board (approval from shareholders is required if such investment exceeds a certain amount); other capital investment under RMB100 million may be approved by the management.

3. Board Meetings

The Board of Directors convened five regular meetings during the year. Please see Table I of this Report for details of meeting attendance of directors. For other items not within the scope of the regular Board meeting's agenda and require approval from the Board, the Chairman may serve to the members of the Board the proposed resolutions in written form in accordance with the related requirements of the Articles of Association, and the items will become valid resolutions upon signing by the directors which meets the quorum as stated in the Articles of Association. To create more opportunities for the independent non-executive directors to express their views and make recommendation in respect of the Company's affairs, the Chairman hold several meetings with independent non-executive directors in the absence of executive directors every year so as to listen to the advice of independent directors in respect of the corporate governance and management (this practice has adopted the Code provision A.2.7). In the year of 2015, 4 meetings were held in such regard. The Board is of the view that meeting proceedings and resolutions of the Board complied with requirements of laws, regulations and the Articles of Association, which ensured prudent discussion by directors before decision on material items, and performance of integrity and due diligence and act in the interests of the Company and shareholders as a whole by directors in the related decision making process. Please see Table II for detailed resolutions adopted by the Board in the year of 2015.

4. Performance of Independent Non-executive Directors

The Board currently has three independent non-executive directors, all of them have rich professional experience in the fields of accounting, law and finance, and are very familiar with the operation of board of directors and duties of independent non-executive directors of listed companies. During the reporting period, the independent non-executive directors effectively performed their due diligent and attentive responsibilities as directors, and provided various professional advices to the Company, especially in the review of financial reports, the review of connected transactions, the management of risk, among which, please see section VII of this Corporate Governance Report for details of related reviews of financial reports and the internal control system, as well as sections V and VI of this report for other relevant work. In 2015, the independent non-executive directors also reviewed the continuing connected transactions of the Company transactions and expressed their opinion. During the reporting period, three independent non-executive directors were present at the AGM of the Company. Please see Table I for details of Board meetings and professional committee meeting attendance of independent directors.

During the reporting period, (excluding that Law Hong Ping, Lawrence, an independent director, abstained his voting right against the resolution of Cash Dividends Distribution at the first Board Meeting of 2015) independent non-executive directors of the Company did not have any objection to resolutions of the Board for the year or any other items (other than resolutions of the Board) of the Company.

5. Policy on Diversification of Board Composition

The Board of Directors held discussion with regard to the diversification policy of Board Composition, and considered it could play a positive role for the Company in achieving sustainable development. The Board considered that the Company should have different perspective at the time of selecting directors (including but not confined to factors of professional background, age, gender, location and race, etc.), so as to achieve and maintain a policy of diversification among the directors. The Board will endeavour to implement the policy of diversification. The Nomination Committee will be responsible for monitoring the implementation of this policy and making recommendations to the Board on assessing the implementation process at an appropriate time. The Company carried out the nomination and election of directors in 2015 (Mr. Fong Chung, Mark joined the Board of Directors to succeed Mr. Tsui Yiu Wa, Mr. Cheng Chi joined the Board of Directors to succeed Mr. Zeng Quan), and the nomination committee considered that when the Company handled the director nomination process, the policy of diversification of Directors was adequately considered.

6. Directors and General Meetings

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

7. Other Matters

During the reporting period, the number and qualifications of independent non-executive directors of the Company were in compliance with Rule 3.10 (1) and (2) and Rule 3.10 (A) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the independence of the current independent non-executive directors of the Company is in compliance with the requirement set out in the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

III. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The functions of the Chairman and the Chief Executive Officer of the Company are clearly defined and such positions are at present separately held by two persons, Mr. Liu Jian as Chairman and Mr. Li Yong as the Chief Executive Officer.

IV. TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of Liu Jian and Fong Chung, Mark are from 2 June 2015 to the time when the AGM is convened in 2018. The term of office of Cheng Chi is three years since the 2015 first EGM held on 29 December 2015. The terms of office of Fong Wo, Felix is from 24 May 2013 to the time when the AGM is convened in 2016. The terms of office of Law Hong Ping, Lawrence is from 23 May 2014 to the time when the AGM is convened in 2017.

V. DIRECTORS' REMUNERATION

1. The Composition and Functions of the Remuneration Committee

(1) The Remuneration Committee of the Company consists of four members, all of them are non-executive directors, namely Fong Wo, Felix, Cheng Chi (to succeed Zeng Quan on 29 December 2015), Fong Chung, Mark (to succeed Tsui Yiu Wa on 2 June 2015) and Law Hong Ping, Lawrence. Three of them are independent non-executive directors. Fong Wo, Felix acts as Chairman.

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

2. The work of the Remuneration Committee during the year

During the reporting period, the committee held one meeting (please see Table I for meeting summaries) to review the performance result of the management of the Company for the year 2014, and making recommendation on the Key Performance Indicators for the senior management of the Company in 2015; as well as making recommendation on the focus of annual remuneration of senior management of the Company.

VI. NOMINATION OF DIRECTORS

1. The Composition and Functions of the Nomination Committee

(1) The Nomination Committee of the Company consists of three members, namely Law Hong Ping, Lawrence, Li Yong and Fong Wo, Felix, and Law Hong Ping, Lawrence acts as Chairman.

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

2. The work of the Nomination Committee during the year

During the period under review, the Nomination Committee held 2 meetings, during which the nomination of directors was discussed and the independence of the independent non-executive directors was recognized.

VII. THE AUDIT COMMITTEE

1. The Composition and Functions of the Audit Committee

(1) The Audit Committee consists of three members, namely Fong Chung, Mark (to succeed Tsui Yiu Wa on 2 June 2015), Fong Wo, Felix and Law Hong Ping, Lawrence. All of them are independent non-executive directors, and Fong Chung, Mark acts as the Chairman.

(2) The functions of this committee are to review the accounting policy, financial position and financial reporting procedures of the Company; to review the internal control structure; to recommend and engage external auditing firm; and to be primarily responsible for the communication, supervision and review of the internal and external audits of the Company (please refer to documents of relevant Rules of Procedure under the section Corporate Governance on the Company's website).

2. The work of the Audit Committee during the year

During the reporting period, the Audit Committee held 4 meetings (please see Table I for meeting summaries). The major work of the Audit Committee for the year is as follows:

(1) Reviewed the financial reports of the annual operating results of 2014, the first quarterly operating results of 2015, the interim operating results of 2015 and the third quarterly operating results of 2015 of the Company. During the review process, the members performed sufficient and necessary communication with the Company's auditors and the management of the Company, including the approval of annual external audit plan, and fulfilled its duties in ensuring the Company's compliance with regulations, the completeness and accuracy of the operating results disclosed by the Company.

(2) Reviewed and discussed the internal audit, internal control and risk management work of the Company. During the reporting period, the committee adopted the internal audit status report, and thought that according to the Company's international business scale, the Company should allocate enough human resources on internal control and risk management, and enlarge scope of internal audit on international business.

(3) During the reporting period, the committee discussed the deployment of accounting and finance staff of the Company, affirmed the team building and finance works of the team; recommended the Company to strengthen the training and development of finance staff of high caliber, particularly those finance staff who adapt to working overseas.

(4) Reviewed the connected transactions of the Company. Adopted the report on 2014 connected transactions, enquired about the progress of the related connected transactions, approved unanimously the report on 2014 connected transactions of the Company.

(5) Regarding the appointment of the auditors, the Committee unanimously approved the recommendations on appointing Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2015.

VIII. TRAINING FOR DIRECTORS

The trainings of Directors during the year 2015 were as follows: In July, Fong Chung, Mark, Director, attended the training of newly appointed director at the headquarter of the Company, and he attended further training of independent director organised by Shanghai Stock Exchange in October; in October, Fong Wo, Felix, Director, attended further training of independent director organised by Shanghai Stock Exchange; all executive directors, independent non-executive directors visited deep water AHTS vessels and 2D seismic vessels in Shanghai Shipyard. In December, all executive directors, independent non-executive directors attended related trainings on directors' responsibilities, reporting interests and treating with conflict of interests.

IX. BOARD SECRETARY

Wang Baojun, the Board Secretary (and the Company Secretary) was appointed by the Board in August 2015, biography of whom was set out in the section "Directors, Supervisors, Senior Management and Employees" in the 2015 Annual Report. The Board Secretary of the Company reports to the Chairman and Chief Executive Officer and makes recommendation to the Board in respect of corporate governance. For the year 2015, Mr. Wang Baojun has confirmed that he has taken not less than 15-hour relevant and professional training.

X. PROTECTION ON THE SHAREHOLDERS' INTERESTS

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

XI. THE REMUNERATION OF AUDITORS

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2015, and to authorize the Board to fix their remuneration. The fees for the audit and non-audit work provided to the Company during the reporting period were as follows:

Auditing-The audit fees totaled RMB15,746,000 for audit/review of the annual and interim financial statements in 2015 and internal control. Non-auditing – The charges for agreed-upon procedures and tax advisory services totaled RMB1,100,000.

XII. RESPONSIBILITIES UNDERTAKEN

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

Table I: Board Meetings & Professional Committee Meetings

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Board of Directors	30 March 2015	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Felix, Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
Second Meeting of Board of Directors	29 April 2015	Beijing	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Felix , Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
Third Meeting of Board of Directors	27 August 2015	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Fong Chung, Mark, Fong Wo, Felix , Law Hong Ping, Lawrence	Liu Jian	Two supervisors attended as non-voting delegates
Fourth Meeting of Board of Directors	29 October 2015	Shanghai	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Fong Chung, Mark, Fong Wo, Felix, Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
Fifth Meeting of Board of Directors	9 December 2015	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Fong Chung, Mark, Fong Wo, Felix , Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
First Meeting of Audit Committee	29 March 2015	Shenzhen	Tsui Yiu Wa, Fong Wo, Felix, Law Hong Ping, Lawrence	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
Second Meeting of Audit Committee	28 April 2015	Beijing	Tsui Yiu Wa, Fong Wo, Felix, Law Hong Ping, Lawrence	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
Third Meeting of Audit Committee	26 August 2015	Shenzhen	Fong Chung, Mark, Fong Wo, Felix, Law Hong Ping, Lawrence	Fong Chung, Mark	Two supervisors attended as non-voting delegates
Fourth Meeting of Audit Committee	28 October 2015	Shanghai	Fong Chung, Mark, Fong Wo, Felix, Law Hong Ping, Lawrence	Fong Chung, Mark	Three supervisors attended as non-voting delegates
First Meeting of Remuneration Committee	29 March 2015	Shenzhen	Fong Wo, Felix, Tsui Yiu Wa, Law Hong Ping, Lawrence, Zeng Quan	Fong Wo, Felix	
First Meeting of Nomination Committee	29 March 2015	Shenzhen	Law Hong Ping, Lawrence, Fong Wo, Felix, Li Yong	Law Hong Ping, Lawrence	
Second Meeting of Nomination Committee	8 December 2015	Shenzhen	Law Hong Ping, Lawrence, Fong Wo, Felix, Li Yong	Law Hong Ping, Lawrence	

Table II: Particulars of the Board resolutions

Meeting	Matters considered
First Meeting of Board of Directors (30 March 2015)	1. 2014 Financial Report of the Company 2. Approving the resolution of the dividend distribution plan for the year 2014 3. Proposal for the Directors' Report and Corporate Governance Report of the Company for the year 2014 4. Approving the Sustainability Report 2014 5. Proposal for 2014 Assessment Report on Internal Control 6. Approving the resolution of disclosure of results for the year 2014 7. Proposal for further issue of 20% H shares under the mandate of general meeting 8. Proposal for the repurchase of 10% A shares and 10% H shares under the mandate 9. Approving the relevant resolutions of the Remuneration Committee of the Board (such as the completion of performance of the management for 2014/performance evaluation indicators for 2015) 10. Approving the relevant resolutions of the Nomination Committee (such as the nomination of directors) 11. Proposal to convene the AGM of the Company 12. Approving the resolution in relation to grant of mandate to issue Euro medium term notes at the general meeting 13. Approving the resolution of provision of guarantees for overseas subsidiaries
Second Meeting of Board of Directors (29 April 2015)	1. 2015 First Quarterly Report 2. Resolution of amendment of "Administration Management System" of the Company
Third Meeting of Board of Directors (27 August 2015)	1. 2015 Interim Result of the Company 2. Approving the resolution of amendment of two basic systems of the Company 3. Approving the resolution of the change of board secretary
Fourth Meeting of Board of Directors (29 October 2015)	1. 2015 Third Quarterly Report of the Company 2. Approving the resolution of the issue of domestic RMB debt financing instruments with an aggregate principal amount of no more than RMB10 billion in the next three years under the mandate at the general meeting 3. Approving the resolution of which an overseas wholly-owned subsidiary of the Company obtains a loan and the Company provides a guarantee 4. Proposal to convene the EGM of the Company 5. Approving the resolution of change of the authorized person of e-Submission System of Hong Kong Stock Exchange

Meeting	Matters considered
Fifth Meeting of Board of Directors (9 December 2015)	1. Proposal for financial budget for the year 2016 and approval for disclosure of relevant announcements 2. Approving the resolution of annual amount of bank facilities for 2016 and related guarantee of the Company 3. Approving resolution of the 2016 financial management quota of the Company
Written Resolutions approved in 2015	Approval of capital advance to a joint venture in Brunei (13 January) Approval of a capital investment (a new materials production base project of COSL) (16 April) Approval of a capital investment (an operation support base (Indonesia) project of COSL) (2 June) Approval of provision of loans for a overseas subsidiary (COSL Singapore Ltd.) (11 June) Approval of resolution of issue of first EMTN (15 June) Approval of an equity investment project (21 September) Approval of entering into a loan agreement of specific construction fund with China Development Bank (18 November) Approval of the nomination of Mr. Cheng Chi as a non-executive director candidate of the Company (20 November)

Summary of General Meetings

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
AGM 2014	2 June 2015	**As ordinary resolutions:** 1. The audited financial statements and the auditor's report for the year ended 31 December 2014 were approved; 2. The profit distribution and declaration of dividends for the year ended 31 December 2014 was approved; 3. The Report of Directors for the year ended 31 December 2014 was approved; 4. The Supervisory Committee Report for the year ended 31 December 2014 was approved; 5. The appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic and international auditors for 2015 respectively was approved and the Board was authorised to determine their remunerations; 6. The resolution of the provision of guarantees for subsidiaries was approved; 7. The resolution of the election of Liu Jian as a non-executive director of the Company was approved; 8. The resolution of the election of Li Yong as an executive director of the Company was approved; 9. The resolution of the election of Fong Chung, Mark as an independent non-executive director of the Company was approved; 10. The resolution of the election of Cheng Xinsheng as an independent supervisor of the Company was approved.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 36 shareholders in attendance either in person or by proxy at the AGM, representing 3,275,381,410 shares or 68.64% of the voting shares. The aforesaid resolutions were approved by way of on-site and online voting by poll. Independent Supervisor Mr. Wang Zhile could not attend the meeting due to other business while all other directors and supervisors of the Company attended the general meeting.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
		As special resolutions: 1. The resolution of the grant of a general mandate to issue Euro medium term notes with an aggregate principal amount not exceeding US$3.5 billion during the relevant period; 2. To grant to the Board a mandate to issue further H shares representing up to 20% of the aggregate amount of the H shares in issue during the relevant period; 3. The resolution of granting the repurchase rights on 10% A shares and 10% H shares to the Board was approved.		
2015 First A Share Class Meeting	2 June 2015	**As special resolution:** 1. The resolution of the repurchase of 10% A shares and 10% H shares under the mandate was approved.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 34 shareholders in attendance either in person or by proxy at the meeting, representing 2,416,792,686 shares or 81.64% of the A voting shares. The aforesaid resolutions were approved by way of on-site and online voting by poll. Independent supervisor Mr. Wang Zhile could not attend the meeting due to other business while all other directors and supervisors of the Company attended the First A Share Class Meeting.	www.sse.com.cn

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2015 First H Share Class Meeting	2 June 2015	**As special resolution:** 1. The resolution of the repurchase of 10% A shares and 10% H shares under the mandate was approved.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 2 shareholders in attendance either in person or by proxy at the meeting, representing 858,067,224 shares or 47.38% of the H voting shares. The aforesaid resolutions were approved by way of on-site voting by poll. Independent supervisor Mr. Wang Zhile could not attend the meeting due to other business while all other directors and supervisors of the Company attended the First H Share Class Meeting.	www.sse.com.cn www.hkex.com.hk

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
2015 First EGM	29 December 2015	**As ordinary resolutions:** 1. The resolution of which COSL Norwegian AS, an overseas wholly-owned subsidiary of the Company, obtains a loan, and the Company provides a guarantee was approved; 2. The resolution of the election of Mr. Cheng Chi as a non-executive director of the Company was approved; 3. The resolution of the election of Mr. Wei Junchao as a supervisor of the Company was approved. **As special resolution:** 1. The resolution of the issue of domestic RMB debt financing instruments with an aggregate principal amount of equal to or no more than RMB10 billion in the next three years was approved.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 12 shareholders in attendance either in person or by proxy at the general meeting, representing 3,154,644,345 shares or 66.11% of the voting shares. The aforesaid resolutions were approved by way of on-site and online voting by poll. Non-executive director Mr. Zeng Quan, Independent non-executive directors Mr. Fong Wo, Felix, Mr. Law Hong Ping, Lawrence, Mr. Fong Chung, Mark, Chairman of Supervisory Committee Mr. Zhang Zhaoshan and independent supervisor Mr. Cheng Xinsheng could not attend the meeting due to other business while all other directors and supervisor of the Company attended the 2015 First EGM.	www.sse.com.cn www.hkex.com.hk

Sustainability Report 2015

About This Report

This report is the tenth annual report on sustainable development released by China Oilfield Services Limited (hereinafter referred to as "COSL", "the Company" or "we") and discloses the performance of COSL in terms of economy, environment and society, etc. for the period of 1 January 2015 to 31 December 2015. Part of the content and data go beyond the above time frame.

◎ Statement by the Board of Directors

CNOOC is a member of the UN Global Compact, and COSL as a member of CNOOC will comply with the ten principles initiated by the UN Global Compact. The Board of Directors will promote and facilitate the Company to fulfill its responsibilities, including the disclosure obligations of related information.

◎ References and Guarantee of Reliability

References for the preparation of this report include "Sustainability Reporting Guidelines (G4.0)" issued by GRI, the UN Global Compact's Ten Principles, "Environmental, Social and Governance Reporting Guide" within Listing Rules of Hong Kong Stock Exchange, "Guidelines of Environmental Information Disclosure for Listed Corporations" issued by Shanghai Stock Exchange and "Guide for Preparation of Social Responsibility Report of China (CASS-CSR3.0)" from Chinese Academy of Social Sciences.

The Company warrants that the report does not contain any false representation, misleading statement or material omission.

◎ Source of Information and Description

All information used in the report is obtained from the Company's official documents and statistical reports. Unless otherwise stated, all financial information in the report is stated in RMB.

◎ Preparation Process

This report aims to be objective, standardized, true and transparent in information as ensured by analysis of domestic and international business standards for sustainable development, comparison of sustainability reports among enterprises, social responsibility interviews and training, and after review and approval of the Management and the Board of Directors.

◎ Report Improvement

The Report of 2015 presents the fulfillment of sustainable development by the Company with five major issues, namely "Risk Management", "HSE Management", "Enhancement of Capacity for Sustainable Development", "Staff Development" and "Social Contribution", highlighting the thematic contents such as "Establish a Competitive International Oilfield Services Company", and "Marine Rescue". In the preparation of this report, we had considered all opinions and suggestions extensively and the concerns of the stakeholders were responded actively.

◎ Languages

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

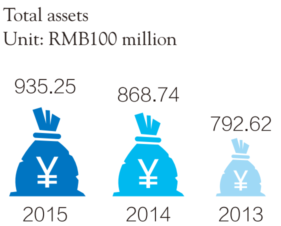
◎ Access to the Report

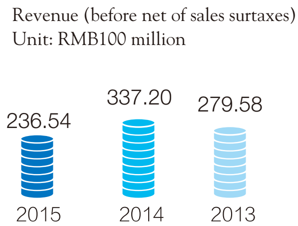
This report is available in printed and electronic versions. For electronic version, please visit the Company's official website (http://www.cosl.com.cn).

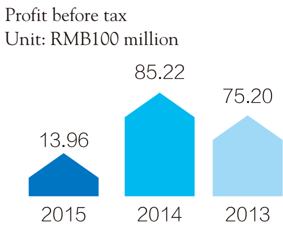
For the information on the corporate governance system, measures and results of COSL, please refer to "COSL 2015 Annual Report – Corporate Governance Report".

Key Performance Table

Market Performance



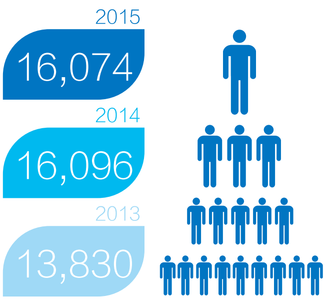




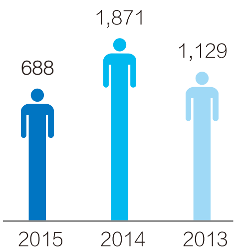
Market performance	Unit	2015	2014	2013
Shareholders' equity	RMB100 million	468.29	473.22	372.60
Revenue from international operation	RMB100 million	77.00	100.92	88.98
Percentage of revenue from international operation to total revenue	%	33	30	32
Total taxation	RMB10,000	218,430.88	297,072.01	277,936.70
Number of new patents	Item	182	142	158

Social Performance

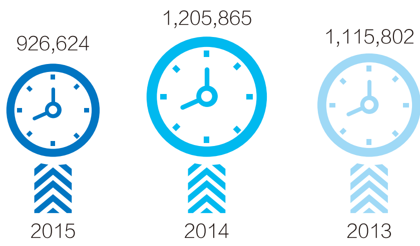
Total number of employees
Unit: Person



Number of employees recruited during the reporting period
Unit: Person



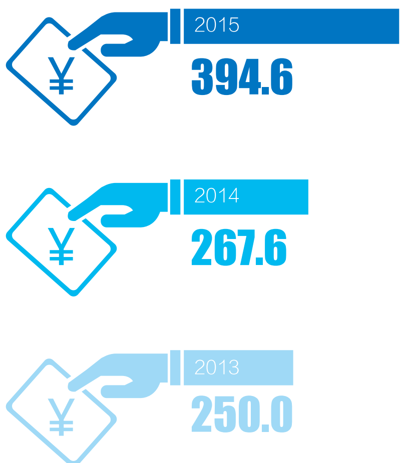
Total hours of staff training
Unit: Hours



Social performance	Unit	2015	2014	2013
Percentage of female employees	%	8.5	8.6	9.1
Social insurance coverage	%	100	100	100
Percentage of labor contract signed	%	100	100	100
Staff turnover rate	%	1.9	1.7	1.7
Total donation & employee relief fund	RMB10,000	118.9	138.2	137.3
Number of maritime rescue and salvage	Times	19	23	20
Number of employees participating volunteering activities	Person-times	2,321	1,298	1,306

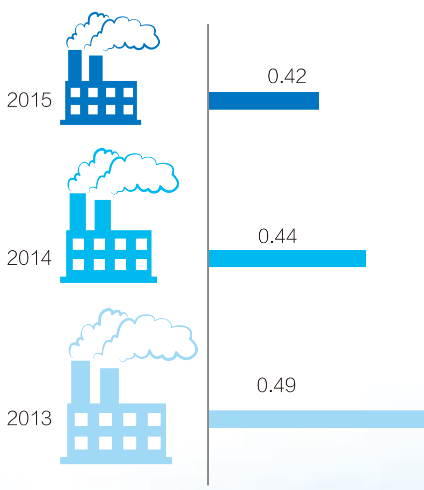
Environmental Performance

Investment in energy conservation and emission reduction
Unit: RMB10,000

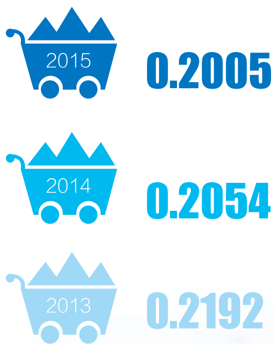


Note: Excludes the increase in the investment in optimization of energy conservation and emission reduction in large equipment construction of the Company.

Emission of carbon dioxide for an output value of RMB ten thousand
Unit: Tonnes/RMB10,000



Energy consumption for an output value of RMB ten thousand
Unit: Standard coal (Tonnes)/RMB10,000



About COSL

COSL is one of the leading integrated oilfield services providers in the offshore market of the world. The company is listed on Hong Kong Stock Exchange and Shanghai Stock Exchange, with more than 50 years experience in offshore oil and gas exploration, development and production, and its business includes four core segments which are geophysical and surveying services, drilling services, well services, and marine support services. COSL not only provides services of single operation for the customers, but also offers IPM services with its best offshore oilfield service devices in Asia-Pacific. COSL's business has expanded to four major regions which are Asia-pacific, Middle East, Americas and Europe and its activities are conducted in more than 30 countries and regions around the world.

Corporate Culture

Corporate spirit	**Always do better**
Performance guideline	**Do everything diligently**
Core values	**Realize win-win with shareholders, customers, employees and partners**
Code of conduct	**Integrity, dedication, cooperation, and self-discipline**

2015 Honours and Awards

1. "Best Investor Relations Company (China)" Award
   Corporate Governance Asia magazine
2. Asia's Most Honored Companies and Best Investor Relations in Oil and Gas Sector
   Institutional Investor magazine
3. "The Hang Seng China A Industry Top Index" constituent stock; "Hang Seng (China A) Corporate Sustainability Benchmark Index" constituent stock; "Hang Seng Corporate Sustainability Benchmark Index" constituent stock
   Hang Seng Indexes Company Limited
4. "The Best Shareholders' Return Company"
   The Fortune China Magazine
5. "The Best Listed Company in Investor Relations Management"
   China Securities "Golden Bauhinia Awards"
6. "Top 100 Chinese Enterprises" Award
   China Listed Enterprises Top 100 Summit

Business Coverage

Asia-pacific region: Offshore China, Indonesia, Thailand, Myanmar, India, Singapore, Australia and New Zealand etc.
Middle East region: Iraq, United Arab Emirates and Qatar etc.

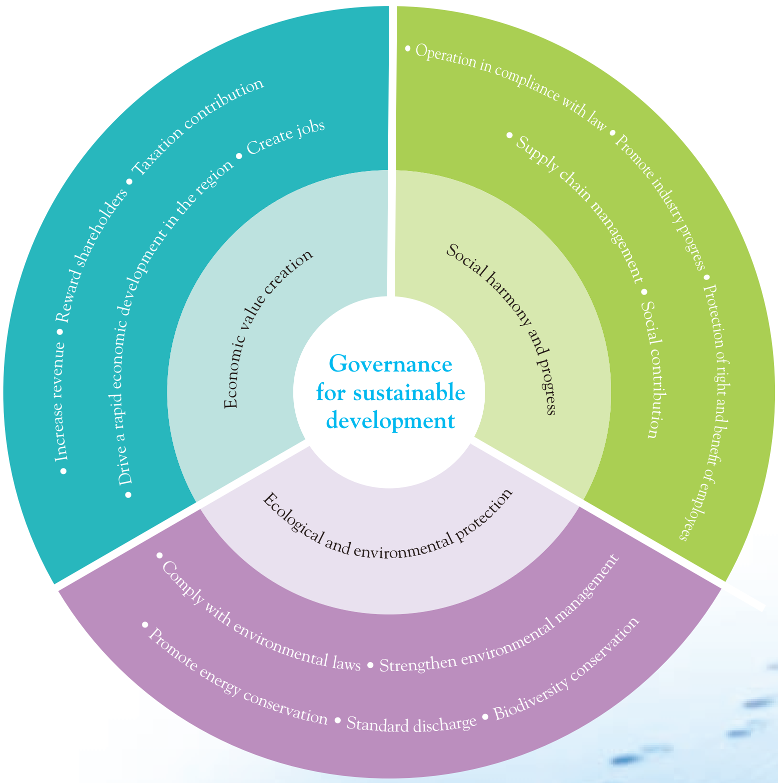
Far East region: Russia
American region: Mexico and Canada etc.
Europe region: Norway and United Kingdom etc.

Business Scope

Sustainable Development Governance

The Company continues to optimize governance for sustainable development, and puts forward the philosophy of "always do better" into the enterprise development strategy and daily operations. The Company appoints a specific department to prepare and publish sustainability reports and carry out sustainable development training and exchanges. All the departments and business units participate to promote systematic and standardized management of sustainable development combining its functions and responsibilities, so as to achieve the combination of governance for sustainable development and business management.

In 2015, the Company organized special trainings for relevant departments on theoretical and practical knowledge of sustainable development including basic concepts, domestic and international standards, trends, practices and cases studies, which improved the work ability of related personnel and thus more effectively promoted the implementation of sustainable development work of the Company.



Sustainable Development Communication

Employees

Concerns
- Protection of rights
- Career development
- Health and safety
- Employee participation
- Employee care

Responses and measures
- Equal employment policies
- Optimization of pay and benefits
- Four levels of employee training
- Respecting employee diversity
- Occupational health and safety management
- Employee representatives meetings
- Carrying out cultural and recreational activities among employees
- Care for special employees

Suppliers and contractors

Concerns
- Compliance with business ethics and laws and regulations
- Establish long-term partnerships
- Mutual benefit and win-win development

Responses and measures
- Business discussions and technology exchange
- Negotiation of contracts and daily exchange
- Electronic management platform

Regulatory authorities and government

Concerns
- Implementing macroeconomic policy
- Operation in compliance with law
- Being subject to taxation

Responses and measures
- Promoting laws and regulations
- Being subject to taxation
- Accepting supervision and evaluation
- Visiting and reporting

Shareholders

Concerns
- Improving corporate governance
- Value creation
- Guarding against operational risks
- Information disclosure

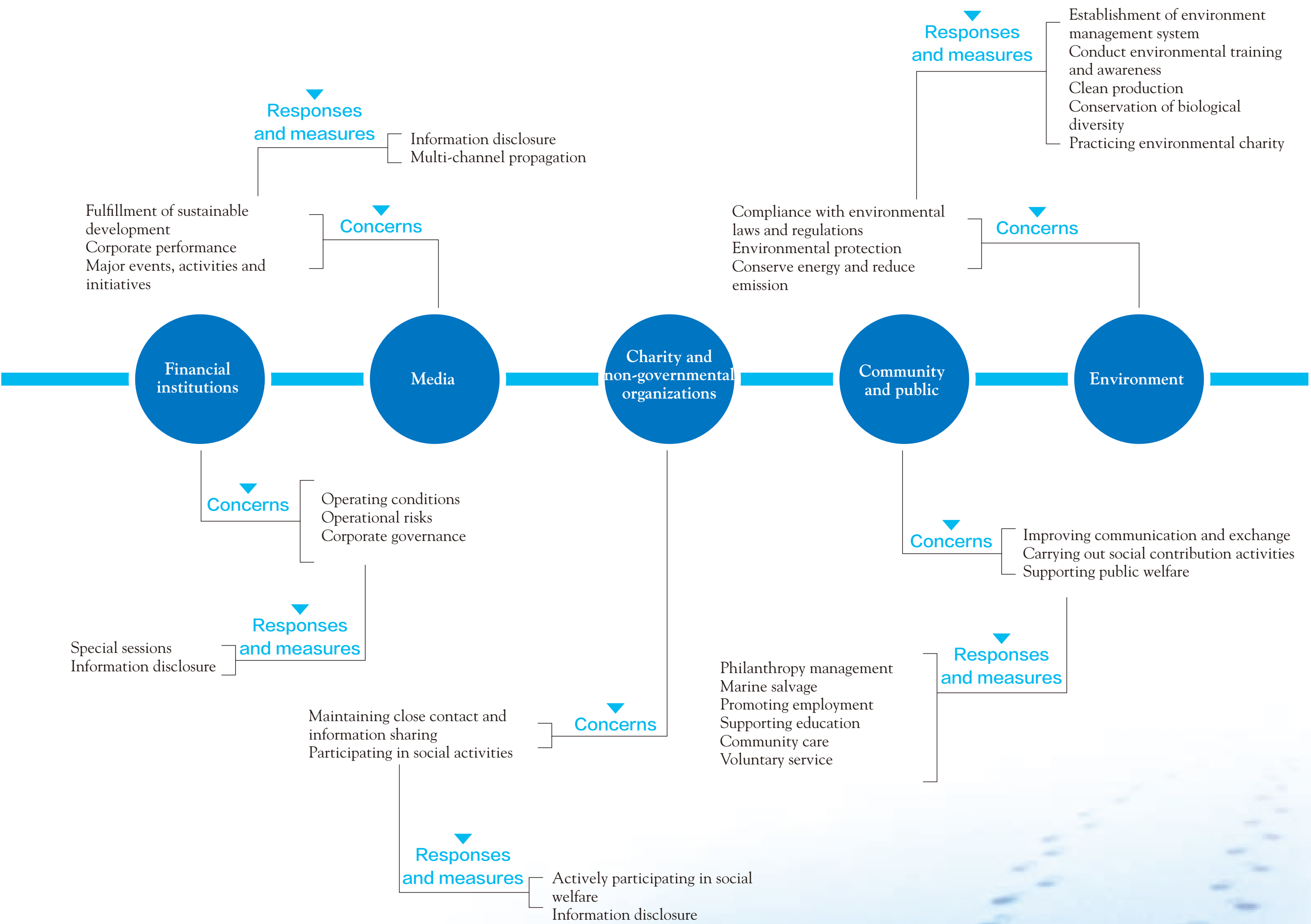
Responses and measures
- Regular reports
- General meetings
- Daily communication
- Publishing annual reports and sustainability reports

Customers

Concerns
- Provision of safe, environmental-friendly, high quality products and services
- Security of customer information
- Improvement of customer satisfaction

Responses and measures
- Development of quality management system
- Continuous innovation
- Providing professional solutions
- Visits and communications
- Protect customers' information
- Improve working standard comprehensively

COSL carries out in-depth study of issues concerned by stakeholders, highly regards the communication with interested parties (Stakeholders) and seeks to understand the demand of interested parties and translate such demand into action plan of the Company. The Company strengthens its capacity building and spreads its philosophy and implementation of social responsibility to interested parties through different channels to fulfill the parties' reasonable expectation to the largest extent.



Focus on Sustainable Development

Establish a Competitive International Oilfield Services Company

Strategic Target

COSL adheres to the core development ideas of "specialize to become strong", focuses on the development of four core segments which are geophysical and surveying services, drilling services, well services, and marine support services and strives to become one of the global leading oilfield service companies which the shareholders are satisfied with, employees are proud of and the society respects. The Company has set targets in different stages with reference to industry benchmarks to establish more reasonable and achievable targets.

2015 Become a competitive international oilfield services company

2020 Basically become a leading global oilfield services company

2030 Become a leading global oilfield services company

During the last five years, the Company has effectively executed its strategic position, explored an innovative operating model, continued to enhance its management standard and successfully fulfilled the main business indicators set for the last five years, achieving the goal of becoming a competitive international oilfield services company.

Accumulative revenue (before net of sales surtaxes) from 2011–2015 **126.87** billion

Profit before tax from 2011–2015 **27.69** billion

More concentrated business, the better asset quality

Adhered to the core development idea of "specialize to become strong" and ensured the strategic positions of each business sector

Market expansion in steady progress

Overseas market increased 9 countries and customers increased to 30

Market shares in domestic drilling reached 96% and market shares in marine support market increased by 8 percentage points

Market shares in fluids and cementing reached 100%

Significant enhancement of equipments

49 new equipments were added, 32 were disposed and 31 deep water vessels were built

Number of drilling rigs ranked third, number of seismic vessels and number of marine vessels ranked fifth in the world

Large reinforcement of technology

Accumulative amount of RMB3.051 billion were used and 317 newly developed technologies were transformed for utilization

Economic benefits of more than RMB5 billion were generated, driving to a output value of services of more than RMB20 billion

Technologies such as logging, directional drilling, fluids, cementing and deep water shattered the international monopolization

Establishment of professional teams

Newly recruited 2,271 university graduates

Owned 14,912 Chinese employees with average age of 34.8, of which 75% of them were college graduates

70 scientific talents, experts, models and professional workers in total

Effectiveness of soft power

"Inventorying of procuring supplies", "Optimize the work flow and improve efficiency"

Campaign of comprehensively increasing working standard

Established an effective supervision mechanism

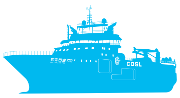
Sharp improvement of financial indicators

Gearing ratio dropped from 48% to 40%

Available fund balance increased from RMB6.54 billion to RMB16.71 billion

Obtained credit facilities of around RMB46 billion from banks

No. of Drilling rigs Global ranking: **3**



No. of seismic vessels Global ranking: **5**

No. of marine vessels Global ranking: **5**

* figures in this page are unaudited

01

Risk Management

Operation in Compliance with Law

Internal Control and Risk Management

Anti-fraud Initiatives

(1) Operation in Compliance with Law

Comply with All Laws. The Company complies with labor and social security laws and regulations; respects and protects the rights of employees; complies with competition laws and regulations and promotes fair competition; complies with environmental protection laws and regulations, improves environmental management and is committed to clean production and energy saving, contributing to environmental protection and ecological civilization construction.

Strengthen the Law Compliance System. The Company, based on operation in accordance, strengthened the law compliance system, revised six systems timely such as Contract Administrative Measures, the Administrative Measures of the Authorization of the Legal Representatives, the Administrative Measures of Joint Venture and the Administrative Measures of External Engagement of Lawyers and continued to improve the scientific features, relevance and timeliness of the management system of legal affairs. Meanwhile, the Company further improved the legal risk prevention system with legal affairs control system as the core, covering the whole process of "Prevention in advance, control in process and ex-post remedy". In 2015, the Company comprehensively achieved for 100% legal review rate of regulations and systems, economic contracts and material decisions, and generally eradicated the occurrence of non-compliance.

Promote Professional Legal Teams. The Company has employed a professional Chief Legal Officer who has performed his duties and attended the meetings of the management and the board of the Company. All legal advisors of the Company have obtained certification of qualification and enabled the Company to build up a professional legal team and comprehensively improved the capability of governance in compliance with law. Meanwhile, the Company actively organized various law compliance trainings to increase the employees' awareness of law compliance.

(2) Internal Control and Risk Management

1. Optimization of the Internal Control System

Continue to Optimize the Internal Control System. The Company comprehensively put the System Document Content in order, formulated a Proposal for Amendment of Internal Control System and improved the plans of various professional internal control systems. Meanwhile, in order to meet the requirement of development of internationalization of the Company and improve management efficiency, the Company explored an innovative management model of business flow with risk control as direction and business flow as basis, so as to draw reference from international leading practices, analyze and examine other major operating situations under relevant operation models of such sector, recognized the differences and proposed improvement measures and ways of implementation. In 2015, the internal control system of the Company has covered 14 major systems and 416 regulations in total.

Intensify Internal Control Assessment. The Company complied with the Internal Control Check and Assessment Administrative Measures and conducted effective assessment on the internal control system of the Company, of which the Company has found disadvantages of the internal control system and timely corrected the deficiency. Also, it was the first time for the Company to carry out internal control audit and assessment abroad, so as to continue to improve and complete the internal control system and enhance the integrity and reasonability.

Enhance Systematic Training. The Company has organized several trainings on internal control system management, financial management, facility management, construction project management, adjusted its systems and exchanged advanced management experience, which were beneficial to innovation, standardized management and capability improvement.

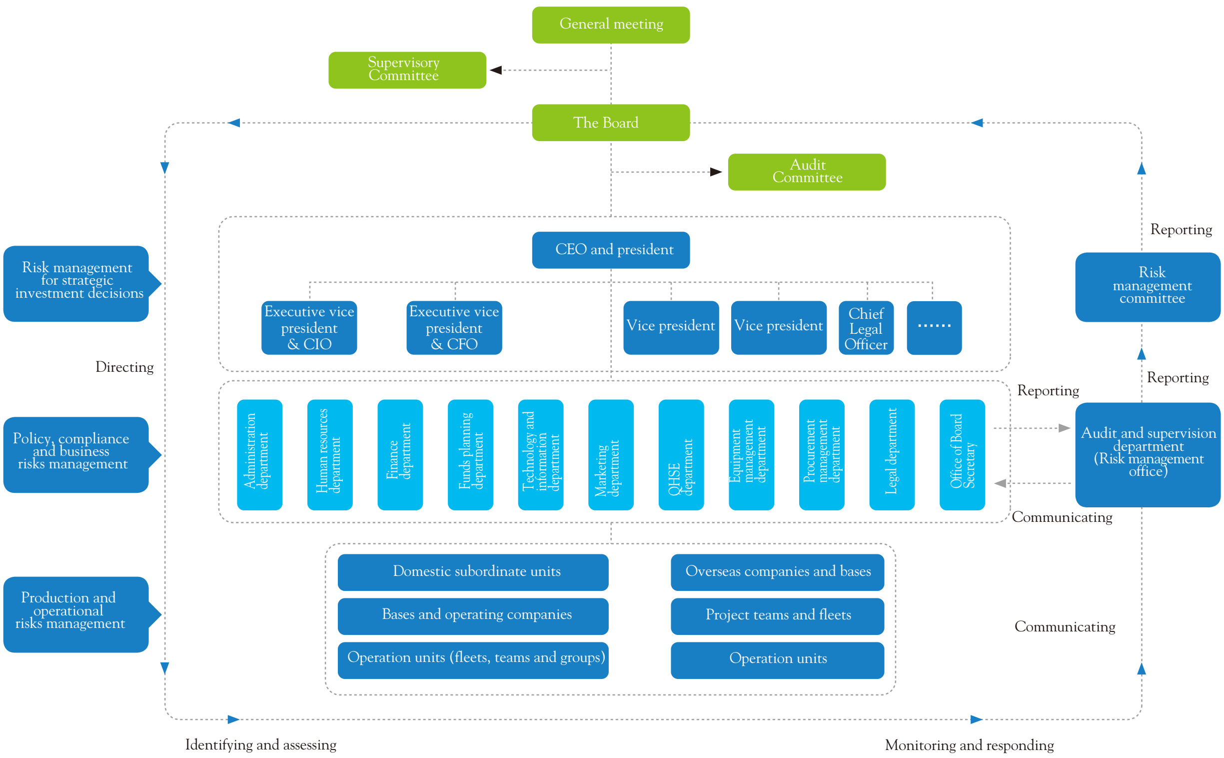
2. Improve Risk Management

Improve Risk Assessment Management. Under the effective management and control of the Board and the Senior Management, the Company established a risk management institution, adopted a management model which combined vertical hierarchy and horizontal coordination and achieved an all-staff, all-rounded and whole-process contained risk management. The risk assessment has been conducted on two dimensions including possibility of risks and degree of influence with risk identification, analysis, evaluation and warning by matrix analysis approach. Through the two dimensional analysis, the Company would identify the risk levels and ensure the risk tolerance and warning. The Company adopted a joint management system with the combination of preventive, handling and remedial measures to risk incidents and used and shared information resources at each stage of management.

Promote the Normalization of Risk Management. In accordance with the Rules of Comprehensive Risk Management, the Company strengthened the organic function of risk management with internal control and business, continued to promote normalized risk management in depth, conducted risk evaluation regularly, linked the risk assessment to the whole management process, formulated corresponding measures and solutions, focused on the situation of overseas risk management, seriously studied the potential risks, established precautionary and contingency measures and prepared prevention against risk warning.

Conduct Risk Management Training. The Company regularly organized targeted and diversified risk management trainings. Through quarterly reports on risks, experts' explanation and staff's experience sharing and case studies on advanced risk management were presented so as to arouse the employees' awareness on risk management and risk prevention and increase their abilities on identification of, evaluation of and response to risk.

Risk Management Organization Chart



Performance of internal control and risk management trainings (2013-2015)

Index	Unit	2015	2014	2013
Number of internal control management training	times	125	23	21
Number of attendees of the internal control management training	person-times	1,774	698	652
Number of risk management training	times	43	40	38
Number of participants in risk management training	person-times	1,522	1,366	1,178

(3) Anti-fraud Initiatives

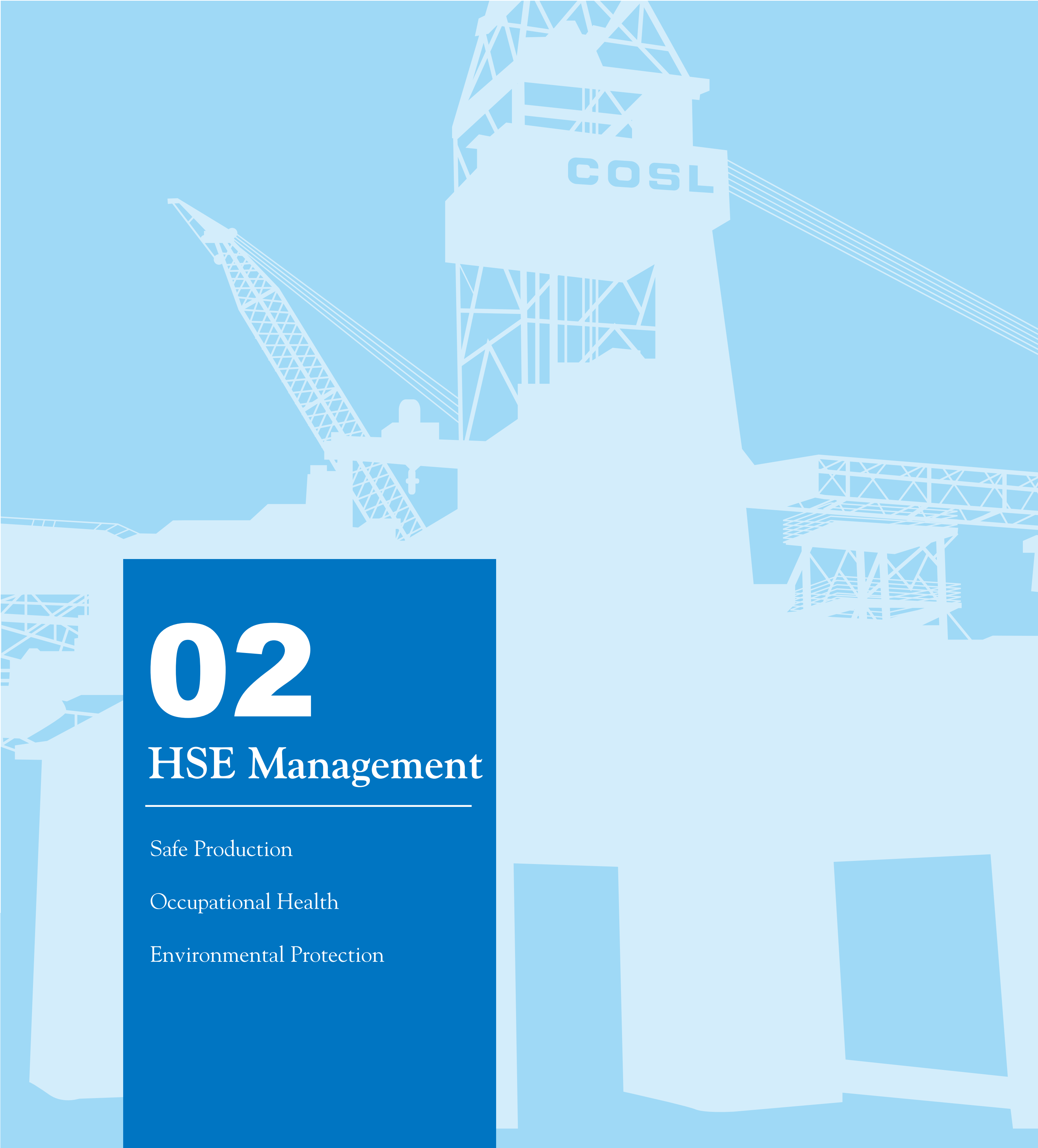
Prevent Commercial Corruption and Bribery. With internal and external audits and discipline inspection and supervision as direction, the Company continued to improve various internal supervision management systems such as the Internal Audit Administrative Measures and the Implementation Rules of Audit Management, carried out a comprehensive bribery file query in tendering activities, strictly reviewed the suppliers' qualification and the tender management of overseas institutions, strengthened the supervision, strictly complied with laws and introduced a stringent accountability system, which effectively prevented and controlled the occurrence of corruption, bribery, insider trading and other violations of law.

Provide Platform for Whistleblowing and Reporting. The Company disclosed the telephone numbers and email address at the home page of our website for staff whistleblowing, which effectively mobilized forces of employees' monitoring. Clues are received according to "Management Measures of Appeal, Reporting and Complaints" and will be handled strictly according to "Case inspection and management measures".

Carry out Intensified Anti-fraud Education. The Company organized 462 anti-corruption and anti-fraud sessions in different scales and modes, and the participants of the training sessions reached 16,217 person-times.

Performance of anti-fraud trainings (2013-2015)

Index	Unit	2015	2014	2013
Number of anti-fraud trainings	times	462	166	163
Number of participants in anti-fraud trainings	person-times	16,217	12,209	10,311



02

HSE Management

Safe Production

Occupational Health

Environmental Protection

(1) Safe Production

Our Seven Commitments:

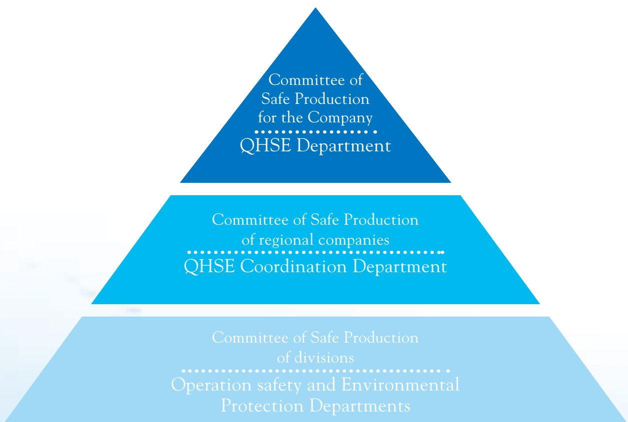
1. Implement and continue to improve the management system of quality, health, safety and environmental protection.
2. Offer trainings of quality, health, safety and environmental protection to all employees, continue to increase their awareness on and skills of quality, health, safety and environmental protection.
3. Provide employees with a safe and healthy working environment as well as standardized work protection equipment.
4. Each employee shall have the right to stop any operation if danger exists.
5. Conduct risk identification, analysis and management in every stage of production and operation.
6. Focus on environmental protection and clean production.
7. Continue to improve emergency management and minimize the losses arising from incidents.

1. Optimize of QHSE Management System

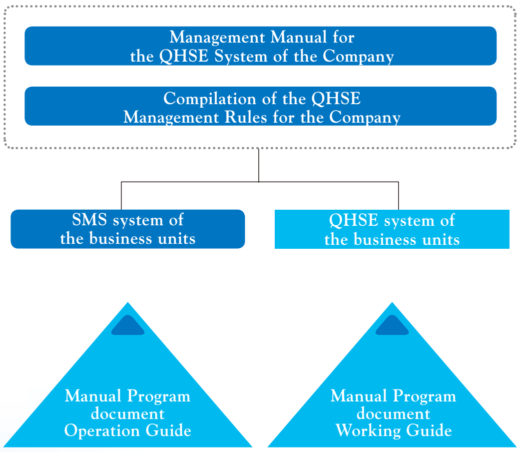
The Company continued to pay attention to the safety management and strengthened the QHSE management system. The Company complied with ISO9001 (quality management standard), ISO14001 (environmental management standard), OHSAS18001 (occupation and health safety management standard) and ISM CODE (international vessel safety and anti-pollution rules) and followed the industry standards and practices both within and outside the country. We fully and effectively implemented the SMS/QHSE systems and continued to improve such systems.

The Company strictly complied with the safety and environmental protection regulations of the countries and regions where it operates. In 2015, the Company actively promoted the implementation of the newly promulgated Security Law and Environmental Protection Law, offered trainings on both laws to all employees according to their posts, conducted comprehensive law-compliant evaluations on both laws, formulated modification plan, improved relevant systems and SMS/QHSE systems and enabled various production and operation activities to be law-compliant. Meanwhile, the Company conformed to the principles of "simplification and high efficiency" and optimized the 50 original quality, health,

QHSE management organization



QHSE system structure



safety and environment systems, and comprehensively put them in order highlighting the operability of the documents and formulated and revised 11 relevant management systems in total; the Company further improved its QHSE internal control system, conducted step-wise refinement of HSE responsibility documentations and set the stage that safety should be the concern of production management and also business management, and all staff should participate in safety management.

2. Enhance Safe Production Management

By earnestly implementing the policy of "Safety First, Prevention Foremost, and Comprehensive Control" and upholding the concept of safety and environmental protection with "Safety and Environmental Protection First, People-orientated and Keep Equipment in Good Condition", the Company actively constructs safety management of the teams and groups, launches standardization activities for safe production and fully enhances the working standard, formulates safety manner rules, strengthens safety and risk management, enhances the safe production check, improves safety education and training so as to lays a solid foundation for safety management and become an intrinsically safe enterprise.

Case

COSLCONFIDENCE in Safe Production for 1000 Consecutive Days in Mexico

In 2011, COSLCONFIDENCE was put in operation in Gulf of Mexico. Over the years, facing with the huge cultural differences between China and Mexico, the Company has actively formed a professional team for the platform, integrated with international employees and highly promoted professionalized teams and systematization and internationalization of management systems. Meanwhile, the Company has continued to strengthen the process management control of safe production of the platform, strictly implemented safe operation responsibility system and actively built a prevention and control system of safe production.

With safety concepts and our efforts, the ratios of effective usage of each facility of the platform reached 99%. On 4 July 2015(Mexico time), COSLCONFIDENCE operated in safe production for 1000 consecutive days in Mexico. The regional director of PEMEX highly recognized our performance in Mexico and stated that COSL is "a trustworthy partner" and PEMEX will strengthen the long-term cooperation with COSL amidst the recession of international oil market.

0.07

Accumulated OSHA ratio

Performance of safe production (2013-2015)

Index	Unit	2015	2014	2013
Number of production safety accidents	case	28	30	49
Number of recordable injury incidents	case	15	18	35
Accumulated OSHA ratio	%	0.07	0.08	0.18
Accumulated working days lost ratio	%	2.63	0.71	1.7
Number of death of employees	person	0	1	0
Number of death of contractors	person	0	1	2

Note: Accumulated OSHA ratio = recordable incidents×200000/total working hours

Accumulated working days lost ratio = working days lost×200000/total working hours

◎ Formulate Safety Manner Rules

In 2015, the Company actively promoted standardized safety manners, with the drilling business as the pilot, comprehensively reviewed 311 domestic and overseas incidents occurred in the drilling industry, prepared the Drilling Incidents Case Studies, analyzed, summed up and concluded the reasons for each incident, formulated 10 Safety Manner Rules for drilling business by reference to the safety manner rules in the industry, required employees to strictly comply with the rules and comprehensively increased their awareness on safety manners, which effectively prevented from and reduced the occurrence of incidents.

10 Safety Manner Rules

1. Touching the objects which are moving and easy to cause injuries is prohibited
2. Repair facilities, keep lock out & tag out and maintain communication
3. Use hand tools properly. Operation without tools is prohibited
4. Maintain communication with attention stations in the course of hoisting operation
5. Strictly comply with the operation manual of air hoisters
6. Use safety belts when working at height
7. Check and ensure the capacity before using wire rope slings
8. Check the falling objects and prevent from injuries
9. Manual handling in correct posture and without making brute force
10. Familiar with working site and keep the environment clean

◎ Strengthen Safety and Risk Management

The Company continued to strengthen risk management control and implement annual, monthly and daily risk controls and safe production risk management system, carried dynamic management on risks and encouraged all employees to take part in.

◎ **Annual Risk Control.** At the beginning of the year, the Company organized and developed risk identification and evaluation and figured out the annual unacceptable risks and key control points of safe production of the Company.

◎ **Monthly Risk Control.** Through holding monthly safety risk analysis meeting, the basic units combined the production and operation plan, analyzed the operation risks in the coming month to formulate corresponding control measures.

◎ **Daily Risk Control.** Through applying the job safety analysis (JSA), the operation unit identified the potential risks in operation and established control measures, as well as enforcing all employees to participate.

◎ Enhance the Safe Production Check

The Company actively established a proposed annual safe production check and conducted safety check on the self-audit and operation check in Shenzhen, Zhanjiang, Shanghai and Tianjin. It has checked 24 basic units in total including 15 marine vessels and 9 land operation bases. After checking the safety risks control of various basic units of the Company, no significant safety risk was found and all general issues found were modified.

Meanwhile, the Company has effectively conducted special checks on lifesaving and fire-fighting, pollution prevention, watertight integrity, fire hazards and work permits on some vessels and drilling rigs.

◎ Improve Safety Education and Training

The Company continued to promote all staff safety training to enhance employee safety awareness and create excellent safety culture. In 2015, the Company and its affiliates organized 18,191 various safety trainings with a total participation of 170,303 person-times.

Case

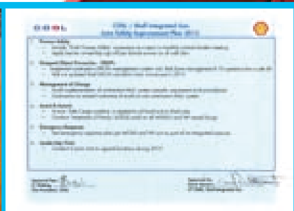
Co-working for a Safety Culture

While strengthening safety management, COSL has actively created an excellent safety culture together with its partners and guided its employees and partners to be aware of safety manners.

In February 2015, COSL entered into the Proposal for Jointly Creating Safety Culture by Parties A and B with Pengbo Operation Company and it was the first agreement entering into of the Company in Bohai Sea region. The activity has been launched for two months and achieved fruitful performance. Safety culture has become part of the Company.

The safety supervisor, Mr. Chen Jichang said, "In the past, safety management was a supervision and examination of contractors conducted by operators. However, since Party A and Party B have entered into the Proposal for Jointly Creating Safety Culture, contractors would also conduct supervision and examination on operators. This was a great progress that both parties can supervise each other so as to jointly enhance the standard of safety management."

In June 2015, due to the outstanding operating results, service quality and safety standard, Royal (Dutch) Shell entered into the Proposal for Jointly Enhancing Safety and the Proposal for Jointly Improving Business with COSL. COSL became the first company in China and the fourth one in the world entering into such proposals with Royal (Dutch) Shell and was included in the global core contractors system of Royal (Dutch) Shell (there were 8 companies being included and COSL was the ninth one).



Case

Big Effects of Little Animations

In order to enable the new employees working in rigs to directly understand the basic conditions of the rigs so as to give quick responses in case of emergency and to experience the good HSE management and culture of the Company, the Company produced some safety education animations. Those little animations not only made the safety education training interesting, but also standardized the safety education of each rig, which comprehensively increased the working standard of safety education of the rigs.

3. Strengthen Emergency Management

The Company paid much attention to the emergency management and continued to optimize the emergency management system and completed the establishment of comprehensive plans and special plans; the Company also established an emergency expert group and gave full play to the role of experts in the field so as to respond better to emergency situations that may occur. In 2015, the Company carried out 11,572 ship-shore joint exercises and on-site exercises covering rigs, ships and shore with a total participation of 244,247 person-times.

(2) Occupational Health

1. Health Management

The Company attaches great importance to occupational health, established and improved management systems such as the "Occupational Health Management Approach". In 2015, the Company comprehensively implemented the combination of health education and health promotion and formulated the health improvement plan, occupational health management plan and employees hearing protection plan for all staff. Every basic unit complied with the plans and developed a series of occupational health management.

The Company strictly provided the employees with body checks which are classified into three categories: the first category is the health certificate examination for offshore and outside working employees, with a health certificate holding rate of 100% in 2015; the second is the occupational health check for employees in contact with dangerous factors of occupational diseases, with a completion rate of occupational health check of 100% in 2015; the third is the routine physical examination for onshore employees, with covering rate of physical examination of 99% in 2015.

The Company set up infirmaries in and assigned general practitioners to the rigs, vessels and field operation bases where more than 25 employees work on; provided medicines and blood pressure monitors in the vessels where no medical practitioners were assigned to and part-time health workers were assigned to those vessels to manage and record the distribution of medicines and to monitor the health conditions of staff; provided first-aid kits that were supervised by specific persons in designated location of all operation bases.

At the same time, the Company constantly improves the working condition for employees with reference to the relevant laws, regulations and standards, to provide staff with a safer and more comfortable work environment.

Case

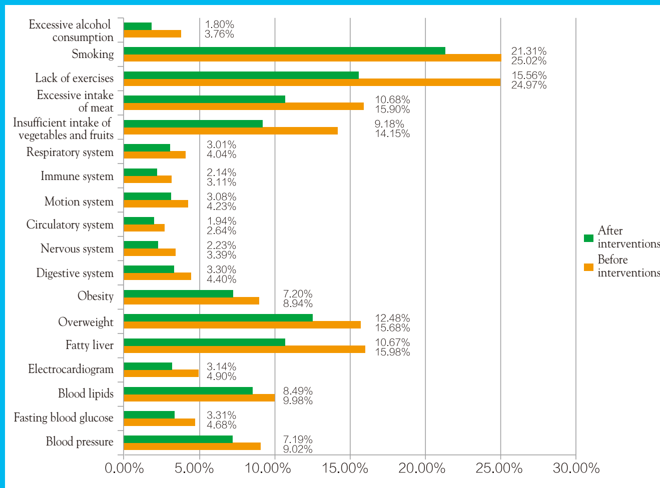
Staff Health Promotion Activities

In 2015, the Company launched staff health promotion activities and adopted various measures for enhancing health promotion interventions on employees, highlighting health intervention as an important mission.

Each unit actively organized different health promotion activities such as health walking, work-break exercises, rope skipping and shuttlecock kicking so as to enable employees to cultivate a healthy working habit and avoid from lumbar and spinal diseases as a result of sedentary.

Furthermore, the Company set up gymnastic room and table tennis rooms and provided fitness equipment such as treadmills and bicycles and exercise rooms for the purpose of encouraging employees to do exercises actively after working hours.

In order to examine the effectiveness of implementing staff health promotion activities, the Company formulated a Questionnaire on Employees' Health Improvement and conducted a random quantitative assessment on the effectiveness of staff health promotion activities. After statistically analyzing 7,995 questionnaire received, we came up with a result that the lifestyle and health conditions of employees have been improved comprehensively (details please refer to the statistics and comparison chart of hazard factors before and after interventions).



Statistics of occupational health checks of the PRC employees (2013-2015)

Index	Unit	2015	2014	2013
Proportion of all staff health check and health records	%	99	99	99
Number of persons attending occupational health checks	person	5,482	5,509	4,448
Proportion of occupational health checks completed	%	99.9	99.9	99.7
Proportion of completion in inspection of occupational hazard factors	%	98.5	100	99

Note: Number of persons attending occupational health checks is the number of persons in contact with occupational hazard factors

Results of health examination of employees exposed to occupational hazard factors (2015)

Health examination types	Actual examination person-time (Unit: person-time)	Completion rate of examination (Unit: %)
Preplacement occupational health examination	459	100
Occupational health examination during the working period	4,776	99.9
Post-employment occupational health examination	266	100

2. Health Training

The Company thoroughly carried out the publicizing and implementation of occupational disease prevention laws, regulations and rules, guided employees to understand the occupational hazards existed in the jobs, promoted employees to grasp the knowledge of prevention and control of occupational diseases and effectively enhanced the awareness of self-protection. Meanwhile, the Company recruited experts to hold seminars on health and first aid, promoted health and civilized lifestyle and working module through posting health promotion posters, issuing electronic health magazines and writing health blog. All units of the Company carried out 663 recordable occupational health education and trainings in total in 2015.

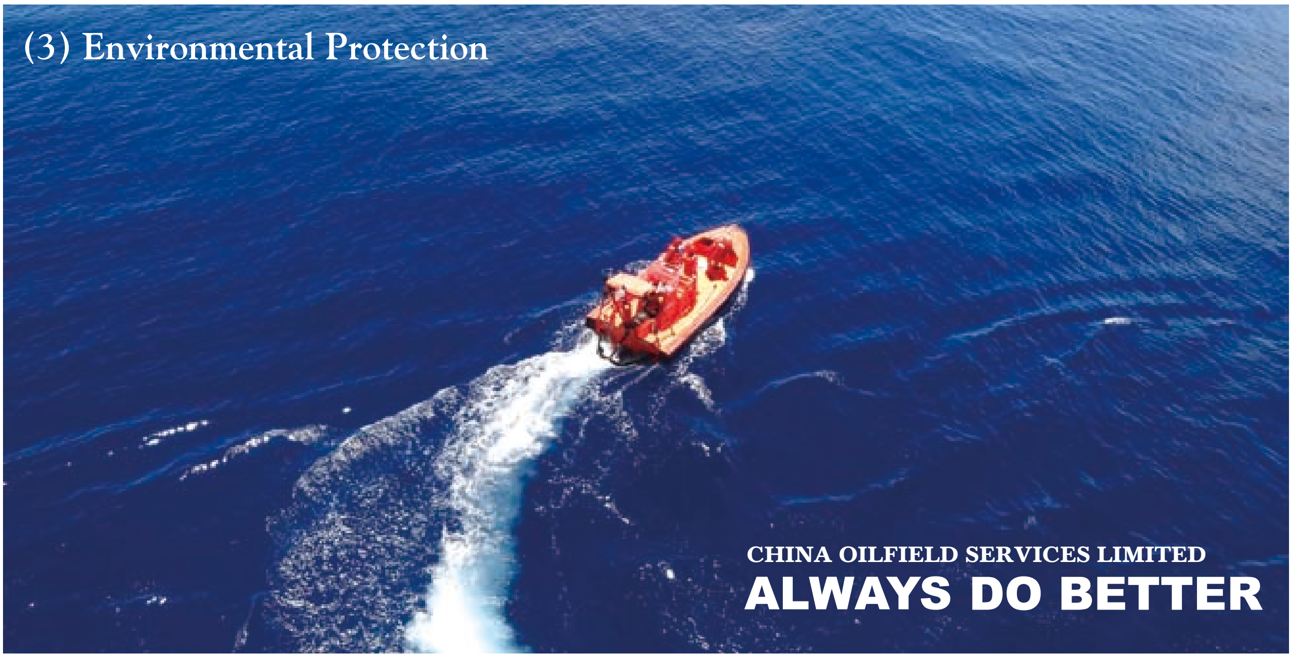
Occupational health education and training (2015)

Type of training	Actual number of participants (Unit: person)	Training completion rate (Unit: %)
Pre-job occupational health education and training	459	100
On-job occupational health education and training	4,874	99.2
Training for main responsible persons and occupational health managers	418	100
Special occupational heath training for staff in positions with serious occupational hazards	1,145	100

Note: Number of persons attending occupational health checks is the number of persons in contact with occupational hazard factors

3. Counselling Service

Due to the special nature of the business, employees working offshore for a long time may face with great pressure of work. We not only care about the physical health of employees but also care about their mental health, and we often actively help employees relieve stress and emotions. In 2015, the Company held “mental training camp” twice for 223 young employees in Tianjin segment. The camp was different from the past seminars and trainings in that it was of static and dynamic natures and combined tests and evaluations, and employees could learn theories in practices and share ideas from experience.



1. Environmental Protection Management

◎ Environmental Institution Building

In 2015, the Company continued to strengthen the implementation of environmental protection systems such as "Environmental Management Approach", "Environmental Factors Evaluation, Management and Implementation Rules" and "Lightning Protection Management and Implementation rules". The Company formulated "Marine Environmental Protection Management and Implementation Rules", summed up relevant requirements on marine environmental protection of marine operation process, pollutant emission and recycling and contingency management of anti-pollution and required all units to protect environment during marine operation process, formulated "Management Measures of New and Reformed Environmental Protection Project (pilot scheme)" and ensured to achieve for the expected result of new and reformed environmental protection project. Furthermore, the Company regularly evaluated and revised the environmental management system, continued to identify and correct the problems of environmental protection through internal and external audits of the system and evaluation of management.

Case

After promulgating the new "Environmental Law", all departments and front-line basic units of the Company proactively hold quizzes of new environmental law so as to increase employees' environmental protection awareness, reinforce the corporate's responsibility of preventing against pollution and build a solid foundation for achieving environmental protection.

◎ Environmental Protection Training

In 2015, the Company included environmental protection in its operation system and actively organized various trainings on laws and regulations in relation to environmental protection. It also launched promotional trainings for employees in different positions, comprehensively aroused the staff's awareness on laws of environmental protection and combined the production and operation characteristics of each working base so as to promote garbage sorting, usage of anti-pollution facilities and usage of oil leakage emergency equipment, which further enhanced the environmental protection awareness and skills of onsite employees.

Time	Location	Course	Audience	Number of trainees
2015 · 9	Yanjiao main venue and other venues of branches of the Company (video training)	Environmental management basics, new "Environmental Law" and supporting regulations, management of hazardous chemicals, publicizing of the internal control system of environmental protection and notification on specific inspection of environmental protection	Front-line unit HSE managers, environmental management personnel, on-site safety supervisors and etc.	383

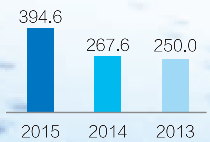
2. Clean Production

The Company adheres to the sustainable development philosophy of "Green, Clean, Low-carbon and Recycling Economy" and implements the concept of green and low carbon into every step in its production and operation. The Company pursues clean production and invested RMB32.6757 million for environmental protection in total in 2015.

◎ Energy Saving and Emission Reduction

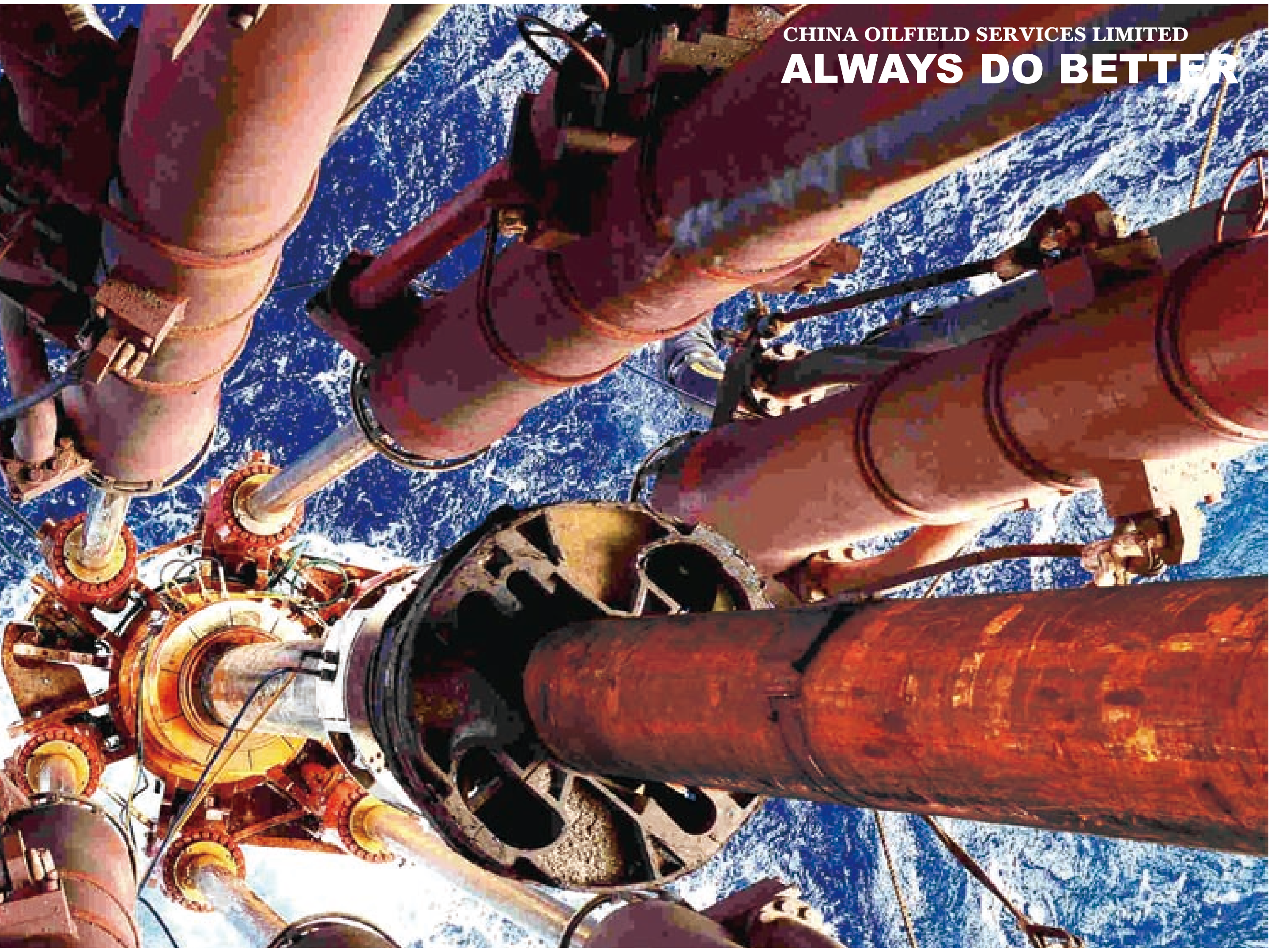
COSL, as a responsible enterprise, complies with various energy conservation regulations and requirements of the countries and regions where it is located, developed and implemented the "Energy Saving and Emission Reduction Management Rules" and "Water and Electricity Saving Management Rules" and continues to increase its investment in energy conservation in order to reduce energy and resource consumption. The Company actively explores the response to climate change and effective ways to reduce greenhouse gas emissions, and conducts research and development in water and energy saving technology. The Company gives priority in using energy-saving equipment so as to make its contribution to resource-saved and environmental protection.

Investment for energy saving and emission reduction
Unit: RMB10,000



In 2015, the Company invested RMB3.946 million in energy saving and emission reduction. The total energy consumption of the Company was 336,922 tonnes of standard coal; we achieved energy saving amounting to 10,384 tonnes of standard coal, energy consumption of RMB10,000 worth production was 0.2005 tonnes of standard coal/RMB10,000. According to the index requirement of energy saving of 10,240 tonnes of standard coal and energy consumption of RMB10,000 worth production reaching 0.2093 tonnes of standard coal/RMB10,000, we respectively completed 104.4% and 101.4%.

In addition, the Company actively promoted green office and green operation, which included strictly controlling the consumption of office supplies, encouraging office automation, stringently controlling the number of use of printing papers as well as promoting double-sided printing or reusing papers. The Company highly popularized video conferences that the number of holding video conferences and number of persons attending the conference of 2015 increased by 39.5% and 59.3% as compared with the whole year of 2014, which increased attendance rate, enhanced efficiency as well as reducing costs of attending conferences in person. Also, the Company enforced water and electricity saving, reasonably adjusted and integrated the use of water resource, strengthened the management of use of electricity and promoted the habit of "switch off the light when leaving"; managed the use of official vehicles, adjusted, arranged and integrated the use of official vehicles so as to reduce the costs of business trips and oil fuel consumption.



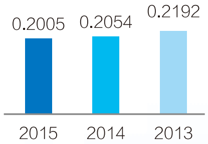
Classified statistics of energy and water consumption (2013-2015)

Index	Unit	2015	2014	2013
Electricity	10,000 kWh	1,594.20	1,546.00	1,460.50
Diesel fuel	Tonnes	226,744.88	254,362.47	252,798.30
Natural gas	Cubic meters	244,648.00	263,826.00	255,063.00
Oil fuel	Tonnes	1,494.99	4,182.00	6,663.91
Petroleum	Tonnes	519.51	688.37	708.12
Engine oil	Tonnes	882.76	1,582.77	1,640.48
Water	Tonnes	978,742.11	1,127,592.50	--

Note: the Company begins to officially disclose water consumption from 2014.

Energy consumption of RMB10,000 worth production (2013-2015)

Tonnes of standard coal/RMB10,000



Case — Ways of Energy Saving and Emission Reduction

The boilers of BO HAI 9 rig were replaced with new boilers which adopt a more favorable distribution of heat pipes and processing techniques that the boilers can reduce both energy consumption of heating and water waste when cleaning heat pipes. The average daily energy saving is about 180kw/h as compared with the old boilers.

Boilers before replacement

Boilers after replacement

Design as the gatekeeper of energy consumption of vessels: to plan to conduct optimized analysis of energy saving of vessels and adopt seven innovative technologies to the new vessels for the purpose of enhancing energy efficiency and to produce a series of "energy saving vessels" to replace the old ones, so as to build a solid foundation of energy saving and emission reduction. Currently, the Company has already produced 14 new vessels which apply the latest world-class energy saving technologies, aiming at building a new energy saving team.

Dynamic system: efficient dynamics type, dynamic hybrid, clean fuels, reduce energy loss by 5~20%

Superstructure: low wind resistance design of superstructure, light structure design, reduce energy loss by 1~2%

Bow: line optimization, wave resistance design, reduce energy loss by 3~5%

Stern: line optimization, stern flow energy recovered, steering system optimized, use of equipment decreased, reduce energy loss by 5~10%

Propulsion System: electricity driven, pulp optimized, reduce energy loss by 5~15%

Wet surface: microbubble drag reduced, low-resistance bionic coated, environmental coating, reduce energy loss by 5~8%

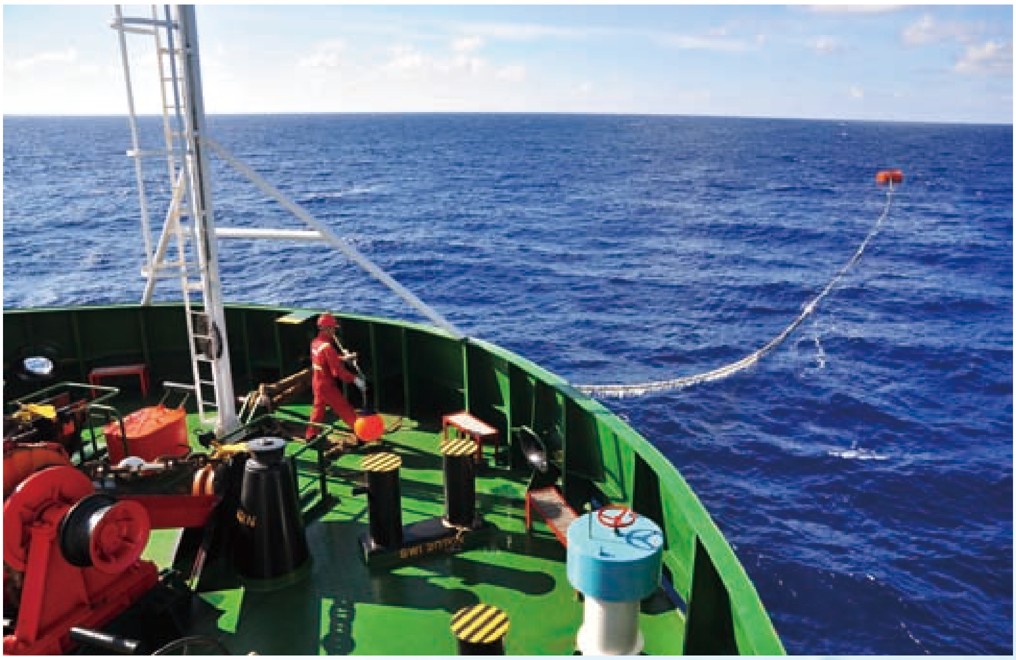
Main ship structure: weight control and structural optimization, high-strength steel composite material applied, light equipment, efficient equipment, reduce energy loss by 5~10%

Case

Ways of Energy Saving and Emission Reduction

HAI YANG SHI YOU 719 has reasonably arranged and controlled the compressor fuel consumption: during the period after and before operation in the working bases and under the normal situation of compressor and other equipment, one of the compressors would be stopped operating as a way of saving energy. If one of the compressors stops operating for approximately 8 hours per day, about 790kg fuels will be saved per day, which largely decreases both the fuel consumption of compressors and abrasion and maintenance fees of the machines, and reduces emissions.

Ship Mooring Buoys: to implement mooring buoys in deep-water regions for stand-by vessels for the purpose of reducing the operating time of the main machine and thus achieving energy saving. Currently, in order to assist the operators, the Company has placed 8 buoys in Nanhai west and 16 buoys in Nanhai east. For the year 2015, the ship mooring buoys were used for 2,211 times with accumulative times of 20,713 hours; the fuel consumed of a low energy consumption vessel is 0.3 tonne per hour, which reduces 6,214 tonnes fuel as compared with normal vessels.



◎ Qualified Discharge

The Company strictly complies with "Effluent Limitations for Pollutants from Offshore Petroleum Exploration and Production" (GB4914-2008) and "Effluent Standard for Pollutants from Ship" (GB3552-83) and other emission standards of the countries where we operate our business and requirements of international conventions so as to ensure that industrial waste-water and domestic sewage were discharged according to the standards. For hazardous waste, the Company delivers them to qualified units for recycling and treatment.

All drilling rigs are equipped with several environmental protection facilities such as water and oil separators and sewage treatment plants. The Company maintains the equipment and facilities according to the PMS/AMOS maintenance system to ensure them to work in normal operation. The Company conducts a monthly inspection of sewage and oily water and follows up the inspection results to the discharge standards. Furthermore, all rigs are equipped with various recycling devices for the purpose of preventing from oil spill and environment pollution, so as to achieve zero emission.

Self-made oil spill trays for oils

Oil spill trays for oil storage

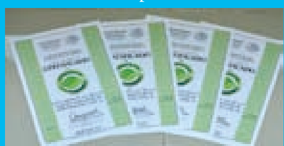
Slop tanks for collecting waste oil

Specific temporary corner of debris collecting plates for preventing from oil spill

Case

CLEAN INDUSTRY Certificate

The four modular drilling rigs of COSL Mexico have passed the verification of Mexico government and obtained a clean industry certificate. Such certificate will only be awarded after the Mexico government strictly verifies several indicators of safety and environmental protection of the rigs. Obtaining the certificate fully reflects the Company's awareness of safety and environmental protection and satisfactory performance on environmental protection.



Statistics of discharged volume of the Company in China's waters (2013-2015)

Index	Unit	2015	2014	2013
Qualified discharge of oil polluted water	Cubic meters	910.14	743.23	1,287.38
Discharge of crushed domestic waste	Tonnes	290.66	221.99	151.78
Qualified discharge of drilling fluid	Tonnes	27,605.51	13,655.28	74,751.23
Carbon dioxide	Tonnes	710,452.86	805,261.81	808,361.75
Emission of carbon dioxide for an output value of ten thousand	Tonnes/ RMB10,000	0.42	0.44	0.49

3. Care for Marine Organisms

The Company always abides by animal protection laws around the world, carefully analyzes the possible impact of various aspects of work on marine organisms and takes preventive measures to reduce the impact actively.

Case — The Ocean, Our Homeland

"NAN HAI 7" is conducting drill exercises around Sanmen Island. Many adorable marine animals often jump out of the water to join us.

– Witness: Li Mingyue

The whales in Nanhai east also want to stay away from loneliness but they are always shy to jump out. How bashful they are!

– Witness: Li Mingyue

"NAN HAI 7" is a sweet home for the seagulls. After they take a rest here, they will fly across the ocean again.

– Witness: Bai Yun

This is the seven star shark, also known as "excellent deep diver" as it seldom floats up. Small fish and squid are its preys. During Chinese New Year, it was so unbelievable that it came close to "NAN HAI 8" like giving a greeting to us.

– Witness: Sun Fuyin

While "HAI YANG SHI YOU 653" was on the way to the rig, we saw three spotted seals lying on the thick ice and having sunbathing.

Listed as Grade 1 National Key Protected Species, spotted seals demand for a high-standard living environment. There is a protection zone set up for spotted seals in Bohai which becomes their homeland where they can live happily.

–Witness: He Yuyong

03

Enhance Capacity for Sustainable Development

Improve Quality Management

Improve Quality of Services

Strengthen Scientific and Technological Innovation

Supply Chain Management

(1) Improve Quality Management

By adhering to the management policy of "Supremacy of Credibility, Equipment in Good Condition and Quality Assurance", the Company continues to improve its quality management to provide customers with quality products and services, thereby satisfying their reasonable demands as well as satisfaction.

To improve quality management organization. Each direct subsidiary has established sound corresponding quality management organizational network to unify the direction, coordination and supervision of product and service quality management.

To improve quality management systems. Quality management systems are reorganized with relevant procedures and operations supplemented and improved. Through the efforts of evaluation by supervisors, internal/external audit of systems, management appraisal and compliance evaluation, the appropriateness, effectiveness and operatibility of the systems have been secured.

Certificates of Quality Management System obtained by the Company

To commence quality training. Each unit of the Company launches a variety of quality trainings specifically about quality management systems, basics of quality management, QC teams in practice, case study of quality incidents, quality control and quality assurance, skill contests and skill exchanges to help staff understand the importance of quality operation, services and products and thus produce ever improving quality management and the overall skills of teams. In 2015, the Company conducted 723 quality training sessions with 9,401 participants.

To conduct special quality checks. Special quality management checks are conducted which mainly relate to quality systems, wholeness management of equipment and facilities and customer satisfaction. Corresponding corrections and preventive measures have been implemented for issues identified in such checks.

Case

China Quality Award for HAI YANG SHI YOU 981

In 2015, HYSY981 won the China Quality Award after a series of evaluation procedures under the China Quality Awards Administrative Measures which included formal examination, evaluation on materials, expert evaluation, Q&A, on-site inspection and others. The award showed the fact that the quality management model, methodology and systems of HAI YANG SHI YOU 981 are advanced, innovative and repeatable, and it is the first time the Company has won one of the highest awards in China with regard to quality.

The Company conducted over 200 activities for its QC teams and has won several national awards in the oil and chemistry industry for its excellent quality management

(2) Improve Quality of Services

1. Provision of Professional Services

We strive to enhance service capabilities and build the brand of COSL and dedicate to provide customers with more efficient services of high quality. Because of its professional services and good operational performance, a number of projects of the Company are highly valued and recognized by customers despite the fierce market competition.

Case

"Best Contractor" by Shell (China)

The Company successfully completed the high temperature and high pressure operation in Yinggehai and was highly recognized by Shell (China) as evidenced by being granted the title of "Best Contractor".

As one of the leading energy companies in the world, Shell is engaged in oil exploration and production activities in over 130 countries across the world. Not only does itself has a sound quality management system, it also implements uniform quality standards and requirements with regard to its contractors from all over the world.

Shell (China) indicated that the zero incident in the well cementing and drilling fluid service of COSL was indisputable evidence of COSL's position as the best contractor, as it had truly satisfied the HSSE standards prevailing in the world and demonstrated the level of a top-class international contractor.

HAI YANG SHI YOU 981 Completed the First operation Overseas

After 58 days on 5 April 2015, HAI YANG SHI YOU 981 completed the deep-water operation in the Bay of Bengal, Myanmar, setting a new record in the deep-water drilling rig operation with a completed well depth of 5,030 meters and obtained the commendation from the client with an operation efficiency as high as 99.09%. This accomplishment further verified the deep-water operation capability of the Company and has laid a solid foundation for its large deep-water equipment to enter respective international markets.

COSLINNOVATOR was Granted the First "Perfect Well" by Statoil Petroleum AS

In light of its excellent operational efficiency in the Troll area of Statoil Petroleum AS, COSLINNOVATOR was granted the title of "Perfect Well" by Statoil Petroleum AS, the first time Statoil Petroleum AS giving such honour.

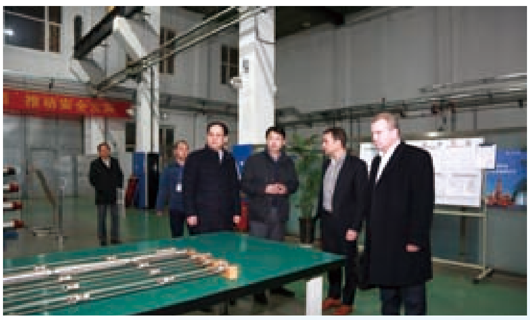
"The Perfect Well" is the highest integrated record of the drilling rig in a certain area set by Statoil comprised of individual best records of all contractors engaged in such area at all times. This occasion that COSLINNOVATOR was granted this honour shows the world-class drilling rig operational capability of the Company and is an effective uplift of its reputation and brand influence in the industry.

The Company's participation in a Mexican oil exhibition

2. Improve Communication with Customers

Through the combination of invitation and going global, the Company improves communication with IOCs, NOCs and government authorities and actively participates in influential international oil conferences to relate itself to the technological frontiers in the industry and effectively facilitate the development of overseas markets. It also pays visits to its customers, invites customers to come and conducts customer satisfaction surveys so as to proactive grasp their demands and deepen mutual understanding to lay the foundation for broader and deeper cooperation in the future. **The customers' satisfaction reached over 98% in 2015.**

Communication with customers at an annual fair



Customers visit the Science and Technology Park of the Company

(3) Strengthen Scientific and Technological Innovation

The Company adheres to customer demand-oriented and established technological innovation system with the close connection between R&D institutes of the Company and production and research to meet the demand of customers for technical services and improve customer satisfaction. In 2015, the Company invested RMB882 million in technology in total and obtained 182 patents, among which 58 patents were developed by the Company. With the accumulation of technological skills and continuous innovation, the Company has made a number of outstanding achievements and patents. The results in R&D has greatly enhanced the production with eminent results.

Key performance of technological innovation of the Company (2013-2015)

Index	Unit	2015	2014	2013
R&D investment	RMB10,000	88,198*	108,984*	72,166
New patents	Items	182	142	158

*Note: The R&D investment of the Company in 2015 included CNOOC funds of RMB93,180,000 and national funds of RMB25,310,000.
The R&D investment of the Company in 2014 included CNOOC funds of RMB83,970,000 and national funds of RMB82,030,000.

Case

Leading in Conventional Upper Well Completion Market of China

In 2015, the Company completed the design of 46 upper well completion tools and the improvement of 20 products, had 6 patents granted and won all tenders in the Bohai market, which gave it the lead in the upper well completion market of China where its products and services were recognized by customers.

Competing with its peers from all over the world, the Company won the operation of 350 wells under projects of Jinzhou 25-1/25-1S/Suizhong 36-1/Luda 10-1, Caofeidian, Pinghuang Phase II and others and the tender of Enping oilfield project of 7 million, which was the first move of its high-end well completion tools into the East China Sea.

Case

The Company's Significant Breakthrough in Drilling and Logging Technology

On 3 May 2015, the self-developed RSS (WELLEADER®) and the LWD System (DRILOG®) jointly accomplished their first offshore operations in Bohai, which marked that the Company has become one of the global leading oilfield service companies and the fourth in the world owning both technologies, and that it has acquired the ability to complete offshore cluster wells and explore complex oil and gas reservoirs which will be likely to significantly reduce the overall cost of oil and gas field exploitation. In 2015, the two systems satisfactorily completed the commercial operation of 12 wells in the Bohai and onshore oilfields.

CCTV News reported the self-developed RSS (WELLEADER®) and the LWD System (DRILOG®) under the heading of "'Gluttonous Serpent' Underground – China's Significant Breakthrough in Drilling Technology".

Breakthrough in Deep-Water HTHP Technologies

The operation capability of the Company has stepped up from deep-water to ultra-deep-water with HTHP technologies continued to improve in support of the proprietary brand highly recognized by the market.

The upgraded series of HEM fluid for well drilling and that of PC-LoLET well cement became applicable at 1,700 m under water. The new breakthroughs in HTHP technologies enabled the completion of the Yinggehai HTHP well project of Shell – one of the most challenging wells in the world in 2015. Whole-well drilling fluid services and cementing services were provided to Ledong 10-1-1 – the well of the highest pressure of CNOOC in 16 years, which set a new record of the Company for HTHP operation. Issues arising from the Lingshui 25-1-3 deep-water HTHP well were well solved, which procured additional recognition from the client.

Pleasing Sales of Self-Developed ELIS Equipment

The self-developed ELIS and other high-end equipment have fully replaced their imported counterparts with overall performance reaching advanced international standards. At present, orders for the ELIS come from Russia, India, Canada, Southeast Asia and other countries and regions.

The first prototype of self-developed ELIS formation tester was delivered to Gazprom. Focus from India purchased the third and fourth ELIS equipment in 2015, becoming the only one external company wholly relying on COSL's products to conduct logging. The Company's ELIS equipment is also sold to Tucker from Canada and in Southeast Asia.

On the back of its effective brand effect and word of mouth, a large number of overseas companies have expressed strong interest in high-end devices and equipment of the Company, among which representatives of Sterling from India paid a visit here where they showed strong interest in the high-end logging equipment EFDT formation tester and attention to the newly developed LWD System and RSS. NHI from Iran expressed their view during their visit here that the Company had notable advantages in its integrated capability covering product quality and others as well as their intention of subsequent cooperation. ENOS from Kuwait even highly praised the Company's logging products and trial facilities at the science park and considered that such professional facilities were a guarantee of product quality.

Meanwhile, the Company has adopted "Differentiation with Regard to After-sales Services" to continuously enhance the standards of such services so that its clients and users of its products can have confidence and ease.

(4) Supply Chain Management

The Company has constantly optimized its supply chain management by establishing supplier approval, use, assessment and exit management mechanism and by stringent and rigorous selection of suppliers which not only stresses on product quality, service standards, business ethics and corporate reputation but also on performance of social responsibility.

In 2015, the Company, in addition to the continuous implementation of its "Supplier Management Rules" with a view to establishing a sound supplier management system, formulated and published the "Rules on Supplier Certification and Hierarchical Management" which provides uniform bases and standards for supplier evaluation. It also provided relevant training for its suppliers to ensure information is shared. Furthermore, the Company has set up a compliant and efficient tender platform to offer suppliers with chances of participation through open tender, electronic tender and other means which are open, fair and transparent. In the initial approval, eligibility evaluation and participation of tenders, products and services and appraisals of suppliers/contractors, the Company takes account of integrity, compliant operation, attention to health, safety and environmental protection, relevant certifications and performance under such certifications. It also takes criminal records of bribery as an important indicator in its evaluation so that those with such records are disqualified and restricted in their participation in tender and bidding activities.

Supplier Approval: The Company conducts new supplier approval covering various aspects including the basic information, financial condition, quality assurance system, industry performance, undesirable record and industry qualification and etc.

Use of Supplier: The Company conducts "Classification and Grading Management and Control of Total Amount" of suppliers and selects the best suppliers according to the principle of unified platform, classification and grading, regulating the use and dynamic management, taking into account the quality, technology, price, integrity and willingness to cooperate.

Supplier Assessment: The Company organizes the annual supplier review to ensure the overall quality of suppliers. The review mainly focuses on their performance of contracts, the effectiveness of registration documents, norms and standards they follow, quality system certification, certificates of health, safety and environmental protection and etc. The suppliers which are identified as unqualified by review will be warned and required for rectification.

Suppliers Exit: The Company conducts dynamic management of approved suppliers and removes suppliers with no business dealings for two years and above annually and regularly removes suppliers beyond the temporary use period, with serious violations, assessed as unqualified and with no business needs.

The Company strengthens the development and management of overseas supply chain. As its business has expanded to North America, Northern Europe, Middle East, Southeast Asia and other regions, the Company's regional operations require swift response of the supply chain for further development and quick coordination of advantageous resources to satisfy clients' needs. In early 2015, the Company set up a procurement and logistics center in Singapore to adequately capitalize on local resources, logistics and policy benefits for the purposes of overseas business expansion. At present, the Company continues its business expansion in Mexico and, in order to meet the needs of further business development, it will watch for opportunities to set up a procurement centre in Houston.

Number of suppliers by regions (2013-2015)

Year	Total number of suppliers at the end of year	Overseas	Domestic	Major cities				
				Tianjin	Beijing	Guangdong	Shanghai	Other cities
2015	2,241	220	2,021	459	387	348	136	691
2014	1,944	169	1,775	395	275	287	105	713
2013	2,287	196	2,091	476	391	354	145	725

04

Staff Development

Protection of Employee Rights

Promote Career Development

Localization and Diversification of Employees

Employees Care

(1) Protection of Employee Rights

1. Employment Policies

The Company strictly abides by "People's Republic of China Labour Law", "People's Republic of China Labour Contract Law" and all relevant laws, rules and regulations of the business related countries and follows the principles of "Legal, Equality, and Voluntary, Consensus, Honest and Trustworthy" to sign labour contract with employees. We actively build systems for temporary staff and the management of their remuneration to ensure their rights and benefits. We treat all employees with different nationality, race, gender, religion and cultural background fairly and equally, child labour in all regions is prohibited and all forms of forced and compulsory labour are sanctioned. We also implement the national "Special Labour Protection Regulations for Female Workers" and protect various rights and welfare of women during the period of pregnancy, childbirth, and breast-feeding, and strictly prohibit reducing their wages, dismissal or termination of employment during such period to ensure they do not suffer from discrimination.

2. Remuneration and Welfare

The Company strictly complies with domestic and local laws and policies on employee compensation and competitive remuneration system and performance appraisal system are established. It pays the basic social insurance and housing fund for employees, implements enterprise annuity system, supplementary medical insurance system, and provides personal accident insurance and corporate supplementary pension insurance and a number of welfares including health check, paid vacation, helping and assisting those with difficulties or major diseases and etc., taking efforts to address the worries of employees and provide reliable and multi-layered protection for them.

Statistics of employees (2013-2015)

Index	Unit	2015	2014	2013
Number of employees	Person	16,074	16,096	13,830
Number of PRC employees	Person	14,962	14,810	12,849
Number of foreign employees	Person	1,112	1,286	981
Number of new employees during the reporting period	Person	688	1,871	1,129
Proportion of female employees	%	8.5	8.6	9.1
Social insurance coverage	%	100	100	100
Rate of signing labour contract	%	100	100	100

3. Employee Involvement

The Company places high importance on employee involvement. Through establishing the labour unions, it can facilitate negotiation and communication with employees and protect their benefits and rights by participation in making decision regarding our corporate development.

Case

Employee Representative Meeting – Effective Guarantee of Democratic Management and Supervising Powers

In April 2015, the Company held its first meeting of employee representatives to elect members of the staff union committee. 31 proposals were solicited from employee representatives involving matters such as staff benefits, team building, regulations, operation and management. Upon examination, files were opened for 16 issues representing 52% of all proposals and follow-up work is in progress. The employee representative meeting has been improved so that its powers can be lawfully exercised so as to protect the rights of employees to participate in democratic management and supervision. At present, all of the 12 subsidiary entities where a deputy secretary of the communist party by the Company have formulated procedures for their employee representative meetings. Over 30 persons were received in different areas and there was no collective petition during the year.

HAI YANG SHI YOU 981 operation crew named the Marine Figures for 2014

Case

Well done, Daniel

Once started the operation in the Mexican Bay, the Company drew up training and appraisal plans for local staff, which identified a number of excellent staff members in these few years, of whom Daniel Diaz Sara was the most outstanding.

He is a young extrovert with a bright mind. In ordinary working and training, he has been proactive in understanding and learning the Chinese management philosophy and way of thinking and learning simple English and Chinese. With strong safety awareness and a sense of responsibility, he could always find out unsafe behaviour of others and would point it out face to face.

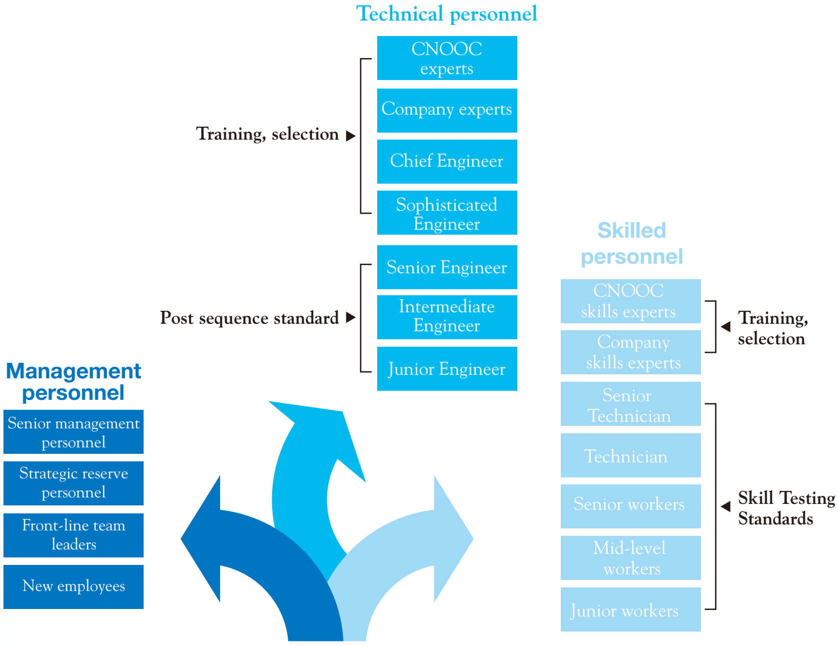
In time, he has grown from a roustabout which knew only a little into one with all-round abilities. No matter for the basics or hoisting operations, he would be conscientious and meticulous. He scored high marks on the rig in every item of his appraisal and everyone was self-motivated to learn to be like him.

With his efforts and specific training provided by the Company, he was promoted to the position of driller and took on more important tasks. In order to better perform duties of this new position, he actively took part in onshore training with certifications during holidays and now he is soon to be promoted to be a derrickman due to his excellent performance.

(2) Promote Career Development

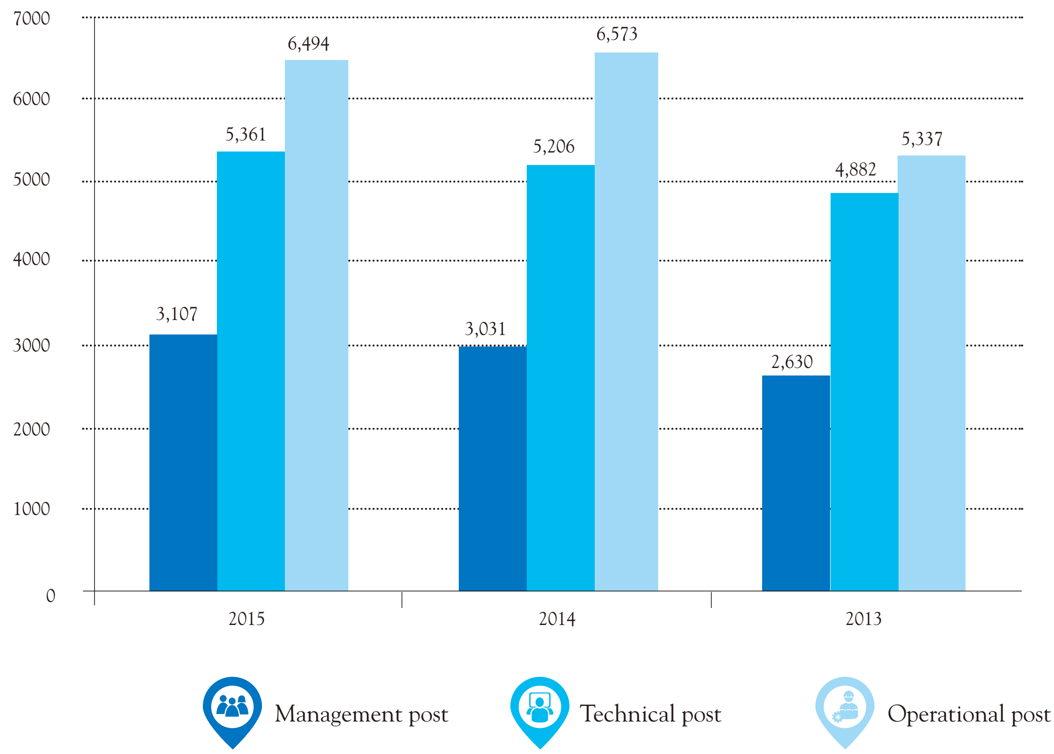
1. Career Development Paths

The Company has established proper career development paths for management personnel, technical personnel, skilled personnel and international talents and continues to improve its talent promotion mechanism. In 2015, there were 2,725 production and research staff and 600 management employees being promoted. The Company keeps on improving its incentive mechanisms and, in 2015, built a career path for operation and management positions starting from ordinary managerial positions→supervisors→senior supervisors→managers and above.



Career development paths for employees of the Company

Statistics of PRC employees classified by positions (2013-2015) (Unit: person)



Statistics of PRC employees classified by the academic qualification (2013-2015) (Unit: person)			
Academic qualification	2015	2014	2013
PHD	40	37	26
Master	679	634	529
Bachelor	6,629	6,328	5,144
Below bachelor degree level	7,614	7,811	7,150

PHD

40 PHD holders

Statistics of PRC employees classified by ages (2013-2015) (Unit: person)			
Age	2015	2014	2013
30 or under	6,146	6,649	5,478
31-40	4,915	4,271	3,559
41-50	2,433	2,433	2,416
Over 51	1,468	1,457	1,396

6,146 aged 30 or below

2. Career Development Training

The Company continues to increase investment in staff training and provide platforms for employees' development. We also carry out vocational training in various forms and contents based on staff requirements, encourage employees to learn and improve their skills and promote employees to grow with our business. **In 2015, we trained 688 new employees, 23,823 person-time management personnel, 47,948 person-time professional and technical personnel and 14,913 person-time operating skill personnel. The Company won the 2015 "Outstanding Unit for Cultivating National Skill Talent".**

01 New Employee Training

- Corporate Strategy
- Corporate culture
- Management philosophy
- Professionalism

02 Technical and Skills Personnel Training

- Theoretical training
- Consolidating practice
- Field practice
- Application and improvement

03 Management Personnel Training

- Front-line team training
- Strategic reserve personnel
- Senior management personnel

04 International Talents Training

- Overseas talents (master) training
- Corporate training
- Exchange and mixed mechanism

Personnel training methods

From 19 to 23 October 2015, the Company undertook the "Offshore Oil Cup" occupational skill contest for oil and petrochemical groups in China. There was fierce competition among 48 participants in 24 teams from PetroChina, Sinopec, CNOOC and Yanchang Petro. Men Guangde and Li Maode representing the Company were the winner and the first runner-up in the individual group, and the Company's logging teams 1 and 2 won the first two places in the team group.

Photo of the logging contest

As primary employees, we feel deeply privileged by the opportunity offered by the Company to study a master's degree in engineering at University of Texas. We treasure this study opportunity very much by not only being diligent about our study but also active participating in events organized by the school and community such as interactions with businesses and community festival fairs. We hope, while learning advanced technologies and knowledge overseas, we will also be able to contribute our tiny efforts to facilitating the communication and integration between the West and China.

– by staff of the Company studying in the US in 2015

Studying in the US

A happy Christmas night with local friends

(3) Localization and Diversification of Employees

With the continuous development of the overseas business, the Company actively promotes the localization and diversification of staff, adheres to equality, freedom, anti-discrimination employment policy and promotes employees with different cultural backgrounds to respect each other's religion, customs and personal hobbies and etc., and enhance mutual understanding. It puts in place a domestic and foreign rotation mechanism to facilitate interactions among domestic and overseas entities, subsidiaries, executives and backbone staff from a macro perspective, which not only secures talents for its development but also opens channels to select and nurture members of the executives. By the end of 2015, the number of our foreign employees was 1,878, and the localization rate reached 65%.

This corporate culture training of COSL is personally a very valuable experience.

The understanding about Chinese culture is beneficial in broadening my horizon and skills as well as in pushing myself to be better. Communication is not limited to languages and to understand more about different cultures and conventions can earn me more friendship.

Ultimately, this training let me realize that COSL is a pioneer of specialty technological development and new culture, and will not only emerge but also draw ambitious talents from the world to make its name known world-wide very soon. Here in Mexico, we have to be united to create better results, local staff should take on a vital role and we as supervisors of the local staff should motivate them to contribute themselves in the sustainable development of the Company.

Lastly, I would like to thank COSL for giving me this unforgettable experience.

Jose A. De la Cruz

QHSE Manager

Cultural communication

An experience about Chinese tea

Case

CAIM Services Qualified by Pemex as Labour Supplier

In 2014, CAIM Services S.A. de C.V ("CAIM") was incorporated in Mexico by the Company to establish seven major capabilities in such place including recruitment management. In particular, CAIM became qualified to issue 23 safety training certifications through integration of training resources, which enabled the internal issuance of such certifications to local staff and effectively enhanced its competitiveness as of human resources in the region.

On 3 December 2015, CAIM, on the back of satisfactory performance, was qualified by PEMEX as a labour supplier. As at the end of 2015, CAIM employed 406 people, of which 235 were from China and 171 local.

COSLPROSPECTOR: Training for Cultural Integration

COSLPROSPECTOR rig places emphasis on team building. In 2015, they established effective communication channels through training. The rig invited foreign staff to give IWCP special training to well drilling staff in China, who understood more about relevant well operation and broadened their scope of operations knowledge. This training also facilitated the effective communication and integration between staff from China and overseas and let them know the strategic planning and regulations of the drilling operations, which lay a foundation for becoming the most competitive international drilling contractor.

Localization of overseas employees (2013-2015)

Index	Unit	2015	2014	2013
Number of local employees	person	1,112	1,286	981
Ratio of localization	%	63	57	45

(4) Employees Care

1. Work & Life Balance

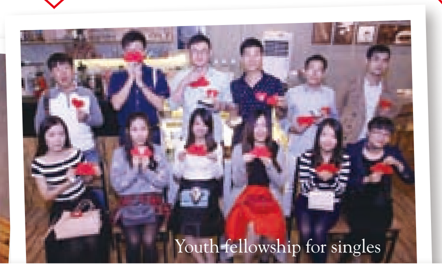
The Company has organized speech contest, reading classes and reports and promoted employees to show themselves and express their passion through basketball, volleyball, badminton, swimming and football games and competitions so as to ensure employees' work & life balance and increase their job satisfaction and life happiness.

Case

Colourful Cultural Events

Associations of the Company held small and diversified cultural events to boost staff's sense of belonging. Basketball and volleyball contests were held for staff and teams were sent to participate in local annual tournaments to raise morale.

The taste of happiness



Youth fellowship for singles

Youth fellowship for singles

Rig open day for family

Rig open day for family

2. Assistance to Needy Employees

The Company adheres to the idea of "people-oriented, staff caring". In 2015, it amended the "Poverty-Alleviation and Difficulty-Relief Management Practices" and the "Union Expenditure Management Measures" and established COSL poverty-alleviation and difficulty-relief fund to alleviate poverty through subsidies for severe illness, donating money for education of employee's children and voluntary assistance. We visited a total of 74 employees in grave difficulty in the year and gave them consolation money of RMB500,000. Around the Chinese New Year, visits were paid to over 8,700 frontline employees and employees or their families at hospital with consolation money given amounting to RMB2,200,000. After the Tianjin Port 8.12 super fires and explosions and the devastation of Zhanjiang by the typhoon Rainbow, the Company at once gathered information of employees' death and injury and their victimized families, and gave consolation money of RMB834,000 to 532 such employees and their families.

Self-motivated staff helping in disaster relief

05
Social Contribution

Management of Welfare Donations

Harmonious Construction

Volunteer Work

(1) Management of Welfare Donations

Our welfare and charity committee (hereinafter referred to as “the Committee”) was established according to the Company’s Articles of Association and we developed the “Articles of Association of The Welfare and Charity Committee of COSL” for the guidance of implementation of charity donation programs related to national disaster relief, poverty alleviation, donating money and etc..

The Committee is made up of leadership members of the Company and is responsible for implementing charity projects authorized, delegated and approved by the Board, the coordination of all kinds of charity work of the Company and management and use of charity funds and etc.. The Committee has an office which is responsible for promoting all kinds of charitable activities under the supervision of the administrative department.

(2) Harmonious Construction

1. Promoting Employment

With the continuous development of the Company’s businesses, the Company focused on recruitment from colleges as well as the society and recruited 688 employees of different roles in 2015, which created employment opportunities as well as absorbing competent personnel.

2. Supporting Education

In 2015, we continued to make donating money for education as an important way to practice social responsibility. We released the third incentive fund totaling RMB41,100 to 343 outstanding teachers and students of 12 COSL Hope Primary Schools in Yunnan and Hainan, consolation money of RMB36,500 to two CNOOC Hope Primary Schools in Hebei for their infrastructure construction, rewards for outstanding teachers and students and consolation of those in poverty, and consolation money of RMB40,000 for the eighth and second secondary schools in Sanhe for subsidizing children of our employees in support of local education.

Case

The Company Paid Visits to Hope Primary Schools in Children’s Day

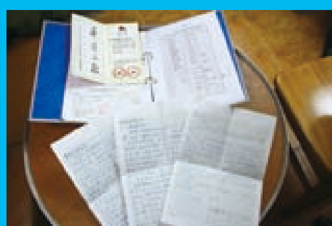
On 18 May 2015, the Company paid visits to seven COSL Hope Primary Schools in Ludian, Yunnan and Hainan and gave gifts (stationary and others) to 378 students and 15 teachers in two of the schools in Yunnan which amounted to RMB39,242. It also sent to students and teachers in those schools in Hainan 17 sets totalling over 500 books for primary school students as well as sports gear such as volleyballs, table tennis balls and shuttlecocks.

Case

BIN HAI 283’s “Caring Corner”

The straight line distance is 1,400 km on the map between Lijiazhuang Village, Donghe Township, Huzhu Tu Autonomous County, Haidong, Qinghai and Tianjin New Port. Although the two places seemed to be totally unrelated due to such a distance, children from three families in poverty were connected with BIN HAI 283 of the Company by love. The crew of BIN HAI 283 sent their donation along with love and hope to the impoverished rural children.

Now in the canteen of BIN HAI 283, there is an eye-catching caring corner in addition to the glory wall full of awards. Here are the sweat and efforts contributed by the Company’s staff to COSL, as well as the love and hope from them.



3. Care for the Community

The Company places high importance for the community while promoting its own business development. We encourage the employees to offer help to their neighbors who are in difficulties and give warmth to local families so as to build up a harmonious community relationship.

Case

Safety Knowledge “Spread” into Schools

“Students, when there is a fire, don’t panic but bend yourself, cover your nose and mouth with a wet towel, and take the staircase to go down instead of the lift.” In the morning on 2 July, the Company received a group of special guests – students and teachers from the Tianjin Tanggu Guilin Road Primary School. An experienced shipmaster patiently illustrated to them basic safety and protection knowledge with graphic teaching materials he had made. They also enthusiastically visited the navigation simulator at the vessel training centre, watched videos about offshore oil production, learned how to put on a life jacket and use emergency supplies such as a fire distinguisher and an escape breathing device. They said that such a company and corporate culture were respectable and hoped that similar events would be carried on.

Furthermore, in light of the higher number of drowning of primary school students during the summer holiday, the Company created a video for them illustrating traffic safety and ways to help those who cannot swim, and invited an experienced shipmaster to go to the campus and give a speech on relevant safety knowledge.

A Heartwarming Winter

The Iraqi project team of the Company visited their neighbourhood when off-duty. They communicated with people at a local nomad community and immersed into the local culture, which enhanced mutual understanding and relationships. Furthermore, team members from China prepared food for local children, who are showing their delight and thanks in the photo.

Care for Tibet

Since June 2015, the Company has started a public welfare campaign called Pack Your Care for Tibet, which collected over 1,000 clothes, 800 exercise books and 100 other books from over 300 participants. The fourth collection is underway. The photo shows Tibetan children wishing the Company a “Happy New Year”.

(3) Volunteer Work

The Company set up a "Blue Power" team of young volunteers which practises the volunteer spirit of "Dedication, Friendship, Mutual aid and Progress" to care for the society. Young volunteer associations were set up in various areas to carry out volunteer and charity activities such as donation, blood donation, riverbank cleanup, repair of public facilities and other forms of activities. **In 2015, the Company organized 50 activities for the young volunteers with some 2,300 participations.** The public welfare project "A Small Step for Swans Care, A Big Step for the Ecosystem" was included in the second round of micro-public-welfare projects of "Blue Power" which was subsidized by the Environmental and Ecological Protection Public Welfare Foundation.

Case

"Blue Power" Volunteers' Beach Cleanup

Under the glaring sun, the flag of "Blue Power" volunteers was exceptionally eye-catching. The volunteers cleaned up the beach despite the scorching heat to restore it to its former cleanliness.

Marine Eco-friendliness Campaign

7 volunteers from Bohai took part as representatives in Blue Power's Marine Eco-friendliness campaign to clean up beaches, promote marine protection and commence book donation events. The philosophy of the Company to assume corporate responsibility as a state-owned company and build good image was widely recognized by local governments and the general public.

A visit to children with autism

Visits and Long-term Caring

Each of the young volunteer associations of the Company has commenced thematic volunteer works such as clothes donation, education and disability subsidies and visits to elderly homes based on their own circumstances in order to repay the society and improve public welfare.

A visit to an elderly home

Feature

Marine Salvage

In the last five years, while ensuring its production safety, the Company made use of its advantages in resources to actively participate in marine salvage.

In the last five years, the Company participated in 95 marine salvages, rescued 68 vessels and 301 persons.

95 marine salvages

68 vessels rescued

301 persons rescued

Statistics of marine rescue (2011-2015)

Index	Unit	2015	2014	2013	2012	2011
Marine salvage	Times	19	16	21	23	16
Vessels rescued	Vessels	14	13	16	15	10
Persons rescued	People	58	129	44	42	28

Case

HAI YANG SHI YOU 676 Saved 18 Stranded Crew Members Amidst a Rainy Storm

Affected by Tropical Storm No.19 Vamco, a third-party jack-up vessel operating in the waters of Zhanjiang was in danger and might capsize at any time. The situation was extraordinary severe as a crew of 18 members on board were facing threats to their lives. At 13:00 on 14 September, HAI YANG SHI YOU 676, upon receiving an emergency rescue notification from the Zhanjiang Marine Rescue Center and the Company, geared for the rescue in full speed, maintained communication with the endangered vessel, compiled a comprehensive JSA risk analysis based on the weather condition and finally saved the 18 stranded crew members.

BIN HAI 262 successfully rescued a wrecked fishing vessel in Bohai

The Company was named Outstanding Community Rescue Entity

HAI YANG SHI YOU 607's Rescue of 8 People on a Hong Kong Fishing Vessel

At 19:15 on 17 August, a fiberglass fishing vessel from Hong Kong was damaged at 43 nmi (about 80 km) south of Lema Islands, Zhuhai and might sink at any time as water was running in. Passing by, HAI YANG SHI YOU 607 made emergency response immediately after receiving the accident report and saved all eight crew members.

HAI YANG SHI YOU 564 Saved People Stranded on Weizhou Island

On 21 July, a level 8 gust appeared in the North Gulf. Owing to the poor sea conditions, all ferry services between Pak Hoi, Guangxi and Weizhou Island were suspended and almost a thousand visitors were stranded on the island.

HAI YANG SHI YOU 564, which was anchored at a haven nearby, sailed in full speed to the island's pier upon receiving a rescue call despite the stormy wind and chopping sea. By virtue of the timely rescue by HAI YANG SHI YOU 564, three boys in urgent need of treatment were promptly admitted to the Pak Hoi Hospital which was equipped with better medical equipment and their lives were saved. Finishing the carriage of visitors in critical condition late at night, HAI YANG SHI YOU 564 wasted no time before turning to deliver emergency food and necessities to those remained stranded.

PROSPECT

Looking forward to 2016, we will study the situation carefully to fully grasp risks we are exposed to and place efforts in creating new development mindsets and models, adjusting and optimizing the equipment structure, promoting technological and management innovation and increasing cost control and risk prevention abilities in order to ensure the safety, health and sustainability of the Company's development and to contribute more to the economic, social and environmental development.

Facilitate Sustainable Development. The Company shall continue to improve its corporate governance, push forward legal compliance, enhance the level of international management, increase effort in safe production and ensure safe and steady operation of the Company. It will also continue to implement its technological innovation strategy, enhance the transferability of self-innovations and achievements to increase competitiveness in its core business.

Develop Overseas Market. We will deepen the awareness of common destiny with our customers, and, in hard times, reduce their costs and improve efficiency, to cope with difficulties with them. We will capitalize on the "One Belt One Road" strategy of China to develop and increase deployment for overseas market. We will implement integrated turnkey business and take the advantages of "Low cost, Good service and High efficiency" of the Company to enhance the Company's influence and brand reputation.

Enhance Service Quality. The Company will continue to provide professional services for customers all over the world and innovate our services to provide products that will satisfy our customers and value-added services for customers.

Boost the Construction of Environment-friendly Enterprise. The Company will strictly comply with the requirements of "Environmental Protection Law" and increase publicizing and training of the laws and regulations. It will also continue to promote clean production, increase efforts in energy saving and emission reduction and push forward its low carbon operation so as to take part in the establishment of an ecological culture.

Serve the Harmonious Society. The Company shall place more focus on its people-oriented philosophy and encourage career development of our staff, deepen our relationship, facilitate common development among the Company and our staff, strive to develop a responsible supply chain, make progress in strategic cooperation for mutual benefits, as well as increase our efforts on welfare so as to contribute to the society.

Directors, Supervisors, Senior Management and Employees

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

Unit: Shares

Name	Position (Note)	Sex	Age	Commencement date of term	Expiry date of term	Number of shareholding at the beginning of the year	Number of shareholding at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration before tax received from the Company during the reporting period (RMB10,000)	Whether received remuneration from the connected party of the Company
Liu Jian	Chairman, non-executive director	Male	57	2009-6-3	2018-6-1						Yes
Li Yong	Executive director, CEO and president	Male	52	2006-5-25	2018-6-1					77.05	No
Li Feilong	Executive director, Executive vice president and CFO	Male	51	2010-12-22	2016-12-19	60,000	60,000	0	Nil	71.82	No
Cheng Chi	Non-executive director	Male	55	2015-12-29	2018-12-28						Yes
Fong Wo, Felix	Independent non-executive director	Male	65	2010-5-28	2016-5-23					40.00	No
Law Hong Ping, Lawrence	Independent non-executive director	Male	61	2014-5-23	2017-5-22					40.00	No
Fong Chung, Mark	Independent non-executive director	Male	64	2015-6-2	2018-6-1					20.00	No
Zeng Quan	Former Non-executive director	Male	55	2013-5-24	2015-12-29						Yes
Tsui Yiu Wa	Former Independent non-executive director	Male	66	2009-6-3	2015-6-2					20.00	No
Wei Junchao	Chairman of Supervisory Committee	Male	57	2015-12-29	2018-12-28						Yes
Li Zhi	Employee Supervisor	Male	51	2013-5-16	2016-5-15					55.29	No
Cheng Xinsheng	Independent Supervisor	Male	52	2015-6-2	2018-6-1					4.00	No
Zhang Zhaoshan	Former Chairman of Supervisory Committee	Male	60	2013-5-24	2015-12-29						Yes
Wang Zhile	Former Independent Supervisory	Male	67	2009-6-3	2015-6-2					4.00	No
Dong Weiliang	Executive vice president and CIO	Male	58	2007-6						83.52	No
Cao Shujie	Vice president	Male	51	2010-3						60.72	No
Qi Meisheng	Vice president	Male	47	2013-12						58.31	No
Wang Baojun	Secretary of the Board	Male	39	2015-8						13.33	No
Zi Shilong	Former Vice president	Male	44	2013-8	2015-12					60.15	No
Yang Haijiang	Former secretary of the Board	Male	46	2010-4	2015-8					41.29	No
Total	/	/	/	/	/	60,000	60,000	0	/	649.48	/

Other explanation: The total remuneration before tax of Mr. Wang Baojun obtained during the reporting period was the remuneration as the secretary of the Board during the reporting period.

BOARD OF DIRECTORS:

Mr. Liu Jian,

Chinese, born in 1958, Chairman and a Non-Executive Director of COSL. He graduated from Huazhong University of Science and Technology with a Bachelor of Science degree and received his MBA degree from Tianjin University in 2000. Mr. Liu is a senior engineer. Mr. Liu first joined CNOOC in 1982 and has over 34 years of experience in the oil and gas industry. He served as the manager of CNOOC Bohai Corporation Oil Production Company, a subsidiary of CNOOC, the Deputy General Manager of the Tianjin Branch of CNOOC China Limited, the General Manager of the Zhanjiang Branch of CNOOC China Limited, the Senior Vice President and General Manager of the Development and Production Department of CNOOC Limited, the director of CNOOC China Limited, CNOOC International Limited and CNOOC Southeast Asia Limited. Since October 2005, he became the executive vice president of CNOOC Limited and was primarily in charge of the offshore oilfield development and production of CNOOC Limited. Mr. Liu has been appointed as the Chief Executive Officer of COSL with effect from March 2009. In June 2009, Mr. Liu was appointed as Vice-Chairman of the board of COSL. In May 2010, Mr. Liu was appointed as Vice President of CNOOC. He was also appointed as Chairman of the board of COSL and Offshore Oil Engineering Co., Ltd in August and December 2010 respectively. In August 2015, Mr. Liu was appointed as President of CNOOC.

Mr. Li Yong,

Chinese, born in 1963, Executive Director, Chief Executive Officer and the President of COSL. He graduated from Southwest Petroleum Institute with a Bachelor in Drilling Engineering in 1984. Mr. Li obtained a master degree in Oil Economics from the Scuola E Mattei of Italy in 1989 and an MBA from Peking University in 2001. Since August 2010 Mr. Li has been the Executive Director, Chief Executive Officer and President of COSL. From April 2009 to August 2010, he served as Executive Director and President of COSL. From May 2006 to April 2009, he served as Executive Director, Executive Vice President and Chief Operating Officer of COSL. From October 2005 to May 2006, Mr. Li was Executive Vice President and Chief Operating Officer of COSL. From 2003 to 2005, Mr. Li served as Deputy General Manager of Tianjin Branch of CNOOC China Ltd.. He was Director of Drilling and Completion Well Department of CNOOC Ltd. from 1999 to 2003. Between 1993 and 1999, Mr. Li was Head of Comprehensive Technology Division and Head of Drilling Testing Division of Exploration Department of CNOOC. Mr. Li joined CNOOC in 1984 and had served in various positions, including Assistant Engineer and Engineer at China Offshore Oil Exploration Project Planning Company, CNOOC Operational Department, and has worked in the oil and natural gas industry for over 32 years.

Mr. Li Feilong,

Chinese, born in 1964, Executive Director, Executive Vice President and CFO of COSL. He graduated from China University of Petroleum in 1986 with a Bachelor Degree in Management Engineering, and joined CNOOC in the same year. From 1986 to 1992, he served as an economist and senior analyst in the Planning Department of CNOOC. From 1993 to 1997, he served as audit manager and audit department chief in the Audit Department. From February to September 1998, he received a staff training from a petroleum company of the United States. From 1999 to 2001, Mr. Li served as head of the Finance Team of IPO Office and the Finance Manager of Hong Kong Office of CNOOC Ltd. From 2001 to 2003, he served as Assistant Controller of Finance management of CNOOC Ltd. and has been Controller since 2004. He has also been the director of CNOOC Southeast Asia Ltd., a subsidiary of CNOOC Limited and the director of CNOOC Insurance Company, a subsidiary of CNOOC. From 2007 to November 2011, Mr. Li was a member of Financial Accounting Standards Advisory Council by the Trustees of the Financial Accounting Foundation. In 2010, he was appointed as a member of the International Financial Reporting Standards Interpretations Committee by the Trustees of International Financial Reporting Standards Foundation. Mr. Li was appointed as the Executive Vice President and CFO of the Company on 16 September 2010 and Executive Director of the Company on 22 December 2010.

Mr. Cheng Chi,

Chinese, born in 1960, a Non–Executive Director of COSL. He graduated from Undergraduate Program of Computer Program Design at Department of Economic Mathematics, Beijing Institute of Economics, and obtained a Bachelor's degree in science in 1984. He graduated from Graduate Program of Industrial Economics and Management at Department of Industrial Economics, Renmin University of China, and obtained a master's degree in economics in 1987. He joined China National Offshore Oil Corporation (CNOOC) in 1994. He served as a cadre of Finance Division of CNOOC from 1994 to 1998, as Head of Finance Division of CNOOC from 1998 to 1999, as Finance Manager of CNOOC Limited from 1999 to August 2001, as Deputy Director of Treasury Department of CNOOC Limited from August 2001 to April 2003, General Manager of Cash Management Department of CNOOC and Director of Treasury Department of CNOOC Limited from April 2003 to December 2004, General Manager of Cash Management Department of CNOOC and Director of Treasury Department of CNOOC Limited from December 2004 to 2007 and as General Manager of Cash Management Department of CNOOC and General Manager of CNOOC Investment Holdings Limited from 2007 to 2012. He served as General Manager of Treasury Department of CNOOC and CNOOC Limited from 2012 to 2015 and as the General Manager of the Finance and Assets Department of CNOOC since June 2015. He served as a Non-executive Director of COSL since December 2015. He also served as an Executive Director and subsequently a Non-executive Director of China Power New Energy Development Company Limited (Stock Code: 735) from April 2008 to March 2014.

Mr. Fong Wo, Felix JP,

China (Hong Kong) by nationality, born in 1950, an Independent Non-Executive Director of COSL. He is a founder of Arculli Fong & Ng and a lawyer consultant of King & Wood Mallesons. Mr. Fong gained a first class honours and department chairman honours engineering degree in Canada in 1974, and received a doctor degree in Law at Osgoode Hall Law School in Toronto in 1978. Mr. Fong is qualified to practice as a solicitor in England and Wales since 1986 and was admitted as a solicitor of the Supreme Court of Hong Kong in 1987. In 1992, Mr. Fong was appointed as one of the China-Appointed Attesting Officers in Hong Kong. In 2005, Mr. Fong was appointed as a Justice of the Peace by the Government of Hong Kong, and was awarded as a Bronze Bauhinia Star by the government of Hong Kong in 2009. He served at various times on the Communications Authority, Advisory Council on Food and Environmental Hygiene, Film Development Council, Town Planning Board, Liquor Licensing Board, Broadcasting Authority, and Betting and Lotteries Commission as a member and a chairman. He is also a member of the (9th and 10th) Guangdong Provincial Committee of Chinese People's Political Consultative Conference, and the director of China Overseas Friendship Association. Mr. Fong is an independent non-executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (Stock Code: 00124), Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (Stock Code: 00337), Evergreen International Holdings Limited (Stock Code: 00238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (Stock Code: 00204), Sheen Tai Holdings Group Company Limited (Stock Code: 01335) and Xinming China Holdings Limited (Stock Code: 02699), and was a non-executive director of Cinda International Holdings Limited (Stock Code: 00111) between May 2000 and December 2008. (The above 7 companies are Listed on the Main Board of the Stock Exchange).

Mr. Law Hong Ping, Lawrence,

China (Hong Kong) by nationality, born in 1954, graduate of Queen Mary College of the University of London with a Master's degree in Econometrics, Independent Non-Executive Director of COSL, he has over 30 years of management experience in banking and property leasing. Mr. Law is the founder and chairman of Vincera Consulting Limited. Mr. Law started his career as a planner in China Light and Power Co. Ltd. (now CLP Power Hong Kong Limited) and was involved in tariff and long term planning on electricity power in Hong Kong. He then worked for 23 years with HSBC and held various management positions covering a spectrum of activities of the bank. Mr. Law's last position with HSBC was Head of Banking Services, being the business and products head for key banking products. Mr. Law subsequently joined Bank of China (Hong Kong) Limited as General Manager for Retail Banking and as an Associate Director of Sino Land Company Limited in charge of leasing. Mr. Law was an external supervisor of Ping An Bank between 2010 and early 2014. Mr. Law graduated from the Middlesex Polytechnic University with a Bachelor's degree in Social Science, major in Economics, and obtained a Master's degree in Econometrics from Queen Mary College of the University of London in 1980. He is also the honorary treasurer and financial adviser of the Hong Kong Girl Guides Association.

Mr. Fong Chung, Mark,

China (Hong Kong) by nationality, born in 1951, an Independent Non–Executive Director of COSL. He was the former President of the Hong Kong Institute of Certified Public Accountants. Mr. Fong has over 40 years of experience in the accounting profession and is a Fellow of the Institute of Chartered Accountants in England and Wales and a Fellow of the Hong Kong Institute of Certified Public Accountants. Mr. Fong is currently an independent non-executive director of Sinopec Kantons Holdings Limited, New China Life Insurance Co., Ltd. and Macau Legend Development Limited, all are companies listed on the Stock Exchange of Hong Kong Limited, and is also a non-executive director of Worldsec Limited, a company listed on London Stock Exchange.

BOARD OF SUPERVISORS:

Mr. Wei Junchao,

Chinese, born in 1958, Chairman of Supervisory Committee of COSL. He graduated from Program of Economics and Management at CNPC Managers Training Institute in 1989. He worked in the oil production company under the CNOOC Bohai Corporation from November 1975 to July 1989; worked successively in the Party Committee Office, Youth League Committee, Administration Office and Labour Union serving as Chief of Secretary Section of Party Committee Office, Secretary of Youth League Committee, Director of Administration Office and Chairman of Labour Union of the Bohai Oil Company from July 1989 to October 2004; as Office Director of CNOOC from October 2004 to December 2013; and as Chairman of the Supervisory Committee of CNOOC since December 2013. Mr. Wei is the Chairman of the Supervisory Committee of Offshore Oil Engineering Co., Ltd since April 2014 and is the Chairman of the Supervisory Committee of COSL since December 2015.

Mr. Li Zhi,

Chinese, born in 1964, Employee Supervisor of COSL. He received a Bachelor's degree in petroleum geology from the Chengdu Institute of Geology in 1987 and obtained a master's degree in Business Administration from China Europe International Business School in 2014. From July 1987 to March 1993, he served as the mud logging engineer of Bohai Petroleum Geological Services Company Limited. From April 1993 to April 1995, he served as mud logging captain of China France Bohai Geoservices Co., Ltd. From May 1995 to May 1996, he served as the research and development engineer of HR Technology Development Company of CNOOC Technology Services Company. From June 1996 to December 2001, he served as the safety and quality control manager of China France Bohai Geoservices Co., Ltd. From January 2002 to January 2006, he served as the manager of the human resource department of China France Bohai Geoservices Co., Ltd. From February 2006 to November 2007, he served as the training manager of the human resource department of the Company. From December 2007 to July 2009, he served as the training and development manager of the human resource department of the Company. From August 2009 to January 2010, he served as the vice president of COSL Drilling Pan-Pacific Ltd. in Singapore. From February 2010 to July 2012, he served as the general manager of the audit and supervision department of the Company. From August 2012 to July 2015, he has served as the general manager of the human resources department of the Company and the dean of the CNOOC COSL Engineering and Technology Institute. Since May 2013, he has served as an Employee Supervisor of COSL. Mr. Li Zhi has over 29 years of experience in the oil and gas industry.

Mr. Cheng Xinsheng,

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

SENIOR MANAGEMENT:

Mr. Li Yong,
Please refer to the Section of Board of Directors.

Mr. Dong Weiliang,
Chinese, born in 1957, Executive Vice President and CIO of COSL, Bachelor in Petroleum Geology of Geological Department. Mr. Dong has been Executive Vice President and CIO of COSL since August 2013. He has been Executive Vice President and Legal Advisor of COSL from September 2011 to August 2013, and Executive Vice President and Chief Technical Officer of COSL from June 2007 to September 2011. He served as General Manager of Technology Development Department of CNOOC between July 2003 and June 2007. He held the position of CNOOC Research Center Director from May 2001 to July 2003. Between April 1999 and May 2001, Mr. Dong was Deputy General Manager at CNOOC China Limited – Zhanjiang Branch. Mr. Dong had held a number of positions in China Offshore Oil Nanhai West Corporation, including Chief Geologist from September 1996 to April 1999, President of Research Institute of Exploration and Development Science from May 1994 to September 1996, Vice President of Research Institute of Exploration and Development Science from May 1993 to May 1994, Assistant and Group Leader in Research Institute from 1982 to 1993. Mr. Dong has over 34 years of working experience in the oil and natural gas industry.

Mr. Li Feilong,
Please refer to the Section of Board of Directors.

Mr. Cao Shujie,

Chinese, born in 1964, Vice President of COSL. He graduated from the East China Petroleum Institute in 1987 and received his MBA and EMBA degree from Tianjin University and China Europe International Business School respectively. Mr. Cao was appointed as Vice President of COSL in March 2010. Between April 2006 and March 2010, he was the general manager of the Drilling Division of COSL. From November 2001 to April 2006, he was the deputy general manager of the Drilling Division of COSL. He has been the drilling team leader, deputy superintendent, vice Rig manager and Rig manager in Bohai Oil Drilling Corporation and China Offshore Oil Northern Drilling Company during the period from July 1987 to November 2001. Mr. Cao has around 29 years of experience in the oil and gas industry.

Mr. Qi Meisheng,

Chinese, born in 1968, Vice President of COSL, He graduated from China University of Petroleum, granted EMBA of CEIBS in 2013. He became Vice President of COSL since December 2013. From June 2010 to December 2013, he served as GM of COSL Drilling. From May 2009 to June 2010, he served as Vice GM of COSL Drilling and CEO of CDE. From September 2008 to May 2009, he served as Vice GM of COSL Drilling and Director Assistant of CDE. From July 2006 to September 2008, he served as Vice GM of COSL Drilling. From March 2006 to July 2006, he served as Assistant of GM in COSL Drilling. From December 2004 to March 2006, he served as Safety Director of COSL Drilling. From January 2002 to December 2004, he served as Rig Manager of NH6. From August 2000 to January 2002, he served as Rig Manager of NH2. He served variety positions such as Roustabout, Floorman, Derrickman, Assistant Driller, Driller, Toolpusher and Senior Toolpusher in Nanhai West Oil Company from July 1991 to August 2000. Mr. Qi has been working in oil & gas industry for more than 25 years.

Mr. Wang Baojun,

Chinese, born in 1976, the board secretary, the General Counsel of the Company and the General Manager of the Legal Department of COSL. He graduated from the School of Law of the Renmin University of China in 2004 and obtained a Ph.D. of Law degree. He obtained a LL.M. degree from the European Academy of Legal Theory, a LL.M. degree from the Katholieke Universiteit Brussels and a DEA degree from the Facultés Universitaires Saint-Louis in 2007. He graduated from the School of Law of the Renmin University of China in 2001 and obtained a Master of Law degree. He graduated from the College of Economics and Business Administration of the North China University of Technology in 1998 and obtained a LL.B. in Law degree. He has obtained the qualification of Professional Attorney in the PRC since 1999, Certified Public Accountant (CPA) in the PRC since 2005, Qualification of Practicing Securities since 2008 and In-house Legal Counsel since 2012. He has also obtained the Qualification of Board Secretary of Listed Company issued by Shanghai Stock Exchange since 2015. From 2001 to 2004, Mr. Wang served as the legal counsel of the Legal Department of China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters. From 2005 to 2007, he served as a professional attorney in Beijing DeHeng Law Office and Beijing HanDing United Lawyers, respectively; from August 2007 to June 2009, he served as a Legal Counsel of the Legal Department of COSL; from July 2009 to October 2011, he served as the Manager of Merger, Acquisition & Overseas Affairs of the Legal Department of COSL; from November 2011 to April 2015, he was the General Manager of the Legal Department (he has served as the Chairman of the Board of COSL Holding AS (Norway) since June 2013); Since May 2015, he has served as the General Counsel of the Company and the General Manager of the Legal Department of COSL; on 28 August 2015, Mr. Wang was appointed as the board secretary of the Company.

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

☐ Applicable √ Not applicable

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

(1) Work Positions in the Shareholding Company

√ Applicable ☐ Not applicable

Name	Name of shareholder company	Position held	Starting date of term of office	Expiry date of term of office
Liu Jian	CNOOC	President	August 2015	Until now
Cheng Chi	CNOOC	General manager of financial assets department	June 2015	Until now
Zeng Quan	CNOOC	General manager of financial assets department	December 2011	June 2015

(2) Work Positions in Other Units

√ Applicable ☐ Not applicable

Name	Name of company	Position held	Starting date of term of office	Expiry date of term of office
Tsui Yiu Wa	WAG Financial Services Group Limited	Chairman of the Board	2006	Until now
Fong Wo, Felix	King & Wood Mallesons	Lawyer Consultant	2006	Until now
Law Hong Ping, Lawrence	Vincera Consulting Limited	Chairman of the Board	2012	Until now
Fong Chung, Mark	Grant Thornton Hong Kong Limited	Honorary advisor	2014	Until now

4. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of Directors, Supervisors and Senior Management	Remuneration of Directors and Supervisors are subject to shareholders' approval at the general meetings. Remuneration of senior management shall be determined by the Board.
Reference for determining remunerations of Directors, Supervisors and Senior Management	Depends mainly on the duties and responsibilities of Directors, Supervisors and Senior Management and the results of the Company.
Actual remuneration payable to Directors, Supervisors and Senior Management	RMB6,494,800
Total actual remuneration of Directors, Supervisors and Senior Management at the end of the reporting period	RMB6,494,800

5. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Change of Directors

(1) AGM 2014 of the Company was held on 2 June 2015, at which Mr. Liu Jian was elected as a non-executive director of the Company, Mr. Li Yong was elected as an executive director of the Company and Mr. Fong Chung, Mark was elected as an independent non-executive director of the Company (Mr. Tsui Yiu Wa has retired as an independent non-executive director of the Company) for a term of 3 years with effect from the date when the resolutions were approved at the general meeting.

(2) 2015 First EGM of the Company was held on 29 December 2015, at which Mr. Cheng Chi was elected as non-executive director of the Company (Mr. Zeng Quan has retired as a non-executive director of the Company) for a term of 3 years with effect from the date when the resolution was approved at the general meeting.

2. Change of Supervisors

(1) AGM 2014 of the Company was held on 2 June 2015, at which Mr. Cheng Xinsheng was elected as an independent supervisor of the Company (Mr. Wang Zhile has retired as an independent supervisor of the Company) for a term of 3 years with effect from the date when the resolution was approved at the general meeting.

(2) 2015 First EGM of the Company was held on 29 December 2015, at which Mr. Wei Junchao was elected as a supervisor of the Company (Mr. Zhang Zhaoshan has retired as a supervisor of the Company) for a term of 3 years with effect from the date when the resolution was approved at the general meeting.

3. Change of Senior Management

(1) On 28 August 2015, Mr. Wang Baojun was appointed as a secretary of the Board (the secretary of the Company) and authorized representative and Mr. Yang Haijiang has retired as a secretary of the Board (the secretary of the Company) and authorized representative.

(2) In December 2015, Mr. Zi Shilong has retired as the vice president due to the change of work.

6. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(1) Employees

Number of in-service employees of the Company	14,962
Number of in-service employees of the major subsidiaries	1,112
Total number of in-service employees	16,074
The number of retired employees whose expenses are borne by the Company and its major subsidiaries	0

Composition of professions

Type of profession	*Number of employees in the profession*
Management post	3,338
Technical post	5,759
Operational post	6,977
Total	16,074

Educational level

Type of educational level	*Number of employees (Headcount)*
Master degree or above	719
Bachelor degree	7,175
College graduates	4,181
Below college graduates	3,999
Total	16,074

(2) Remuneration Policy

The Company strictly complies with domestic and business operating countries' laws and policies on employment and established competitive remuneration system and performance appraisal system. Different incentive schemes based on different kinds of professionals were used and the Company had established an appropriate appraisal system to create a fair competition environment. According to the regulations of China, the Company pays the basic social insurance for employees and implements enterprise annuity system and supplementary medical insurance system. It also provides a number of welfare including personal accident insurance, health check, paid vacation, helping and assisting those with difficulties or major diseases for employees, so as to provide reliable and multi-layered protection for employees.

(3) Training Programme

Training programme and development of the Company is closely related to the strategy of Employees' career development of the Company. Based on the five-year development plan, the Company established a dimensional demand-oriented training model with layers and differentiation, which enhanced the training capability, highly promoted the internal teaching team's construction, gradually improved the training system, fulfilled the requirement of the Company's business development and built our core competitiveness.

REPORT OF THE DIRECTORS

The directors present the report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the year ended 31 December 2015.

DIRECTOR'S WORK

The particulars of work of the Directors of the Company and their professional committees during the year are set out in the Corporate Governance Report of this annual report.

PRINCIPAL ACTIVITIES

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

RISKS AND MEASURES

(1) Major Potential Risks

1) Demands on oilfield services fluctuate according to the price of oil and gas. If the price of oil and gas continue its downward trend, exploration and development and production and investment of oil and gas companies would be under restraint. Thus, demands on oilfield services would decrease, leading to a decline in service prices.

2) As an integrated oilfield service provider with business covering each phase of offshore oil and gas exploration, development and production, it may expose to safety risks in the operation process. The harsh marine environmental conditions may cause damages to underwater facilities and threats to marine support, as a result, the Company may expose to the risks of health, safety and environment.

3) With development of international business, the Company continues to contact with various countries, local governments and enterprises and it may expose to risks of tax, law and finance subject to the politics, conflicts, change of policies and differences in laws and regulations of the places where our businesses operate.

4) The operation of the Company is exposed to foreign exchange risk. Details are set out in the Note 39 to financial statements in this annual report.

(2) Risk Management Measures

The Company has relatively steady risk management measures. It has conducted a risk assessment on two dimensions including possibility of risks and degree of influence and conducted risk identification, analysis, evaluation and warning by matrix analysis approach. Through combining the risk possibilities, the Company would conduct a warning and adopt corresponding measures in respect of risk tolerance which is underestimated.

The Company adopts joint management system with the combination of preventive, handling and remedial measures to risk incidents and uses and shares information resources at each phase of management. The Company runs risk assessment throughout the whole process of risk management and actively and appropriately handles the crisis after the occurrence of major risks, such as improving risks management system, establishing normal risks management mechanism, monitoring major risk sector, highlighting the business-management-oriented risk management under the matrix management model and setting up a risks management network.

RESULTS AND DIVIDENDS

The Group's profit prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2015 and the statement of financial position of the Group at that date are set out in the financial statements of this annual report on pages 138 to 142.

The directors recommend the payment of a final dividend of RMB6.8 cents (tax inclusive) per ordinary share in respect of the year to shareholders who are entitled to dividends. This recommendation has been incorporated as proposed cash dividends within the retained profits section of the consolidated statement of financial position. The total dividend amounts to approximately RMB324,468,000 (tax inclusive). Further details of this accounting treatment are set out in the Note 14 to financial statements in this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2015 are set out in Note 19 to the financial statements in this annual report.

GEARING RATIO

The details of gearing ratio of the Group as at 31 December 2015 are set out in Note 39 to the financial statements in this annual report.

SHARE CAPITAL

During the reporting period, there was no changes in the share capital of the company.

RE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

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

BONDS

On 30 July 2015, COSL Singapore Capital Ltd., a wholly owned subsidiary of the Company, successfully completed the issue of: (1) US$500 million five-year Euro medium term notes with a coupon rate of 3.5% per annum, and (2) US$500 million ten-year Euro medium term notes with a coupon rate of 4.5% per annum. The use of the proceeds is for the repayment of outstanding borrowings and general corporate purposes. The Company provided guarantee for the issue of the above Euro medium term notes.

The details of bonds issued of the Company during the reporting period are set out in Note 31 to the financial statements in this annual report.

PLACING OF H SHARES

On 15 January 2014, the Company completed the placing of an aggregate of 276,272,000 H shares, representing approximately 5.79% of the total number of issued shares (as enlarged by the allotment and issue of the placing shares) and approximately 15.25% of the total number of H shares in issue (as enlarged by the allotment and issue of the placing shares). After the placing, the total number of issued shares of the Company increased from 4,495,320,000 shares to 4,771,592,000 shares. The total number of issued H shares increased from 1,534,852,000 H shares to 1,811,124,000 H shares. For further details, please refer to the Company's announcements dated 7 January 2014 and 15 January 2014, respectively. The net proceeds from the placing amounted to approximately HK$5,819,392,302.91 (after deduction of the commissions and estimated expense). Approximately US$575,935.64 was not yet utilized as at 31 December 2015.

SUMMARY OF FINANCIAL INFORMATION

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

Unit: RMB'000

	2015	2014	2013	2012	2011
Revenue	23,174,248	32,993,239	27,363,812	22,104,699	18,426,133
Other revenues	242,495	223,721	163,306	174,043	112,710
	23,416,743	33,216,960	27,527,118	22,278,742	18,538,843
Depreciation of property, plant and equipment and amortisation of intangible assets	(4,213,421)	(3,769,586)	(3,310,618)	(3,173,463)	(3,069,595)
Employee compensation costs	(3,792,454)	(4,380,705)	(4,080,092)	(3,671,357)	(3,311,579)
Repair and maintenance costs	(799,297)	(1,094,907)	(930,115)	(793,854)	(538,646)
Consumption of supplies, materials, fuel, services and others	(4,569,260)	(5,955,000)	(4,897,780)	(4,071,683)	(3,447,908)
Subcontracting expenses	(3,474,789)	(5,445,405)	(3,913,722)	(2,825,522)	(1,514,062)
Operating lease expenses	(1,547,610)	(1,605,992)	(1,093,744)	(709,645)	(433,126)
Other operating expenses	(2,185,096)	(2,165,245)	(1,652,789)	(1,318,181)	(1,165,357)
Impairment of goodwill	(923,154)	–	–	–	–
Impairment of property, plant and equipment	(280,116)	(374,185)	–	(96,420)	(75,796)
Total operating expenses	(21,785,197)	(24,791,025)	(19,878,860)	(16,660,125)	(13,556,069)
Profit from operations	1,631,546	8,425,935	7,648,258	5,618,617	4,982,774
Exchange gain/(loss), net	87,726	(5,690)	(6,403)	(41,913)	60,521
Finance costs	(700,259)	(587,535)	(638,328)	(512,718)	(469,743)
Interest income	105,248	155,033	124,555	127,460	63,804
Investment income	102,345	193,795	94,302	2,169	–
Share of profits of joint ventures, net of tax	169,748	340,954	297,221	243,193	174,273
Profit before tax	1,396,354	8,522,492	7,519,605	5,436,808	4,811,629
Income tax expense	(287,648)	(1,002,309)	(793,171)	(867,038)	(772,094)
Profit for the year	1,108,706	7,520,183	6,726,434	4,569,770	4,039,535

ASSETS AND LIABILITIES

Unit: RMB'000

	2015	2014	2013	2012	2011
Total assets	93,525,051	86,874,307	79,262,283	74,648,528	64,851,142
Total liabilities	46,696,381	39,552,208	42,002,480	42,443,614	36,391,988

PROPERTY, PLANT AND EQUIPMENT

The details of the movements in property, plant and equipment of the Group are set out in Note 16 to the financial statements in this annual report.

DIVIDEND

The Company's dividend policy is: Dividend shall be determined by the Board of Directors of the Company according to overall financial condition of the Company, which includes but not limited to factors such as revenue and profits, capital requirements and surplus and expectations for the Company. After satisfying the Company's normal operation and sustaining development, dividend to be distributed in any particular year shall not be less than 20% of the total net profit for such year and the dividend shall be proposed at a General Meeting for final approval.

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

In 2015, based on a net profit of RMB1,108,706,024 achieved by the Group (of which net profit attributable to the owners of the Company amounted to RMB1,073,907,130) plus the retained profits of RMB28,447,552,458 as at the beginning of the year and deducted the dividend of 2014 of RMB2,290,364,160 declared and paid in 2015, the total distributable profit would be RMB27,231,095,428 at the end of 2015. The Group recommended a cash dividend of RMB0.068 per share (tax inclusive) on the basis that the total share capital was 4,771,592,000 shares as at 31 December 2015. The total dividend amounts to RMB324,468,256 and the balance of retained profits of RMB26,906,627,172 will be carried forward to the following years.

According to the Company Law and the Articles of Association of the Company, the accumulated statutory common reserve fund of the Company for 2014 has reached more than 50% of the registered capital of the Company, no further provision of such fund is required for this year.

Such distribution proposal will be proposed at the AGM of 2015 of the Company for approval.

Dividend of the Group in the previous three years:

Unit: RMB'000

Dividend year	Cash dividend per 10 shares (yuan) (tax inclusive)	Cash dividend (tax inclusive)	Net profit attributable to equity holders of the Company in the consolidated financial statement	Percentage of net profit attributable to equity holders of the Company in the consolidated financial statement (%)
2015	0.68	324,468	1,073,907	30
2014	4.80	2,290,364	7,492,058	31
2013	4.30	2,051,785	6,715,967	31

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totaling RMB156,837.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for approximately 84% of the total sales for the year and sales to the largest customer included therein accounted for approximately 66%. Purchases from the Group's five largest suppliers accounted for approximately 7.1% of the total purchases for the year; and purchases from the Group's largest supplier accounted for approximately 3.2% of the total purchases for the year.

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

ASSETS MEASURED AT FAIR VALUE

The majority of the assets of the Group were measured at historical cost, except for available-for-sale investments which have been measured at fair value. Internal control and review procedures have been taken by our audit and supervisory department on works of finance department. For details of fair value changes in available-for-sale investments of the Group during the reporting period, please see Note 38 to the financial statements in this annual report.

OUTLOOK OF THE COMPANY

For details, please refer to the "2016 Business Outlook" of the Company set out in the Management Discussion and Analysis.

CHARGE ON ASSETS

As at 31 December 2015, the Group had no large scale material charges against its assets.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group did not have any contingent liabilities.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company as at 31 December 2015 were:

Non-executive directors:	**Executive directors:**	**Independent Non-Executive directors:**	**Supervisors:**
Liu Jian *(Chairman)*	Li Yong	Fong Wo, Felix	Wei Junchao *(Chairman of Supervisory Committee)*
Cheng Chi	Li Feilong	Law Hong Ping, Lawrence	Li Zhi *(Employee supervisor)*
		Fong Chung, Mark	Cheng Xinsheng *(Independent supervisor)*

Pursuant to the Articles of Association of the Company, upon election, all directors and supervisors shall serve a tenure of three years, and may be reelected upon the expiry of such tenure.

Pursuant to the Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange, the Company had received annual confirmations of independence from Fong Wo, Felix, Law Hong Ping, Lawrence and Fong Chung, Mark, and as at the date of this report, still considers them to be independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

Biographical details of the directors, supervisors and the senior management of the Company are set out in "Directors, Supervisors, Senior Management and Employees" of the annual report.

DIRECTORS' SERVICE CONTRACTS

The newly appointed directors and supervisors are required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors remunerations for the year 2015 are set out in "Directors, Supervisors, Senior Management and Employees" of the annual report.

Apart from the foregoing, no director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

INSURANCE FOR DIRECTORS

The Company has renewed its Directors Liability Insurance Policy of RMB200,000,000 in 2015.

DIRECTORS' REMUNERATION

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

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

SIGNIFICANT CONTRACTS

The Company has entered into several agreements with CNOOC Limited, a related company, and other companies within China National Offshore Oil Corporation ("CNOOC"), other than CNOOC Limited ("CNOOC Group"), for the provision of oilfield services by the Company to CNOOC Limited and CNOOC Group, and for the provision of various services by CNOOC Group to the Company. Further details of the transactions undertaken in connection with these contracts during the year are included in Note 37 to the financial statements in this annual report.

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

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 31 December 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Capacity	Number of interested shares (shares)	Approximate percentage of the interests (H) in COSL (%)
Li Feilong	Beneficial Owner	60,000	0.003%

Save as disclosed above, none of the Directors, or chief executives of the Company or their respective associates had any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code.

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

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2015, other than the Directors or the chief executive of the Company as disclosed above, the following persons have interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Hong Kong Stock Exchange.

Name of shareholder	Shares held	Number of shares interest (share)	Approximate percentage of the interests (H) in COSL (%)
Commonwealth Bank of Australia	Interest in controlled corporation	217,900,000 (L)	12.03 (L)
JPMorgan Chase & Co.	Interest in controlled corporation	105,544,506 (L) 5,278,000 (S) 64,511,765 (P)	5.82 (L) 0.29 (S) 3.56 (P)
Allan & Gill Gray Foundation	Interest in controlled corporation	98,945,480 (L)	5.46 (L)
BlackRock, Inc.	Interest in controlled corporation	98,535,631 (L) 8,704,000 (S)	5.44 (L) 0.48 (S)

Notes:

(a) "L" means long position.

(b) "S" means short position.

(c) "P" means lending pool.

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

CONNECTED TRANSACTIONS

Under the Listing Rules, connected transactions of the Company must be fully disclosed and are subject to the independent shareholders' approval, if the transaction is over a certain amount. The Company has applied to the Hong Kong Stock Exchange at the time of listing on the Hong Kong Stock Exchange for a waiver from strict compliance with the reporting, announcement and independent shareholders' approval requirements in respect of the continuing connected transactions of the Company and the Hong Kong Stock Exchange has granted a waiver in respect of such requirements for a period of three years, subject to the approval from Independent Directors with compliance to the requirements of the Listing Rules in respect of the continuing connected transactions of the Company upon expiry. In 2013, the Company renewed connected transactions expired at the end of 2013.

On 5 November 2013, the Company and CNOOC entered into an integrated services framework agreement in respect of the continuing connected transactions between the Company and CNOOC and its affiliates from 1 January 2014 to 31 December 2016. The resolution in respect of the continuing connected transactions for the three years from 1 January 2014 to 31 December 2016 was approved by the independent shareholders of the Company at the EGM held on 20 December 2013.

During the year ended 31 December 2015, the Group had the following continuing connected transactions:

a. Included in revenue

		2015 RMB'000	2014 RMB'000
i	**CNOOC Limited Group**		
	– Provision of drilling services	5,645,213	8,890,403
	– Provision of well services	6,205,985	7,838,913
	– Provision of marine support services	2,319,417	2,926,894
	– Provision of geophysical and surveying services	1,365,081	2,025,390
		15,535,696	21,681,600
ii	**CNOOC Group**		
	– Provision of drilling services	38,726	94,300
	– Provision of well services	99,628	101,973
	– Provision of marine support services	105,980	324,342
	– Provision of geophysical and surveying services	76,421	251,118
		320,755	771,733

b. Included in operating expenses

	2015 RMB'000	2014 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	4,876	4,067
	4,876	4,067
Property services	6,359	–
	11,235	4,067
ii CNOOC Group		
Labour services	3,449	8,366
Materials, utilities and other ancillary services	664,232	966,976
Transportation services	32,989	34,717
Leasing of equipment	507,097	546,056
Repair and maintenance services	19,452	34,113
Management services	2,300	768
	1,229,519	1,590,996
Property services	235,202	152,535
	1,464,721	1,743,531

c. Included in interest income

	2015 RMB'000	2014 RMB'000
CNOOC Finance (a subsidiary of CNOOC) Interest income	47,121	44,412

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

d. Deposits

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits placed with CNOOC Finance as at the end of the reporting period	1,506,039	1,503,902

The independent shareholders of the Company have approved the connected transactions set out in items (a) and (b) above on 20 December 2013. For items (c) and (d) above, the transactions were exempted from the independent shareholders' approval requirement and was approved by the Independent Directors on 29 April 2014.

The independent non-executive directors have reviewed the above transactions and have confirmed that:

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

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

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

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

Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transactions, including items (a) and (b) above, and the actual maximum daily balance of deposits (including interest receipts in respect of these deposits) placed by the Group with CNOOC Finance Corporation Ltd. as referred to in items (c) and (d) above, in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified auditor's letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

Explanations of impacts of connected transactions to the Company's profit and the necessity and sustainability of connected transactions:

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The final results of the Group have been reviewed by the audit committee of the Board which consists of three independent non-executive directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed auditing, internal control and financial reporting matters including the review of audited 2015 annual results with the management.

BUSINESS PLAN

Since the beginning of 2016, global prices of oil have continued to decrease and capital expenditure of oil and gas companies across the world will further decrease as compared with 2015. Global demands on oilfield services market will decrease and market competition will be more intense. The trend of work load and prices in the China offshore oil and gas market will be similar to the global market.

The Company faces a severe business environment and our operation faces further pressure. It is expected that the revenue and operating profit for 2016 will decrease significantly as compared with 2015. The Company will continue to reinforce QHSE management to ensure safe, high-quality and high-efficiency service capability, stabilize and increase the market share, further enlarge international market expansion and expand market distribution. The Company will also adjust investment strategies and control its pace of investment. The capital expenditure budget of 2016 is approximately between RMB3.5 billion and RMB4.5 billion, it will expend mainly on exists progressing projects such as building utility vessels. Also, the Company will continue to implement initials for reducing costs and improving efficiency and strictly control costs; actively promote R&D achievements transformation, speed up the progress of industrialization and commercialization and continue to improve operation capacity, optimize financial structure and human resources structure.

As a leading integrated oilfield services provider with robust financial condition and flexible operation, the Company will be capable of fulfilling the changes in customers' demand in the new situation.

The business plan above is formulated by the Company based on the current operation situation and market environment and it should not be constructed as the forecast on profit of the Company or actual commitment of the Directors. Whether the Company can meet the expecting performance in 2016 will mainly depend on market and economic conditions. Investors should be reminded of the risks involved.

CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS

For the year under review, the Company's compliance with the Corporate Governance Code is set out in the "Corporate Governance Report" section of this annual report. Upon specific enquiry to each and every director by the Company, the Board of Directors confirms that all members of the Board, for the year under review, have complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

AUDITORS

This financial statements has been audited by Deloitte Touche Tohmatsu, who will retire at the forthcoming AGM at which a resolution for reappointing it as the auditor of the Company will be proposed.

EXECUTION OF THE INSIDER INFORMATION MANAGEMENT SYSTEM

In 2015, the Company continuously worked on the regular registration of insiders. The Company actively organised trainings, in order to enhance the sense of confidentiality of information insiders, and to prevent insider dealing, the effect is as expected.

All directors and supervisors of the Company confirmed that they had not traded the Company's securities in violation of rules in the reporting period. Furthermore, pursuant to requirements of Provisions for the Establishment of Management Systems for the Registration of Persons Who Have Knowledge of Insider Information by Listed Companies issued by the China Securities Regulatory Commission, the Company also conducted self-assessment on whether there have been share transactions by any insider of the Company other than directors and supervisors during the reporting period, and did not find any insider trading of the Company's securities in violation of rules in 2015.

ENVIRONMENTAL POLICIES AND PERFORMANCE

According to the concept of "environmental protection, energy saving and efficiency improvement and green development", the Company formulated environmental protection management system to recognize and control environment conditions and to ensure the completeness and effectiveness of environmental protection facilities, so as to achieved emission reduction.

The Company implemented a comprehensive system management on its environmental protection, the management established a environmental protection management system and obtained DNV or certificates of PRC Maritime Safety Agency. The Company has organized a professional part-time environment protection team and offered trainings on environmental protection theory, management skill and sense of environmental protection to improve the team's ability and arouse employees' awareness on complying with laws. During the production and operation, the Company strictly complied with the environmental protection requirements of laws, regulations, relevant standards and international conventions. The Company has also regularly identified and assessed the laws and regulations related to environmental protection, continued to improve the relevant systems and ensured the Company to operate in compliance with laws; identify and assessed environment conditions in operational progress and formulated and implemented management control measures; reviewed environmental protection measures at the same time to verify the system and situation of implementation and to effectively control environmental risks; set up recycle facilities for the separation of recyclables in respect of various pollutants produced in production and operation process, provided environmental protection facilities, achieved qualified emission reduction according to government's requirement, avoided from causing harms to the local environment and appointed qualified institutions to handle the recycle of pollutants which are prohibited to emit. The Company and management formulated environmental protection contingency plans and filed to relevant authorizations of China; formulated contingency measures for potential emergent situations involving oil spills in each operation base, conducted emergency drills regularly and enhanced ability to handling emergency.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

As at 31 December 2015, the Company did not enter into any equity-linked agreement.

BUSINESS COMPETITION WITH CONTROLLING SHAREHOLDERS

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

OTHER DISCLOSURE

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

On behalf of the Board

Liu Jian
Chairman
29 March 2016

Supervisory Committee Report

The Supervisory Committee of the Company for the year 2015 has diligently performed its responsibilities in accordance with the requirements of the Company law of the People's Republic of China, Articles of Association and the Rules of Procedure for the Supervisory Committee of the Company, supervised and examined the procedures for decision making, the operating situation according to the law, financial reports disclosure and the construction and operation of the internal control system of the Company, and provided necessary protection for the legal benefits of the shareholders, the Company and the staff.

In 2015, five Supervisory Committee's meetings were convened. Members of the Supervisory Committee attended the general meetings, Board meetings of the Company and the important management meetings of the Company to keep abreast of the issues of our daily production and operating activities, so as to further improve our supervision and inspection on compliance and risk control from procedures to content.

During the reporting period, the operation of the Supervisory Committee and its opinions on our supervision and inspection are as follows:

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

At the general meeting held on 2 June 2015, the terms of office of Independent Supervisor Wang Zhile expired and Cheng Xinsheng was elected.

Supervisor Zhang Zhaoshan resigned as the supervisor and chairman of the Supervisor Committee due to the work changes. Wei Junchao was elected as a supervisor at 2015 First EGM convened on 29 December 2015 and elected by the Supervisory Committee to be the Chairman of Supervisory Committee. Supervisory Committee would like to take this opportunity to express sincere gratitude to Zhang Zhaoshan and Wang Zhile for their outstanding contributions made to the development of the Company during their tenures.

2. OPERATION OF THE SUPERVISORY COMMITTEE

1) Five Supervisory Committee meetings were held on the same days and some time after the Board meetings which the Supervisors had attended. The meetings mainly verified the compliance in respect of procedures for calling the Board and board resolutions, and also expressed audit opinion in relation to the regular report approved by the Board. In addition, by way of voting by fax, the resolutions of the nomination of Wei Junchao as supervisor candidate and the election of Wei Junchao as the Chairman of Supervisory Committee were approved by Supervisory Committee respectively.

2) Members of the Supervisory Committee also attended meetings of the professional committees under the Board of Directors and listened to a specific report given by the management in respect of the financial results and the operation of internal control system and the establishment and the issue about Key Performance Indicators on the management.

3) The Supervisory Committee had given its professional audit advice in respect of the 2014 Annual Report, the 1st quarterly report for the year 2015, the 2015 Interim Report and the 3rd quarterly report for the year 2015 in compliance with the regulatory requirements of the issue of A shares.

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

5) Supervisor Zhang Zhaoshan attended 5 regular Board meetings; supervisor Li Zhi attended 4 regular Board meetings; supervisor Wang Zhile attended 2 regular Board meetings; supervisor Cheng Xinsheng attended 3 regular Board meetings. Supervisor Zhang Zhaoshan and supervisor Li Zhi attended the AGM 2014 held on 2 June 2015, 2015 First A Share Class Meeting, 2015 First H Share Class Meeting; supervisor Li Zhi attended 2015 First EGM.

3. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

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

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

(2) Financial Situation of the Company

The Supervisors have supervised and examined the financial management system and financial situation of the Company by participating the Board meetings and the meetings of the Audit Committee under the Board of Directors and have reviewed relevant financial information of the Company. After such examination, the Supervisory Committee is of the opinion that the Company is in strict compliance with the financial laws and regulations and the financial system. The financial management system of the Company is healthy and effective, the accounting treatment are consistent while the financial statements are true and reliable. Based on the domestic and international audit standards, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have audited the financial statements of the Company for year 2015 and has issued standard unqualified audit opinions on the financial statements. The Supervisory Committee considered the financial statements was objective and fairly reflected the financial position and the results of operation of the Company.

(3) Connected Transactions

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

(4) Management Situation and Internal Control of the Company

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

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

The Supervisory Committee is of the view that the Board of Directors, both collectively and individually, have earnestly performed their duties with integrity and diligence, and each Director has earnestly understood the operating situation of the Company and thoroughly discussed the Company's affairs before making decisions. Facing with the harsh market environment, the management has actively taken challenges and earnestly performed their duties according to their terms of reference and implemented the decisions of the Board in a scientific way; and led the Company to obtain excellent business results.

(6) Execution of the Insiders' Information Management System

During the reporting period, the Supervisor Committee did not recognize any insider trading which prejudice the interests of the Company and shareholders by directors, supervisors and senior management as well as the related insiders.

(7) External Guarantee

Provision of guarantee by the Company to subsidiaries of the Company is in accordance with the requirements under laws and regulations and the Articles of Association of the Company, which has been under necessary approval procedure and the Company has disclosed related information to comply with the requirements. The accumulated and current provision of external guarantee by the Company was true.

(8) Other Information

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

For and on behalf
of Supervisory Committee

魏君超

Wei Junchao
Chairman of the Supervisory Committee

29 March 2016

Significant Events

I. SIGNIFICANT RELATED PARTY TRANSACTIONS

Further details on related party transactions are given in Note 37 to the financial statements of this annual report.

II. GUARANTEE

Unit: US$10,000

External guarantee provided by the Company (excluding guarantee to subsidiaries)	
Total amount of guarantee occurred during the reporting period (excluding guarantee to subsidiaries)	–
Total balance of guarantee as at the end of the reporting period (A) (excluding guarantee to subsidiaries)	–
Guarantee provided by the Company and its subsidiaries to its subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the reporting period	206,203.83
Total balance of guarantee provided by the Company to its subsidiaries at the end of the reporting period (B)	204,003.38
Total guarantee provided by the Company (including guarantee to subsidiaries)	
Total amount of guarantee (A+B)	204,003.38
Total amount of guarantee as a percentage of the Group's net assets (%)	28.3%
Including:	
Amount of guarantee provided to shareholders, the actual controller and its related parties (C)	–
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	202,277.19
The excess of total amount of guarantee over 50% of the net assets (E)	–
Total amount of the 3 guarantees above (C+D+E)	202,277.19
Guarantee details	(1) Guarantee provided by the Company includes the guarantee to its subsidiaries in favour of US$1 billion bond issued by a subsidiary in 2012 and US$1 billion Euro medium term notes issued by a subsidiary in 2015. (2) Subject parties with gearing ratio over 70% under debt guarantee are wholly-owned subsidiary of the Company.

III. ENGAGEMENT AND DISMISSAL OF AUDITORS OF THE COMPANY

Unit: RMB million

	Currently appointed
Name of domestic audit firm	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic audit firm	–
The service period of domestic audit firm	2 years
Name of international audit firm	Deloitte Touche Tohmatsu
Remuneration of international audit firm	–
The service period of international audit firm	2 years
Remuneration of domestic and international audit firm	16.85

	Name	Remuneration
Audit of internal control by certified public accountant	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Note: Remuneration of internal control audit was included in remuneration of domestic and international audit firm.

Note: On 2 June 2015, the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the domestic and international auditors for 2015 respectively was approved at the AGM 2014.

IV. OTHER MATTERS

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. As at 31 December 2015, the infrastructure project has fulfilled the investment requirements for the transfer. The transfer procedures of such land transaction were not yet completed, and the Company is now actively undertaking relevant communication and coordination in respect of the transfer.

In March 2016, there was some new status about COSL's two drilling contracts. The Company disclosed announcements of "Status of Two Drilling Contracts" and "Further Status of Two Drilling Contracts" on 6 March 2016 and 20 March 2016 respectively. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

Independent Auditor's Report

Deloitte.
德勤

To the Shareholders of China Oilfield Services Limited

(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Oilfield Services Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 138 to 204, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

29 March 2016

Consolidated Statement of Profit or Loss

For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	6	**23,653,980**	33,720,185
Sales surtaxes		**(479,732)**	(726,946)
Revenue, net of sales surtaxes		**23,174,248**	32,993,239
Other revenues	6	**242,495**	223,721
		23,416,743	33,216,960
Depreciation of property, plant and equipment and amortisation of intangible assets		**(4,213,421)**	(3,769,586)
Employee compensation costs	*7*	**(3,792,454)**	(4,380,705)
Repair and maintenance costs		**(799,297)**	(1,094,907)
Consumption of supplies, materials, fuel, services and others		**(4,569,260)**	(5,955,000)
Subcontracting expenses		**(3,474,789)**	(5,445,405)
Operating lease expenses	*7*	**(1,547,610)**	(1,605,992)
Other operating expenses		**(2,185,096)**	(2,165,245)
Impairment of goodwill	*17*	**(923,154)**	–
Impairment of property, plant and equipment	*16*	**(280,116)**	(374,185)
Total operating expenses		**(21,785,197)**	(24,791,025)
PROFIT FROM OPERATIONS		**1,631,546**	8,425,935
Exchange gain/(loss), net		**87,726**	(5,690)
Finance costs	8	**(700,259)**	(587,535)
Interest income		**105,248**	155,033
Investment income	*7*	**102,345**	193,795
Share of profits of joint ventures, net of tax	*20*	**169,748**	340,954
PROFIT BEFORE TAX	*7*	**1,396,354**	8,522,492
Income tax expense	*12*	**(287,648)**	(1,002,309)
PROFIT FOR THE YEAR		**1,108,706**	7,520,183
Attributable to:			
Owners of the Company		**1,073,907**	7,492,058
Non-controlling interests		**34,799**	28,125
		1,108,706	7,520,183
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*15*	**22.51 cents**	157.36 cents

Details of the dividends paid or proposed for the year are disclosed in note 14 to the consolidated financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
PROFIT FOR THE YEAR		**1,108,706**	7,520,183
OTHER COMPREHENSIVE INCOME/(EXPENSE)	*13*		
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plan		**33,988**	(40,850)
Income tax relating to items that will not be reclassified subsequently to profit or loss		**(8,497)**	24,819
		25,491	(16,031)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**604,262**	32,028
Net fair value gain on available-for-sale investments		**61,089**	3,802
Share of exchange differences of joint ventures		**6,550**	1,225
Income tax relating to items that may be reclassified subsequently to profit or loss		**(9,163)**	(570)
		662,738	36,485
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX		**688,229**	20,454
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,796,935**	7,540,637
Attributable to:			
Owners of the Company		**1,759,108**	7,512,313
Non-controlling interests		**37,827**	28,324
		1,796,935	7,540,637

Consolidated Statement of Financial Position

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**60,388,044**	55,338,074
Goodwill	17	**3,394,504**	4,122,652
Other intangible assets	18	**469,605**	383,976
Investments in joint ventures	20	**681,314**	750,721
Available-for-sale investments	21	**–**	–
Other non-current assets	26	**1,150,440**	2,514,040
Deferred tax assets	29	**39,707**	11,954
Total non-current assets		**66,123,614**	63,121,417
CURRENT ASSETS			
Inventories	22	**1,328,250**	1,300,605
Prepayments, deposits and other receivables	23	**496,384**	681,202
Accounts receivable	24	**6,652,732**	7,230,381
Notes receivable	25	**1,906,542**	2,775,827
Other current assets	26	**4,211,964**	4,985,523
Pledged deposits	27	**31,607**	39,119
Time deposits with maturity of over three months	27	**200,000**	1,308,046
Cash and cash equivalents	27	**12,573,958**	5,432,187
Total current assets		**27,401,437**	23,752,890
CURRENT LIABILITIES			
Trade and other payables	28	**8,081,048**	8,634,342
Salary and bonus payables		**985,252**	1,463,861
Tax payable		**111,320**	279,168
Interest-bearing bank borrowings	30	**11,451,529**	3,817,369
Other current liabilities	26	**429,418**	117,016
Total current liabilities		**21,058,567**	14,311,756
NET CURRENT ASSETS		**6,342,870**	9,441,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,466,484**	72,562,551
NON-CURRENT LIABILITIES			
Deferred tax liabilities	29	**627,316**	753,081
Interest-bearing bank borrowings	30	**9,482,555**	15,755,490
Long term bonds	31	**14,390,824**	7,564,340
Deferred revenue	32	**1,070,670**	1,071,880
Employee benefit liabilities	11	**66,449**	95,661
Total non-current liabilities		**25,637,814**	25,240,452
Net assets		**46,828,670**	47,322,099
EQUITY			
Equity attributable to owners of the Company			
Issued capital	33	**4,771,592**	4,771,592
Reserves		**41,969,786**	42,501,042
		46,741,378	47,272,634
Non-controlling interests		**87,292**	49,465
Total equity		**46,828,670**	47,322,099

Li Yong
Director

Li Feilong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2015

	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Remeasurement of defined benefit pension plan RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2014	4,495,320	8,074,565*	2,508,656*	35,907*	(50,965)*	(832,101)*	20,955,495*	2,051,785*	37,238,662	21,141	37,259,803
Profit for the year	–	–	–	–	–	–	7,492,058	–	7,492,058	28,125	7,520,183
Other comprehensive income/ (expense) for the year	–	–	–	3,232	(16,031)	33,054	–	–	20,255	199	20,454
Total comprehensive income for the year	–	–	–	3,232	(16,031)	33,054	7,492,058	–	7,512,313	28,324	7,540,637
Issue of the new shares	276,272	4,350,399	–	–	–	–	–	–	4,626,671	–	4,626,671
Transaction costs attributable to issue of shares	–	(53,227)	–	–	–	–	–	–	(53,227)	–	(53,227)
Final 2013 dividend paid	–	–	–	–	–	–	–	(2,051,785)	(2,051,785)	–	(2,051,785)
Proposed final 2014 dividend (note 14)	–	–	–	–	–	–	(2,290,364)	2,290,364	–	–	–
At 31 December 2014	4,771,592	12,371,737*	2,508,656*	39,139*	(66,996) *	(799,047)*	26,157,189*	2,290,364*	47,272,634	49,465	47,322,099
Profit for the year	–	–	–	–	–	–	1,073,907	–	1,073,907	34,799	1,108,706
Other comprehensive income for the year	–	–	–	51,926	25,491	607,784	–	–	685,201	3,028	688,229
Total comprehensive income for the year	–	–	–	51,926	25,491	607,784	1,073,907	–	1,759,108	37,827	1,796,935
Final 2014 dividend paid	–	–	–	–	–	–	–	(2,290,364)	(2,290,364)	–	(2,290,364)
Proposed final 2015 dividend (note 14)	–	–	–	–	–	–	(324,468)	324,468	–	–	–
At 31 December 2015	4,771,592	12,371,737*	2,508,656*	91,065*	(41,505)*	(191,263)*	26,906,628*	324,468*	46,741,378	87,292	46,828,670

* These reserve accounts comprise the consolidated reserves of approximately RMB41,969,786,000 (2014: RMB42,501,042,000) in the consolidated statement of financial position as at 31 December 2015.

Consolidated Statement of Cash Flows

For the year ended 31 December 2015

	Note	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	36	7,215,434	11,460,564
Taxes paid:			
Mainland China corporate income tax paid		(425,569)	(1,081,496)
Overseas income taxes paid		(233,639)	(219,410)
Net cash flows from operating activities		6,556,226	10,159,658
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other intangible assets		(5,105,337)	(7,717,086)
Government grant received		13,480	1,200
Purchase of investments in corporate wealth management products and liquidity funds		(8,400,000)	(18,876,200)
Proceeds on disposal/maturity of investments in corporate wealth management products and liquidity funds		9,434,005	16,523,662
Proceeds from disposal of property, plant and equipment		58,580	105,311
Investment in joint venture		–	(244)
Cash advance made to joint ventures		(13,046)	(8,995)
Placement of time deposits with maturity of over three months		(2,484,424)	(2,726,480)
Withdrawal of time deposits with maturity of over three months		3,592,470	2,018,434
Decrease/(increase) in pledged deposits		7,512	(6,489)
Interest received		107,314	143,081
Dividends received from joint ventures		223,589	229,339
Deposits for acquisition of property, plant and equipment		(750,314)	(2,123,865)
Net cash flows used in investing activities		(3,316,171)	(12,438,332)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		–	4,626,671
Expenses on issue of shares		–	(53,227)
Expenses on issue of medium term notes		(12,458)	–
Proceeds on issue of medium term notes		6,082,462	–
New bank loans raised		4,116,440	–
Repayment of bank loans		(3,885,618)	(3,832,216)
Dividends paid		(2,290,364)	(2,051,785)
Interest paid		(578,672)	(608,603)
Net cash flows from/(used in) financing activities		3,431,790	(1,919,160)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		6,671,845	(4,197,834)
Cash and cash equivalents at the beginning of year		5,432,187	9,600,797
Effect of foreign exchange rate changes, net		469,926	29,224
CASH AND CASH EQUIVALENTS AT END OF YEAR		12,573,958	5,432,187
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	27	12,805,565	6,779,352
Less: Pledged deposits	27	(31,607)	(39,119)
Non-pledged time deposits at banks with maturity of over three months	27	(200,000)	(1,308,046)
Cash and cash equivalents as stated in the consolidated statement of cash flows	27	12,573,958	5,432,187

1. General Information

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 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, 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.

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

In the opinion of the directors of the Company (the "Directors"), the holding company and the ultimate holding company of the Company is CNOOC, which is a state-owned enterprise ("SOE") incorporated in the PRC.

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

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customer*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[2]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after a date to be determined

Except as described below, the Directors anticipate that the application of the above new and revised HKFRSs will have no material impact on the Group's financial performance and positions.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.2 New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

- all recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the retrospective quantitative effectiveness test has been removed. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets classified as available-for-sale investments. However it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.2 New and revised HKFRSs in issue but not yet effective (continued)

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

2. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.2 New and revised HKFRSs in issue but not yet effective (continued)

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments to HKFRS 10 *Consolidation Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investor's interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefits obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in the Group's consolidated financial statements.

3. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on HKSE ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new Hong Kong Companies Ordinance (Cap 622) regarding preparation of accounts and directors' report and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

3. Significant Accounting Policies (continued)

Basis of consolidation

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

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

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Business combination and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. Significant Accounting Policies (continued)

Business combination and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December of every year. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation and the portion of the cash-generating unit retained.

Investments in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of HKAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

3. Significant Accounting Policies (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from day rate contracts, as and when services have been performed;

(b) from time charters and bareboat charters accounted for as operating leases under HKAS 17 on the straight-line basis over the rental periods of such charters, as service is performed;

(c) income is recognised when the goods are delivered and titles have been passed;

(d) interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition;

(e) dividend income from investments is recognised when the shareholders' right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably).

Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid lease payments for land use rights under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms.

Foreign currencies

The consolidated financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates of exchange on the first day of the month of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange prevailing at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

The functional currencies of certain overseas subsidiaries and joint ventures are currencies other than the RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into the presentation currency of the Company at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the rate that approximates the exchange rates at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income, relating to that particular foreign operation is recognised in the profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the rate that approximates the exchange rates at the dates of the transactions.

3. Significant Accounting Policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, an appropriate capitalisation rate will be applied to the expenditure on the individual assets.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

Where the grant relates to an asset, it is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

The benefit of a government loan at a below-market rate of interests is treated as a government grant and is measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

Other employee benefits

Defined contribution plan

The Group's employees in Mainland China are required to participate in a central pension plan operated by local municipal governments. The Group is required to contribute 19% to 22% of its payroll costs to the central pension plan. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension plan.

Defined benefits plan

The Group operates a defined benefit pension plan which requires contributions to be made to a separately administered fund for its employees of COSL Holding AS, a wholly-owned subsidiary of the Company.

For defined benefit pension plan, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), is reflected immediately in the consolidated statement of financial position with a charge or credit recognised in other comprehensive income in the period in which they occur. Remeasurement recognised in other comprehensive income is reflected immediately in the reserve of "Remeasurement of defined benefit pension plan" and will not be reclassified to profit or loss. Past service cost is recognised in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorised as follows:

- service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

The Group presents the first two components of defined benefit costs in profit or loss in the line item of employee compensation costs. Curtailment gains and losses are accounted for as past service costs.

The retirement benefit obligation recognised in the consolidated statement of financial position represents the actual deficit or surplus in the Group's defined benefit plans. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from the plans or reductions in future contributions to the plans.

3. Significant Accounting Policies (continued)

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the balance sheet liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Certain of the Group's drilling rigs are owned by the Company's wholly owned Bermuda (for tax purpose, domiciled in Singapore) and Singapore subsidiaries. Due to the changing demands of the offshore drilling markets and the ability to redeploy the Group's offshore units, such units will not reside in a location long enough to give rise to future tax consequences in that location. As a result, no deferred tax asset has been recognised in these circumstances. Should the Group's expectations change regarding the length of time an offshore drilling unit will be used in a given location, and tax laws and regulations in the future operating jurisdictions, the Group would adjust deferred tax accordingly.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carry forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

3. Significant Accounting Policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the consolidated statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives of property, plant and equipment are as follows:

Tankers and vessels	10 to 20 years
Drilling rigs (including drilling rig components)	5 to 30 years
Machinery and equipment	5 to 10 years
Motor vehicles	5 years
Buildings	20 to 30 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents drilling rigs, vessels and equipment under construction, which are stated at cost less any impairment losses, and are not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

Intangible assets (other than goodwill)

The intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

The intangible assets with finite useful lives are amortised on a straight-line basis over the following periods:

Trademark	10 years
Management system	10 years
Software	3 to 5 years
Contract value	Contract period

Research and development costs

All research costs are charged to profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

3. Significant Accounting Policies (continued)

Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its assets (other than inventories, financial assets and goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

Inventories primarily consist of materials and supplies used for the repairs and maintenance of plant and equipment and daily operations. Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. The materials and supplies are capitalised to plant and equipment when used for renewals or betterments of plant and equipment or recognised as expenses when used for daily operations.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

3. Significant Accounting Policies (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

- (i) has control or joint control over the Group;
- (ii) has a significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Dividends

Final and/or interim dividends proposed by the Directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in the consolidated statement of profit or loss as interest income. The loss arising from impairment is recognised in profit or loss as other operating expenses for loans and receivables.

3. Significant Accounting Policies (continued)

Investments and other financial assets (continued)

Subsequent measurement (continued)

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held-for-trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss, or until the investment is determined to be impaired, when the cumulative loss reclassified from the available-for-sale investment revaluation reserve to other expenses in the consolidated statement of profit or loss. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in accordance with the policies set out for "Revenue recognition" above.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

3. Significant Accounting Policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the consolidated statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the consolidated statement of profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

If an available-for-sale asset that is carried at fair value is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or "prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, deducting any impairment loss on that investment previously recognised in consolidated statement of profit or loss, is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available-for-sale are not reversed through consolidated statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

3. Significant Accounting Policies (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's loans and borrowings include trade and other payables, interest-bearing bank borrowings and long-term bonds.

Subsequent measurement on loans and borrowings

After initial recognition, interest-bearing bank borrowings and long-term bonds are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in consolidated statement of profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about those assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Useful life and impairment of property, plant and equipment

The estimated useful life of property, plant and equipment is based on the historical experience of the actual useful life of property, plant and equipment with similar characteristics and functions. If the useful life of these property, plant and equipment is less than previously estimated, the Group will accelerate the related depreciation or dispose of idle or obsolete property, plant and equipment. This requires management to use past experience in estimating the appropriate useful life.

Where there exists an indication of impairment of an asset within the unit containing the goodwill, the Group tests the asset for impairment first and recognises any impairment loss for that asset before testing for impairment the cash-generating units, or group of cash-generating units containing the goodwill. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal. This requires management to make assumptions about the future cash flows and discount rate and hence they are subject to uncertainty. The provision for impairment of property, plant and equipment recognised during the current year is RMB280,116,000 (2014: RMB374,185,000). As at 31 December 2015, the carrying amount of property, plant and equipment is RMB60,388,044,000 (2014: RMB55,338,074,000). Further details are given in note 16.

4. Significant Accounting Judgements and Estimates (continued)

Estimation uncertainty (continued)

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or group of cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The impairment loss of goodwill recognised during the current year is RMB923,154,000 (2014: Nil). The carrying amount of goodwill at 31 December 2015 was RMB3,394,504,000 (2014: RMB4,122,652,000). Further details are given in note 17.

Provisions for doubtful debts and inventories obsolescence

The impairment of accounts receivable is determined by management based on available objective evidence, e.g., it becoming probable that a debtor will enter bankruptcy or is having significant financial difficulty. Based on the Group's accounting policy for inventories, management determines the provision for inventories obsolescence required by comparing the cost and net realisable value for obsolete or slow-moving items. Where the actual future cash flows are less than expected, a material impairment loss may arise.

The impairment or provision amount is subject to management's assessment at each reporting date, and hence the provision amount is subject to uncertainty. At 31 December 2015, impairment losses of approximately RMB881,530,000 (2014: RMB294,067,000) have been recognised for accounts receivable and losses of approximately RMB45,782,000 (2014: RMB36,792,000) have been recognised for inventories. As at 31 December 2015, the carrying amount of accounts receivable and inventories were RMB6,652,732,000 and RMB1,328,250,000 respectively (2014: RMB7,230,381,000 and RMB1,300,605,000). Further details are given in note 24 and note 22, respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets has been recognised on the tax loss of RMB7,487,902,000 (2014: RMB5,886,643,000) and deductible temporary differences of RMB177,153,000 at 31 December 2015 (2014: RMB146,759,000). Further details are contained in note 29. In case where there are actual future profits or the actual future profits generated are more than expected, or effective tax rate is changed, a material recognition or change of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition or change takes place.

Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations (including those applicable to tax credits) and the amount and timing of future taxable income. Given the wide range of international business relationships and the complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on best estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as the Group's experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective company's domicile.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Management judgement is required to determine the applicable tax rates in the further periods, based on the various tax laws, regulations, treaties and level of operations in jurisdictions of operation, future tax planning strategies and the forecast made on the Company's continuing compliance with the High-New Technical Enterprise ("HNTE") criteria. In cases where the actual tax rates are less than expected, a material reversal of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

5. Operating Segment Information

For management purposes, the Group is organised into business units based on their services and these are the basis of information that is prepared and reported to the Group's chief operating decision maker (i.e. the executive directors of the Company) for the purposes of making strategic decisions. The Group has four reportable 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, and the sale of well chemical materials and well workovers;

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

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

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 profit, 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) and investment income are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the corporate treasury), pledged deposits, time deposits with maturity of over three months, other receivables, certain other current assets and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than certain other payables, interest-bearing bank borrowings and long term bonds (funds managed by the corporate treasury), tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

5. Operating Segment Information (continued)

Year ended 31 December 2015	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
REVENUE:					
Sales to external customers, net of sales surtaxes	12,039,525	6,913,187	2,703,409	1,518,127	23,174,248
Sales surtaxes	189,570	170,729	65,156	54,277	479,732
Sales to external customers, before net of sales surtaxes	12,229,095	7,083,916	2,768,565	1,572,404	23,653,980
Intersegment sales	1,854,310	788,741	13,551	8,047	2,664,649
Segment revenue	14,083,405	7,872,657	2,782,116	1,580,451	26,318,629
Elimination	(1,854,310)	(788,741)	(13,551)	(8,047)	(2,664,649)
Group revenue	12,229,095	7,083,916	2,768,565	1,572,404	23,653,980
Segment results	966,798	513,634	314,209	6,653	1,801,294
Reconciliation:					
Exchange gain, net					87,726
Finance costs					(700,259)
Interest income					105,248
Investment income					102,345
Profit before tax					1,396,354
Income tax					287,648
As at 31 December 2015					
Segment assets	56,032,445	7,822,223	8,315,831	6,309,795	78,480,294
Unallocated assets					15,044,757
Total assets					93,525,051
Segment liabilities	5,211,937	2,814,233	1,449,270	904,648	10,380,088
Unallocated liabilities					36,316,293
Total liabilities					46,696,381
Other segment information:					
Capital expenditure	3,973,601	705,055	1,543,821	1,644,036	7,866,513
Depreciation of property, plant and equipment and amortisation of intangible assets	2,614,886	691,086	515,177	392,272	4,213,421
Impairment of accounts receivable	548,311	7,376	1,981	1,125	558,793
Impairment of goodwill	923,154	–	–	–	923,154
Impairment of other receivables	1,312	760	297	168	2,537
Impairment of inventories	4,049	2,346	917	521	7,833
Impairment of property, plant and equipment	280,116	–	–	–	280,116
Share of (losses)/profits of joint ventures	(5,789)	120,049	(3,129)	58,617	169,748
Investments in joint ventures	–	481,280	–	200,034	681,314

5. Operating Segment Information (continued)

Year ended 31 December 2014	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
REVENUE:					
Sales to external customers, net of sales surtaxes	17,389,057	9,533,384	3,468,884	2,601,914	32,993,239
Sales surtaxes	320,070	243,341	74,887	88,648	726,946
Sales to external customers, before net of sales surtaxes	17,709,127	9,776,725	3,543,771	2,690,562	33,720,185
Intersegment sales	2,427,910	1,025,928	92,859	74,316	3,621,013
Segment revenue	20,137,037	10,802,653	3,636,630	2,764,878	37,341,198
Elimination	(2,427,910)	(1,025,928)	(92,859)	(74,316)	(3,621,013)
Group revenue	17,709,127	9,776,725	3,543,771	2,690,562	33,720,185
Segment results	6,571,798	1,632,108	319,195	243,788	8,766,889
Reconciliation:					
Exchange loss, net					(5,690)
Finance costs					(587,535)
Interest income					155,033
Investment income					193,795
Profit before tax					8,522,492
Income tax					1,002,309
As at 31 December 2014					
Segment assets	55,215,281	8,222,315	8,054,086	5,561,140	77,052,822
Unallocated assets					9,821,485
Total assets					86,874,307
Segment liabilities	4,586,726	3,922,886	1,772,449	957,686	11,239,747
Unallocated liabilities					28,312,461
Total liabilities					39,552,208
Other segment information:					
Capital expenditure	3,482,859	1,181,169	2,231,351	1,183,501	8,078,880
Depreciation of property, plant and equipment and amortisation of intangible assets	2,368,552	572,360	419,853	408,821	3,769,586
Impairment of accounts receivable	105,376	982	356	270	106,984
Impairment of other receivables	635	350	127	96	1,208
Impairment of inventories	2,731	1,508	547	415	5,201
Impairment of property, plant and equipment	214,998	7,903	151,284	–	374,185
Share of (losses)/profits of joint ventures	(3,798)	267,829	(495)	77,418	340,954
Investments in joint ventures	(3,553)	484,313	75,966	193,995	750,721

5. Operating Segment Information (continued)

Geographical information

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

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

The following table presents revenue and non-current assets (excluding goodwill, investments in joint ventures and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2015 and 2014.

Year ended/as at 31 December 2015	Domestic	International		Total
		North sea	Others	
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	**15,954,214**	**3,161,998**	**4,537,768**	**23,653,980**
Less: Sales surtaxes	**(479,732)**	**–**	**–**	**(479,732)**
Sales to external customers, net of sales surtaxes	**15,474,482**	**3,161,998**	**4,537,768**	**23,174,248**
Non-current assets:	**35,611,585**	**11,566,382**	**14,830,122**	**62,008,089**

Year ended/as at 31 December 2014	Domestic	International		Total
		North sea	Others	
	RMB'000	RMB'000	RMB'000	RMB'000
Segment revenue:				
Sales to external customers	23,627,877	4,073,245	6,019,063	33,720,185
Less: Sales surtaxes	(726,946)	–	–	(726,946)
Sales to external customers, net of sales surtaxes	22,900,931	4,073,245	6,019,063	32,993,239
Non-current assets:	31,936,564	11,385,026	14,914,500	58,236,090

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 with CNOOC Limited, accounted for 66% (2014: 64%) of the total sales of the Group for the year ended 31 December 2015, details of the segments with such revenue are given in note 37 (A).

6. Revenue and Other Revenues

Revenue, which is also the Group's turnover, mainly represents the invoiced value of offshore oilfield services rendered.

An analysis of revenue and other revenues is as follows:

	2015 RMB'000	2014 RMB'000
Revenue:		
Rendering of services	**23,653,980**	33,720,185
Other revenues:		
Insurance claims received	**119,213**	39,834
Government grants (a)	**112,836**	167,762
Others	**10,446**	16,125
Total other revenues	**242,495**	223,721

(a) Including release of deferred revenue of RMB44,501,000 for the year (2014: RMB84,082,000) (note 32).

7. Profit Before Tax

The Group's profit before tax is arrived at after charging:

	2015 RMB'000	2014 RMB'000
Employee compensation costs		
(including Directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**2,825,364**	3,342,584
Social security costs	**525,477**	587,849
Retirement benefits and pensions	**441,613**	450,272
	3,792,454	4,380,705
Auditor's remuneration	**17,919**	20,175

	Notes	2015 RMB'000	2014 RMB'000
Loss on disposal of property, plant and equipment, net		**33,581**	32,096
Lease payments under operating leases in respect of land and buildings, berths and equipment		**1,547,610**	1,605,992
Impairment of accounts receivable	*24*	**558,793**	106,984
Impairment of other receivables	*23*	**2,537**	1,208
Impairment of inventories	*22*	**7,833**	5,201
Income from investments in corporate wealth management products and liquidity funds		**102,345**	193,795
Cost of inventories recognised as an expense		**2,667,899**	3,590,729
Research and development costs, included in:		**635,743**	827,791
Depreciation of property, plant and equipment		**79,154**	64,654
Employee compensation costs		**127,056**	111,636
Consumption of supplies, materials, fuel, services and others		**429,533**	651,501

8. Finance Costs

An analysis of finance costs is as follows:

	2015 RMB'000	2014 RMB'000
Interest on bank borrowings	**315,807**	350,438
Interest on long term bonds	**388,140**	265,728
Total interests	**703,947**	616,166
Less: Interest capitalised *(note 16)*	**(17,337)**	(38,525)
	686,610	577,641
Other finance costs:		
Others	**13,649**	9,894
	700,259	587,535

9. Directors', Chief Executive's and Supervisors' Remuneration

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and the CO, is as follows:

	2015 RMB'000	2014 RMB'000
Fees	**1,280**	1,280
Other emoluments:		
Basic salaries, allowances and benefits in kind	**986**	947
Bonuses*	**863**	971
Share appreciation rights	**–**	244
Pension scheme contributions	**193**	178
	2,042	2,340
	3,322	3,620

* Certain Directors and supervisors of the Company are entitled to bonus payments which are determined based on the duties and responsibilities of the Directors and supervisors, as well as the operating results of the Group.

9. Directors', Chief Executive's and Supervisors' Remuneration (continued)

(a) Independent non-executive directors and independent supervisors

The fees paid/payable to independent non-executive directors and independent supervisors of the Company during the year are as follows:

	2015 RMB'000	2014 RMB'000
Independent non-executive directors:		
Fong Chung, Mark (ii)	200	–
Tsui Yiu Wa (ii)	200	400
Fong Wo, Felix	400	400
Chen Quansheng (i)	–	200
Law Hong Ping, Lawrence (i)	400	200
	1,200	1,200
Independent supervisors:		
Cheng Xinsheng (iii)	40	–
Wang Zhile (iii)	40	80
	1,280	1,280

The independent non-executive directors' and independent supervisors' emoluments shown above were mainly for their services as directors and supervisors of the Company.

There were no other emoluments payable to the independent non-executive directors and the independent supervisors during the year (2014: Nil).

Notes:

(i) Mr. Chen Quansheng retired as an independent non-executive director on 23 May 2014 and Mr. Law Hong Ping, Lawrence, has been appointed as an independent non-executive director with effect from 23 May 2014.

(ii) Mr. Tsui Yiu Wa retired as an independent non-executive director on 2 June 2015 and Mr. Fong Chung, Mark, has been appointed as an independent non-executive director with effect from 2 June 2015.

(iii) Mr. Wang Zhile retired as an independent supervisor on 2 June 2015 and Mr. Cheng Xinsheng has been appointed as an independent supervisor with effect from 2 June 2015.

9. Directors', Chief Executive's and Supervisors' Remuneration (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Total RMB'000
2015				
Executive director and chief executive:				
Li Yong [(1)]	378	325	68	771
Executive director:				
Li Feilong	366	285	67	718
Non-executive directors:				
Liu Jian [(2)]	–	–	–	–
Cheng Chi [(3)]	–	–	–	–
Zeng Quan [(3)]	–	–	–	–
Supervisors:				
Li Zhi	242	253	58	553
Wei Junchao [(4)]	–	–	–	–
Zhang Zhaoshan [(4)]	–	–	–	–
	242	253	58	553
Total	986	863	193	2,042

	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Share appreciation rights RMB'000	Total RMB'000
2014					
Executive director and chief executive:					
Li Yong	365	371	63	244	1,043
Executive director:					
Li Feilong	353	320	62	–	735
Non-executive directors:					
Liu Jian	–	–	–	–	–
Zeng Quan	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Zhang Zhaoshan	–	–	–	–	–
Li Zhi	229	280	53	–	562
	229	280	53	–	562
Total	947	971	178	244	2,340

9. Directors', Chief Executive's and Supervisors' Remuneration (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (continued)

Notes:

(1) Li Yong was re-elected as an executive director on 2 June 2015.

(2) Liu Jian was re-elected as a non-executive director on 2 June 2015.

(3) Cheng Chi was appointed and Zeng Quan resigned as a non-executive director on 29 December 2015.

(4) Wei Junchao was appointed and Zhang Zhaoshan resigned as a supervisor on 29 December 2015.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

There was no arrangement under which a director or a supervisor or the chief executive waived or agreed to waive any remuneration during the year.

10. Five Highest Paid Employees

The five highest paid employees during the year do not include any Directors, supervisors and the chief executive (2014: Nil), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the five (2014: Five) non-director, non-supervisor, and non-chief executive highest paid employees for the year are as follows:

	2015 RMB'000	2014 RMB'000
Basic salaries, allowances and benefits in kind	**11,576**	12,721
Bonuses	**9,773**	12,053
Pension scheme contributions	**89**	40
	21,438	24,814

The number of non-director, non-supervisor, and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees 2015	 2014
HK$3,500,001 to HK$4,000,000	**1**	–
HK$4,000,001 to HK$4,500,000	**1**	1
HK$4,500,001 to HK$5,000,000	**–**	2
HK$5,000,001 to HK$5,500,000	**2**	–
HK$6,500,001 to HK$7,000,000	**–**	1
HK$8,000,001 to HK$8,500,000	**1**	–
HK$10,500,001 to HK$11,000,000	**–**	1
	5	5

11. Pensions and Defined Benefit Plan

All the Group's full-time employees in Mainland China are covered by a government-regulated pension scheme, and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension at rates ranging from 19% to 22% of the employees' basic salaries. The related pension costs are expensed as incurred.

In addition, the Group also has a defined benefit plan with a life insurance company to provide pension benefits for certain employees in Norway.

The retirement expenses of the Group are as follows:

	2015 RMB'000	2014 RMB'000
Contributions to the PRC government-regulated pension scheme	**280,258**	269,022
Contributions to overseas subsidiaries' pension scheme	**161,355**	181,250
	441,613	450,272

At 31 December 2015, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2014: Nil).

12. Income Tax

The Group is subject to income tax on an entity basis on the profit 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.

The Corporate Income Tax Law of the PRC (the "CIT") effective from 1 January 2008 introduces the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25% in Mainland China. The Company's statutory tax rate is 25%.

The Company obtained an approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of Tianjin State Administration of Taxation (the "TSAT") in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. The Company has applied to renew its HNTE certificate for three years commencing from 1 October 2014, and was re-certified as an HNTE on 21 October 2014, which is effective for three years commencing from 1 October 2014, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in January 2015. According to the approval, the CIT rate was approved to be 15% for the period from October 2014 to September 2017. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the year ended 31 December 2015 (2014: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (2014: 25%). The Group's activities in Australia are subject to income tax of 30% (2014: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to deemed income tax calculated at 3.5% (2014: 3.5%) of service income generated in Myanmar. The Group's activities in Mexico are subject to income tax of 30% (2014: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 27% (2014: 27%). The Group's activities in the United Kingdom are subject to income tax of 21% (2014: 21%). The Group's activities in Thailand are subject to withholding tax based on 3% (2014: 3%) of revenue generated every month. The Group's activities in Qatar are subject to income tax of 10% (2014: 10%). The Group's activities in Iraq are subject to withholding tax based on 7% of revenue generated in Iraq (2014: 7%). The Group's activities in Singapore are subject to income tax of 17% (2014: 17%). The Group's activities in the United States are subject to income tax of 34% (2014: 34%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's activities in Denmark are subject to income tax of 24.5% (2014: 24.5%). The Group's activities in Canada commencing in the current year are subject to the 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. The Group's activities in Malaysia commencing in the current year are subject to income tax of 25%. The Group's activities in New Zealand commencing in the current year are subject to withholding tax based on 15% of revenue generated in New Zealand.

12. Income Tax (continued)

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

	2015 RMB'000	2014 RMB'000
Hong Kong profits tax	–	–
Overseas income taxes:		
Current	206,125	296,660
Deferred	(223,908)	(217,818)
PRC corporate income taxes:		
Current	340,019	1,088,664
Deferred	47,820	(166,085)
(Over)/under provision in prior year	(82,408)	888
Total tax charge for the year	287,648	1,002,309

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

	2015 RMB'000	2015 %	2014 RMB'000	2014 %
Profit before tax	1,396,354		8,522,492	
Tax at the statutory tax rate of 25% (2014: 25%)	349,088	25.0	2,130,623	25.0
Tax reduction as an HNTE	(224,101)	(16.0)	(722,717)	(8.5)
Tax effect of income not subject to tax	(55,719)	(4.0)	(85,362)	(1.0)
Tax effect of expense not deductible for tax	259,780	18.6	60,325	0.7
– Effect of impairment of goodwill	230,788	16.5	–	–
– Others	28,992	2.1	60,325	0.7
Tax benefit for qualifying research and development expenses	(62,982)	(4.5)	(69,871)	(0.8)
Effect of non-deductible expenses/(non-taxable profit) and different tax rates for overseas subsidiaries	114,172	8.2	(134,229)	(1.6)
Tax effect of tax losses and deductible temporary differences unrecognised	340,579	24.4	788,631	9.3
Deductible translation adjustment (a)	(415,496)	(29.8)	(914,269)	(10.7)
Others	(17,673)	(1.3)	(50,822)	(0.6)
Total tax charge at the Group's effective tax rate	287,648	20.6	1,002,309	11.8

(a) Deductible translation adjustment mainly represents the tax effect of differences arising from foreign exchange effects to Norwegian Kroner ("NOK"), which is the basis for taxation for some group companies in Norway. The translation adjustment mainly relates to the difference between the profit before tax determined on the tax basis in NOK and that determined on the accounting basis of such group companies in US dollars, the functional currency of these companies.

The share of tax attributable to joint ventures amounting to approximately RMB60,655,000 (2014: RMB116,417,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

13. OTHER COMPREHENSIVE INCOME

	2015 RMB'000	2014 RMB'000
Other comprehensive income includes:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	33,988	(40,850)
Income tax relating to items that will not be reclassified subsequently to profit or loss	(8,497)	24,819
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	604,262	32,028
Available-for-sale investments:		
Gains arising during the year	163,434	197,597
Reclassification adjustments for the cumulative gain/loss included in profit or loss upon disposal	(102,345)	(193,795)
Income tax impact	(9,163)	(570)
	51,926	3,232
Share of exchange differences of joint ventures	6,550	1,225
Other comprehensive income, net of income tax	688,229	20,454

14. DIVIDENDS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Proposed final dividend – RMB0.068 per ordinary share (2014: RMB0.48 per ordinary share)	324,468	2,290,364

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars.

14. DIVIDENDS (continued)

Under the PRC Company Law and the Company's articles of association, net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowance has been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory common reserve fund of at least 10% of after-tax profit, until the fund aggregates 50% of the Company's registered capital. For the purpose of calculating the transfer to the reserves, the profit after tax shall be the amount determined under the PRC accounting principles and financial regulations in the PRC. Transfer to this reserve must be made before any distribution of dividends to shareholders.

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

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

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

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

15. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015 RMB'000	2014 RMB'000
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,073,907**	7,492,058

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,760,995,266

No diluted earnings per share is presented for the years ended 31 December 2015 and 2014 as the Group had no potential ordinary shares in issue during those years.

16. PROPERTY, PLANT AND EQUIPMENT

31 December 2015	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2014 and at 1 January 2015							
Cost	11,633,754	48,883,546	13,343,021	109,915	70,597	10,492,239	84,533,072
Accumulated depreciation and impairment	(5,158,792)	(15,697,310)	(8,105,427)	(75,710)	(23,141)	(134,618)	(29,194,998)
Carrying amount	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074
Carrying amount							
At 1 January 2015	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074
Additions	–	200,161	761,791	21	–	6,767,029	7,729,002
Depreciation provided during the year	(617,943)	(2,151,337)	(1,367,151)	(9,264)	(10,518)	–	(4,156,213)
Disposals/write-offs	(46,731)	(22,185)	(22,727)	(425)	(93)	–	(92,161)
Transfers from/(to) construction in progress ("CIP")	1,983,088	4,334,223	881,524	11,027	248,767	(7,458,629)	–
Impairment provided	–	(280,116)	–	–	–	–	(280,116)
Exchange realignment	9,626	1,640,511	83,881	–	10,398	105,042	1,849,458
At 31 December 2015	7,803,002	36,907,493	5,574,912	35,564	296,010	9,771,063	60,388,044
At 31 December 2015							
Cost	13,117,494	55,595,648	14,905,429	116,226	329,223	9,771,063	93,835,083
Accumulated depreciation and impairment	(5,314,492)	(18,688,155)	(9,330,517)	(80,662)	(33,213)	–	(33,447,039)
Carrying amount	7,803,002	36,907,493	5,574,912	35,564	296,010	9,771,063	60,388,044

16. PROPERTY, PLANT AND EQUIPMENT (continued)

31 December 2014	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2013 and at 1 January 2014							
Cost	10,663,122	47,577,582	12,207,577	107,318	67,891	6,410,122	77,033,612
Accumulated depreciation and impairment	(4,770,455)	(13,258,952)	(7,487,289)	(71,488)	(18,890)	(134,132)	(25,741,206)
Carrying amount	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
Carrying amount							
At 1 January 2014	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
Additions	17,713	122,245	884,503	4,992	2,161	7,004,292	8,035,906
Depreciation provided during the year	(606,047)	(1,962,075)	(1,135,922)	(8,833)	(4,255)	–	(3,717,132)
Disposals/write-offs	(97,935)	(12,112)	(26,390)	(377)	(593)	–	(137,407)
Transfers from/(to) construction in progress ("CIP")	1,418,016	710,399	801,038	2,593	1,146	(2,933,192)	–
Reclassified from held for sale	–	129,128	–	–	–	–	129,128
Impairment provided	(151,284)	(214,998)	(7,903)	–	–	–	(374,185)
Exchange realignment	1,832	95,019	1,980	–	(4)	10,531	109,358
At 31 December 2014	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074
At 31 December 2014							
Cost	11,633,754	48,883,546	13,343,021	109,915	70,597	10,492,239	84,533,072
Accumulated depreciation and impairment	(5,158,792)	(15,697,310)	(8,105,427)	(75,710)	(23,141)	(134,618)	(29,194,998)
Carrying amount	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074

As at 31 December 2015, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,511,857,000 (2014: RMB7,607,679,000).

Included in the current year's additions was an amount of approximately RMB17,337,000 (2014: RMB38,525,000) in respect of interest capitalised in property, plant and equipment (note 8), with a capitalisation rate of 1.37% (2014: 1.48% per annum) per annum.

Impairment of property, plant and equipment

During the year ended 31 December 2015, the Group carried out a review of the recoverable amount of the Group's plant and machinery due to the down turn of global oilfield services market. Those assets are used in the Group's drilling services segment, marine support services segment and geophysical and surveying services segment respectively. The review led to the recognition of an impairment loss of RMB280,116,000 (2014: RMB374,185,000) which has been recognised in profit or loss for the year ended 31 December 2015. The impairment losses for the current year have been classified under the drilling services segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate used in measuring value in use was 8% (2014: 8% per annum) per annum.

17. GOODWILL

Goodwill was generated in the acquisition of COSL Holding AS in 2008.

	2015 RMB'000	2014 RMB'000
COST		
At 1 January	**4,122,652**	4,107,763
Exchange realignment	**252,386**	14,889
At 31 December	**4,375,038**	4,122,652
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised in the year	**923,154**	–
Exchange realignment	**57,380**	–
At 31 December	**980,534**	–
CARRYING VALUE		
At 31 December	**3,394,504**	4,122,652

Impairment testing of goodwill

Goodwill acquired through a business combination has been allocated to a group of the drilling services cash-generating units, which is reportable in the "drilling services" segment as disclosed in note 5, for impairment testing.

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections 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 of Asia Pacific, Middle East and Central North America for jack-up and Asia Pacific and Norway for semis-submersible drilling rigs, respectively, with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8% (2014: 8%) per annum. The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for drilling services cash-generating units. Other key assumption for the value in use calculations reflect management's judgments and expectation regarding the unit's past performance, as well as future industry conditions and operations, including expected utilization rates, day rates, cost level and capital requirements. As at 31 December 2015, the recoverable amount of the group of the drilling services cash-generating units is RMB28,629,923,000. During the current year, an impairment loss of goodwill of approximately RMB923,154,000 (2014: Nil) was recognised in profit or loss in view of the unfavorable future prospect of the business of the Group due to the forecasted low utilization rate and fall of services prices of the Group's drilling rigs as a result of further deterioration in the global oilfield services market.

18. OTHER INTANGIBLE ASSETS

31 December 2015	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2015	285	229,468	154,223	–	383,976
Additions	–	89,701	47,810	–	137,511
Amortisation provided during the year	(41)	(5,500)	(51,667)	–	(57,208)
Exchange realignment	–	3,137	2,189	–	5,326
At 31 December 2015	244	316,806	152,555	–	469,605
At 31 December 2015					
Cost	411	354,306	456,595	116,859	928,171
Accumulated amortisation	(167)	(37,500)	(304,040)	(116,859)	(458,566)
Carrying amount	244	316,806	152,555	–	469,605

31 December 2014	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Carrying amount at 1 January 2014	326	234,702	158,192	–	393,220
Additions	–	–	42,974	–	42,974
Amortisation provided during the year	(41)	(5,234)	(47,179)	–	(52,454)
Exchange realignment	–	–	236	–	236
At 31 December 2014	285	229,468	154,223	–	383,976
At 31 December 2014					
Cost	411	261,468	401,511	110,118	773,508
Accumulated amortisation	(126)	(32,000)	(247,288)	(110,118)	(389,532)
Carrying amount	285	229,468	154,223	–	383,976

Note: Pursuant to the announcement of the Company dated 20 March 2012 in respect of connected transaction, land use right with carrying amount of approximately RMB126,017,000 (2014: RMB128,954,000) included in prepaid land lease payments as at 31 December 2015 will be transferred to CNOOC Infrastructure Management Co., Ltd., a wholly-owned subsidiary of CNOOC, with the consideration of RMB157,032,500. Such land use right transfer agreement has already been signed and approved by the board of directors of the Company, and will become effective upon receiving the relevant government body's approval.

At the end of this reporting period, the Directors were uncertain to obtain the government approval for the transfer of the land use right within one year from the end of this reporting period, hence such land use right was not classified as assets held for sale at 31 December 2015 and 31 December 2014 respectively.

19. PARTICULARS OF SUBSIDIARIES

Details of the Group's principal subsidiaries at the end of the reporting period are set out below:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 2015	2014	Principal activities
COSL Chemicals (Tianjin), Ltd.	Tianjin, PRC 7 September 1993	PRC	RMB 20,000,000	100%	100%	Provision of drilling fluids services
COSL Holding AS	Norway 21 January 2005	Norway	NOK 1,494,154,870	100%	100%	Investment holding
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	95%	95%	Provision of drilling services
COSL HongKong Ltd.	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar ("HK$") 10,000	100%	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar ("A$") 10,000	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
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	100%	100%	Provision of drilling services
COSL Norwegian AS	Norway 23 June 2008	Norway	NOK1,541,328,656	100%	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$100,000	100%	100%	Management of 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. SAMUDAR TIMUR SANTOSA ("PT STS")(a)	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.	Shenzhen, PRC 12 September 2013	PRC	RMB 20,000,000	100%	100%	Provision of geophysical and surveying services
COSL Blue Tech International Limited	Hebei, PRC 10 April 2015	PRC	RMB 25,000,000	100%	N/A	Provision of chemical products, R&D and manufacturing services

19. PARTICULARS OF SUBSIDIARIES (continued)

(a) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the years ended 31 December 2015 and 31 December 2014 respectively.

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

20. INVESTMENTS IN JOINT VENTURES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Share of net assets	**681,314**	750,721

Particulars of all joint ventures are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2015	Percentage of Ownership interest 2014	Percentage of Voting rights held 2015	Percentage of Voting rights held 2014	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
Eastern Marine Services Ltd. ("Eastern Marine") (a) (c)	HK$1,000,000	Hong Kong 10 March 2006	0	51	0	50	Marine transportation 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

20. INVESTMENTS IN JOINT VENTURES (continued)

(a) The Group has 60% and 51% of the equity interests in Magcobar and Eastern Marine respectively, and the remaining equity interests are held by the other respective sole investor of Magcobar and Eastern Marine. Pursuant to the articles of associations of Magcobar and Eastern Marine, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of these entities. In the opinion of the Directors, the Group does not have control over Magcobar and Eastern Marine and the investments in these joint arrangements constitute interests in joint ventures based on the rights and obligations of the parties to these joint arrangements. Accordingly, Magcobar and Eastern Marine have been accounted for in the Group's consolidated financial statements using the equity method.

(b) The Group has 49% of the equity interests in PBS-COSL, and the remaining equity interests 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 joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, PBS-COSL has been accounted for in the Group's consolidated financial statements using the equity method.

(c) During the current year, Eastern Marine was liquidated and dissolved.

All of the above investments in joint ventures are directly held by the Company except for Eastern Marine, which is indirectly held through China Oilfield Services (BVI) Limited, a subsidiary of the Company.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

The aggregate financial information in respect of the Group's joint ventures is set out below since none of the joint ventures is individually material.

	31 December 2015 RMB'000	31 December 2014 RMB'000
The Group's share of profit	**169,748**	340,954
The Group's share of other comprehensive income	**6,550**	1,225
The Group's share of total comprehensive income	**176,298**	342,179
Aggregate carrying amount of the Group's interests in these joint ventures	**681,314**	750,721

21. AVAILABLE-FOR-SALE INVESTMENTS

	31 December 2015 RMB'000	31 December 2014 RMB'000
Unlisted equity investment, at cost (a)	**133,682**	125,970
Less: Provision for impairment	**(133,682)**	(125,970)
Total net carrying amount at 31 December	**–**	–

(a) As at 31 December 2015 and 2014, the equity investment in an equity's security, Petrojack ASA, was an unlisted investment. Petrojack ASA had withdrawn its listing status from the stock market since March 2010. Full provision against the equity investment in Petrojack ASA had been made.

22. INVENTORIES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Gross inventories	**1,374,032**	1,337,397
Less: Provisions	**(45,782)**	(36,792)
	1,328,250	1,300,605

As at 31 December 2015 and 2014, the Group's inventories consisted of materials and supplies.

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2015 RMB'000	31 December 2014 RMB'000
Prepayments	**83,920**	135,292
Deposits	**84,854**	82,736
Other receivables	**341,439**	474,466
	510,213	692,494
Less: Provision for impairment of other receivables	**(13,829)**	(11,292)
	496,384	681,202

An analysis of other receivables is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Tax recoverables	**73,996**	141,352
Reimbursable advance to suppliers	**139,524**	168,284
Dividend receivable	**44,000**	85,242
Interest receivable	**18,826**	20,892
Advance to employees	**7,029**	6,310
Other advance	**13,113**	8,995
Insurance claim receivables	**3,326**	3,888
Others	**41,625**	39,503
	341,439	474,466

24. ACCOUNTS RECEIVABLE

The Group's accounts receivable relate to a large number of diversified customers. Other than the accounts receivable related to CNOOC and its subsidiaries, excluding the CNOOC Limited Group (the "CNOOC Group"), and the CNOOC Limited Group, there was no significant concentration of credit risk of the Group's accounts receivable during the reporting period. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. All accounts receivable are non-interest-bearing.

An aged analysis of the accounts receivable, net of provision for impairment, as at the end of the reporting period, based on the invoice date, is as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Outstanding balances aged:		
Within six months	**5,634,523**	6,376,482
Six months to one year	**267,240**	536,561
One to two years	**599,953**	315,068
Two to three years	**151,016**	2,270
	6,652,732	7,230,381

Included in the Group's accounts receivables balance are debtors with a carrying amount of approximately RMB1,018,209,000 (2014: RMB853,899,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of accounts receivables which are past due but not impaired:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Outstanding balances aged:		
Six months to one year	**267,240**	536,561
One to two years	**599,953**	315,068
Two to three years	**151,016**	2,270
	1,018,209	853,899

The Group has provided fully for all receivables aged over three years because historical experience shows that those receivables are generally not recoverable.

The movements in provision for impairment of accounts receivable are as follows:

	2015 RMB'000	2014 RMB'000
At 1 January	**294,067**	186,654
Impairment losses recognised	**564,656**	134,515
Impairment losses reversed	**(5,863)**	(27,531)
Exchange realignment	**28,670**	429
At 31 December	**881,530**	294,067

25. NOTES RECEIVABLE

	31 December 2015 RMB'000	31 December 2014 RMB'000
Trade acceptances	**1,879,836**	2,738,214
Bank acceptances	**26,706**	37,613
	1,906,542	2,775,827

All the notes receivable are of trading nature and will be due within six months from the date of issuance, in which the trade acceptances are normally settled within 30 days from the date of issuance.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Investments in corporate wealth management products and liquidity funds (a)	**3,905,924**	4,776,495
Current portion of deferred expenses (b)	**75,441**	94,416
Value-added tax recoverable	**230,599**	114,612
Other current assets	**4,211,964**	4,985,523
Current portion of deferred revenue *(note 32)*	**(429,418)**	(117,016)
Other current liabilities	**(429,418)**	(117,016)
Non-current portion of deferred expenses (b)	**153,531**	200,967
Value-added tax recoverable	**123,951**	154,712
Tax recoverable	**122,644**	–
Deposits paid for the acquisition of property, plant and equipment (b)	**750,314**	2,123,865
Others	**–**	34,496
Other non-current assets	**1,150,440**	2,514,040

(a) The liquidity funds have no fixed maturity date and no coupon rate. Details of fair value measurement of liquidity funds are disclosed in note 38.

(b) Other non-current assets mainly consisted of deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, and deposits paid for the acquisition of property, plant and equipment. The current portion of deferred expenses was recorded as other current assets. The deferred expenses are amortised over their respective drilling contract periods.

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and balances with banks	**7,297,742**	2,019,560
Deposits with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,506,039**	1,503,902
Time deposits at banks	**4,001,784**	3,255,890
Cash and balances with banks and financial institutions	**12,805,565**	6,779,352
Less:		
Pledged deposits-current	**(31,607)**	(39,119)
Time deposits with maturity of over three months	**(200,000)**	(1,308,046)
Cash and cash equivalents	**12,573,958**	5,432,187

At the end of the reporting period, the cash and bank balances and time deposits at banks of the Group denominated in RMB amounted to approximately RMB3,397,319,000 (2014: RMB3,199,516,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2015, included in the time deposits at banks of the Group were non-pledged time deposits with maturity of more than three months of approximately RMB200,000,000 (2014: RMB1,308,046,000).

Cash at banks earns interest based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and one year depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates.

28. TRADE AND OTHER PAYABLES

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Outstanding balances aged:		
Within one year	**6,745,877**	7,270,558
One to two years	**191,053**	114,775
Two to three years	**45,426**	27,764
Over three years	**43,540**	30,875
	7,025,896	7,443,972

29. DEFERRED TAXATION

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deferred tax assets	**39,707**	11,954
Deferred tax liabilities	**(627,316)**	(753,081)
	(587,609)	(741,127)

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

	Balance at 1 January 2014 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Exchange realignment RMB'000	Balance at 31 December 2014 and 1 January 2015 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Exchange realignment RMB'000	Balance at 31 December 2015 RMB'000
Deferred tax assets:									
Provision for staff bonus	157,112	29,420	–	–	186,532	(77,845)	–	–	108,687
Impairment of assets	51,523	19,797	–	–	71,320	(16,816)	–	–	54,504
Amortisation of intangible assets	4,163	(4,163)	–	–	–	–	–	–	–
Accrued liabilities	–	–	–	–	–	9,273	–	–	9,273
Deductible tax loss	–	11,181	–	–	11,181	18,274	–	1,463	30,918
Others	8,685	(6,517)	–	8	2,176	8,299	–	373	10,848
	221,483	49,718	–	8	271,209	(58,815)	–	1,836	214,230
Deferred tax liabilities:									
Accelerated depreciation of property, plant and equipment	953,950	(207,460)	–	1,111	747,601	(63,683)	–	6,749	690,667
Fair value adjustment arising from acquisition of a subsidiary	382,228	(126,561)	–	1,878	257,545	(183,147)	–	7,969	82,367
Fair value change in available for sale investment	6,336	–	570	–	6,906	–	9,163	–	16,069
Others	448	(164)	–	–	284	11,927	–	525	12,736
	1,342,962	(334,185)	570	2,989	1,012,336	(234,903)	9,163	15,243	801,839
	1,121,479	(383,903)	570	2,981	741,127	(176,088)	9,163	13,407	587,609

29. DEFERRED TAXATION (continued)

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's joint ventures for which deferred tax liabilities have not been recognised was RMB1,013,919,000 (31 December 2014: RMB1,055,751,000). No liability has been recognised in respect of these differences as the investment company and those joint ventures are all located in the PRC.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,628,456,000 (31 December 2014: RMB2,684,525,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2015, accumulated tax losses arising in subsidiaries of the Company of approximately RMB7,487,902,000 (2014: RMB5,886,643,000) were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in near future.

At 31 December 2015, the Group has deductible temporary differences of RMB177,153,000 (31 December 2014: RMB146,759,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

30. INTEREST-BEARING BANK BORROWINGS

Current:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Short term bank loan-guaranteed (a)	3,896,160	–
Current portion of long term bank loans	7,555,369	3,817,369
	11,451,529	3,817,369

Non-current:

	Contractual interest rate (%)	Year of maturity	31 December 2015 RMB'000	31 December 2014 RMB'000
Export-Import Bank of China-unsecured (b)	LIBOR+170bps	2020	2,716,102	3,066,886
Bank of China-unsecured (c)	LIBOR+138bps	2017	8,560,202	10,081,023
Bank of China-unsecured (d)	LIBOR+90bps	2017	3,116,928	3,671,400
Industrial and Commercial Bank of China-unsecured (d)	LIBOR+90bps	2017	2,337,696	2,753,550
CDB Development Fund (as defined below)-unsecured (e)	1.08%	2035	216,745	–
CDB Development Fund-unsecured (e)	1.08%	2033	90,251	–
			17,037,924	19,572,859
Less: Current portion of long term bank loans			(7,555,369)	(3,817,369)
			9,482,555	15,755,490

30. INTEREST-BEARING BANK BORROWINGS (continued)

(a) The Group borrowed a US$600,000,000 short term loan from Hongkong and Shanghai Banking Corporation Limited in May 2015 for the purpose of financing COSL Holding AS's daily operations. The loan was guaranteed by CNOOC, bearing interest at rates ranging from LIBOR+0.375% to LIBOR+0.675% per annum and repayable within one year from 31 December 2015.

(b) The Group borrowed a US$800,000,000 loan for the purpose of funding the acquisition of a subsidiary. The repayment started on 2 September 2011 over 19 instalments amounting to US$42,100,000 bi-annually.

(c) The Group entered into a US$2,200,000,000 credit facility agreement with Bank of China on 30 April 2009, of which US$1,700,000,000 was assigned to replace COSL Holding AS's loans and bonds and US$500,000,000 was assigned to finance COSL Holding AS's daily operations. The repayment started on 14 May 2012 over 11 instalments bi-annually.

(d) The Group borrowed US$800,000,000 from Bank of China and US$600,000,000 from Industrial and Commercial Bank of China in May 2009 to replace COSL Holding AS's syndicated bank loan. The repayments started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually.

(e) The Group borrowed RMB320,000,000 and RMB130,000,000 loans from China Development Bank Development Fund Co., Ltd. ("CDB Development Fund"), a wholly owned subsidiary of China Development Bank, in December 2015 for the purpose of funding the acquisition of properties, plant and equipment. China Development Bank is a state-owned bank. The repayments will start in December 2018 over 36 and 32 instalments bi-annually, respectively. These loans bear interest at 1.08% per annum which is below prevailing market interest rate. The fair value of the loans measured at prevailing market interest rate of 4.9% per annum was approximately RMB306,996,000. The difference of RMB143,004,000 between the proceeds of the loans received and the fair value of the loans is treated as government grant and recognised in deferred revenue (note 32).

For all bank borrowings as stated above, the weighted average effective interest rate for the year ended 31 December 2015 was 1.66% per annum (2014: 1.64% per annum).

	31 December 2015 RMB'000	31 December 2014 RMB'000
Bank borrowings repayable:		
Within one year	**11,451,529**	3,817,369
In the second year	**7,398,079**	7,101,147
In the third to fifth year, inclusive	**1,700,476**	8,139,108
Beyond five years	**384,000**	515,235
	20,934,084	19,572,859

There were no assets pledged for any of the above bank borrowings as at 31 December 2015 (2014: Nil).

31. LONG TERM BONDS

	Year of maturity	31 December 2015 RMB'000	31 December 2014 RMB'000
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,442,611**	6,064,340
Guaranteed medium term notes			
– First Drawdown Note (c)	2020	**3,226,724**	–
– Second Drawdown Note (c)	2025	**3,221,489**	–
		14,390,824	7,564,340

(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 effective interest rate of 4.48% per annum (2014: 4.48% per annum), which is payable annually in arrears on 14 May of each year, and the redemption or maturity date is 14 May 2022.

(b) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a US$1,000,000,000 principal amount. Interest of the bonds is payable semi-annually in arrears on March 6 and September 6 of each year, and the redemption or maturity date is 6 September 2022. The effective interest rate for the year ended 31 December 2015 was 3.38 % per annum (2014: 3.38% per annum).

(c) 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 principle amount of US$3,500,000,000.

On 30 July 2015, COSL Singapore Capital Ltd. issued the first tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "First Drawdown Note"). The effective interest rate for the year ended 31 December 2015 was 3.61% per annum after taking into consideration of initial transaction costs. The principle of the First Drawdown Note will be repaid on 30 July 2020 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate for the year ended 31 December 2015 was 4.58% per annum after taking into consideration of initial transaction costs. The principle of the Second Drawdown Note will be repaid on 30 July 2025 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

32. DEFERRED REVENUE

Deferred revenue consists of the contract value generated in the process of the acquisition of COSL Holding AS, the deferred mobilisation revenue, government grants, subsidies received from customers related to acquisition of machinery for provision of drilling services (the "Subsidies") and the compensation fee received from customer in respect of the cancellation of service contract. The deferred revenue generated from contract value, deferred mobilisation revenue and the Subsidies are amortised according to the related drilling contract periods and are credited to revenues of the Group. The deferred revenue generated from the compensation fee arising from the cancellation of service contract are amortised over the remaining service contract period and are credited to revenue of the Group. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred, and is credited to other revenue of the Group.

	Contract value RMB'000	Mobilisation revenue RMB'000	Government grant related to assets RMB'000	Government grant related to income RMB'000	Compensation fee RMB'000	Subsidies RMB'000	Total RMB'000
At 1 January 2014	514,261	208,467	227,717	51,759	–	376,341	1,378,545
Addition	–	185,408	1,200	35,735	–	61,428	283,771
Credited to profit or loss	(72,685)	(203,294)	(12,752)	(71,330)	–	(117,342)	(477,403)
Exchange realignment	2,141	261	–	–	–	1,581	3,983
At 31 December 2014	443,717	190,842	216,165	16,164	–	322,008	1,188,896
Additions	–	18,997	156,484	22,208	567,285	2,716	767,690
Credited to profit or loss	(74,578)	(71,983)	(22,441)	(22,060)	(264,047)	(75,196)	(530,305)
Exchange realignment	23,901	9,611	–	–	23,668	16,627	73,807
At 31 December 2015	393,040	147,467	350,208	16,312	326,906	266,155	1,500,088

The following is the analysis of the deferred income balances for financial reporting purposes:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Current portion	429,418	117,016
Non-current portion	1,070,670	1,071,880
Balance at end of the year	1,500,088	1,188,896

33. ISSUED CAPITAL

	31 December 2015 RMB'000	31 December 2014 RMB'000
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

On 15 January 2014, a total of 276,272,000 new H shares were allotted and issued by the Company at the price of HK$21.30 (equivalent to RMB16.75) per share.

34. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and equipment under operating lease arrangements. Leases for properties and equipment are negotiated for terms ranging from one to five years.

At 31 December 2015 and 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**716,957**	929,773
In the second to fifth year, inclusive	**1,601,193**	2,273,417
	2,318,150	3,203,190

35. CAPITAL COMMITMENTS

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Contracted, but not provided for	**3,476,027**	11,403,926

At the end of the reporting period, the Group's share of joint ventures' own capital commitments were insignificant.

36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before tax to cash generated from operations

	Notes	2015 RMB'000	2014 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,396,354**	8,522,492
Adjustments for:			
Finance costs	8	**686,610**	577,641
Interest income		**(105,248)**	(155,033)
Investment income	7	**(102,345)**	(193,795)
Share of profits of joint ventures	20	**(169,748)**	(340,954)
Exchange (gain)/loss, net		**(90,640)**	5,690
Loss on disposal of property, plant and equipment, net	7	**33,581**	32,096
Depreciation of property, plant and equipment and amortisation of intangible assets		**4,213,421**	3,769,586
Impairment of accounts receivable and other receivables	7	**561,330**	108,192
Impairment of inventories	7	**7,833**	5,201
Impairment of goodwill		**923,154**	–
Impairment of property, plant and equipment		**280,116**	374,185
		7,634,418	12,705,301
Increase in inventories		**(36,635)**	(254,344)
Decrease/(increase) in accounts receivable		**135,276**	(1,464,814)
Decrease/(increase) in notes receivable		**869,285**	(1,262,452)
Decrease/(increase) in prepayments, deposits and other receivables, net of deposits for property, plant and equipment		**153,136**	(231,328)
(Decrease)/increase in trade and other payables, net of payables for purchases of property, plant and equipment		**(1,155,084)**	1,928,454
(Decrease)/increase in salary and bonus payables		**(463,147)**	296,007
Increase/(decrease) in deferred revenue		**78,185**	(256,260)
Cash generated from operations		**7,215,434**	11,460,564

37. RELATED PARTY TRANSACTIONS

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is an SOE subject to the control of the State Council of the PRC Government.

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

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties.

In addition to the transactions and balances detailed elsewhere in the consolidated financial statements, the following is a summary of significant transactions carried out between the Group and (i) the CNOOC Limited Group; (ii) the CNOOC Group; and (iii) the Group's joint ventures.

a. Included in revenue-gross revenue earned from provision of services to the following related parties

		2015 RMB'000	2014 RMB'000
i	**CNOOC Limited Group**		
	– Provision of drilling services	**5,645,213**	8,890,403
	– Provision of well services	**6,205,985**	7,838,913
	– Provision of marine support services	**2,319,417**	2,926,894
	– Provision of geophysical and surveying services	**1,365,081**	2,025,390
		15,535,696	21,681,600
ii	**CNOOC Group**		
	– Provision of drilling services	**38,726**	94,300
	– Provision of well services	**99,628**	101,973
	– Provision of marine support services	**105,980**	324,342
	– Provision of geophysical and surveying services	**76,421**	251,118
		320,755	771,733
iii	**Joint ventures**		
	– Provision of drilling services	**142**	41
	– Provision of well services	**11,623**	8,070
	– Provision of marine support services	**–**	4,279
	– Provision of geophysical and surveying services	**21,133**	22,499
		32,898	34,889

37. RELATED PARTY TRANSACTIONS (continued)

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

b. Included in operating expenses

	2015 RMB'000	2014 RMB'000
i **CNOOC Limited Group**		
Materials, utilities and other ancillary services	**4,876**	4,067
	4,876	4,067
Property services	**6,359**	–
	11,235	4,067
ii **CNOOC Group**		
Labour services	**3,449**	8,366
Materials, utilities and other ancillary services	**664,232**	966,976
Transportation services	**32,989**	34,717
Leasing of equipment	**507,097**	546,056
Repair and maintenance services	**19,452**	34,113
Management services	**2,300**	768
	1,229,519	1,590,996
Property services	**235,202**	152,535
	1,464,721	1,743,531
iii **Joint ventures**		
Materials, utilities and other ancillary services	**59,236**	70,263
Leasing of equipment	**18,647**	61,972
	77,883	132,235

c. Included in interest income

	2015 RMB'000	2014 RMB'000
CNOOC Finance (a subsidiary of CNOOC)		
Interest income	**47,121**	44,412

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

37. RELATED PARTY TRANSACTIONS (continued)

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

d. Guarantees

In 2015, CNOOC provided unconditional and irrevocable guarantee for the short-term bank borrowing of COSL Holding AS (note 30), a wholly-owned subsidiary of the Company, obtained from Hongkong and Shanghai Banking Corporation Limited, amounting to US$600,000,000 (2014: Nil). The guarantee maturity date is 7 May 2016.

e. Deposits

	31 December 2015 RMB'000	31 December 2014 RMB'000
Deposits placed with CNOOC Finance as at the end of the reporting period	**1,506,039**	1,503,902

Except for items a(iii) and b(iii) in note 37 (A) above, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

f. Commitments with related parties

(a) Operating lease commitments

The Group has the following significant operating lease commitments with related parties principally for leasing of certain properties and equipment, which have been included in note 34:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Within one year	**111,979**	377,042
In the second to fifth year, inclusive	**276,120**	391,226
	388,099	768,268

(b) Capital commitments

The Group has no capital commitments with related parties as of 31 December 2015 and 2014.

37. RELATED PARTY TRANSACTIONS (continued)

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

g. Outstanding balances with related parties

Accounts receivable

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

	31 December 2015 RMB'000	31 December 2014 RMB'000
Due from CNOOC Limited Group	3,502,886	4,104,708
Due from CNOOC Group	102,673	147,906
Due from joint ventures	2,567	8,177
	3,608,126	4,260,791

Prepayments, deposits and other receivables

	31 December 2015 RMB'000	31 December 2014 RMB'000
Due from CNOOC Limited Group	1,792	5,432
Due from CNOOC Group	694	702
Due from joint ventures	15,331	11,059
	17,817	17,193
Less: Provision for impairment of other receivables	(500)	(500)
	17,317	16,693

Dividend receivable

	31 December 2015 RMB'000	31 December 2014 RMB'000
Dividend receivable from joint ventures	44,000	85,242

37. RELATED PARTY TRANSACTIONS (continued)

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

g. Outstanding balances with related parties (continued)

Notes receivable

	31 December 2015 RMB'000	31 December 2014 RMB'000
Due from CNOOC Limited Group	**1,877,031**	2,738,213

Included in trade and other payables

	31 December 2015 RMB'000	31 December 2014 RMB'000
Due to CNOOC Limited Group	**12,814**	8,515
Due to CNOOC Group	**864,434**	585,351
Due to joint ventures	**127,018**	192,053
	1,004,266	785,919

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

The balances with related parties at 31 December 2015 included in accounts receivables, prepayments, deposits and other receivables, notes receivable, dividend receivable and trade and other payables of the Group, are unsecured, interest-free, and have no fixed terms of repayment.

In connection with the Reorganisation of CNOOC in preparation for the listing of the Company's shares on the HKSE, the Company entered into several agreements with the CNOOC Group and CNOOC Limited Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

Prior to the Reorganisation, the Group occupied certain properties owned by CNOOC at nil consideration. The Company entered into various property lease agreements in September 2002 with the CNOOC Group and CNOOC Limited Group to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually.

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

37. RELATED PARTY TRANSACTIONS (continued)

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

h. Transactions with other SOEs in the PRC

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

In addition, the Group has certain of its cash and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2015, as summarised below:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Cash and cash equivalents	1,055,675	747,316
Time deposits with financial institutions	2,531,656	1,755,890
	3,587,331	2,503,206
Long-term bank loans *(note 30)*	9,482,555	15,755,490
Current portion of long term bank loans *(note 30)*	7,555,369	3,817,369
	17,037,924	19,572,859

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

	2015 RMB'000	2014 RMB'000
Finance costs	302,987	350,438

(B) Compensation of key management personnel of the Group

	2015 RMB'000	2014 RMB'000
Short-term employee benefits	4,712	7,105
Post-employment benefits	503	592
Total compensation paid to key management personnel	5,215	7,697

Further details of Directors', supervisors' and the chief executive's emoluments are included in note 9.

38. FINANCIAL INSTRUMENTS

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

	31 December 2015			31 December 2014		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in deposits and other receivables *(note 23)*	331,439	–	331,439	398,248	–	398,248
Accounts receivable *(note 24)*	6,652,732	–	6,652,732	7,230,381	–	7,230,381
Notes receivable *(note 25)*	1,906,542	–	1,906,542	2,775,827	–	2,775,827
Pledged deposits *(note 27)*	31,607	–	31,607	39,119	–	39,119
Time deposits with maturity of over three months *(note 27)*	200,000	–	200,000	1,308,046	–	1,308,046
Cash and cash equivalents *(note 27)*	12,573,958	–	12,573,958	5,432,187	–	5,432,187
Financial assets included in other current assets *(note 26)*	1,502,210	2,403,714	3,905,924	2,905,695	1,870,800	4,776,495
Total	23,198,488	2,403,714	25,602,202	20,089,503	1,870,800	21,960,303

Financial liabilities

	31 December 2015 RMB'000	31 December 2014 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	7,696,720	8,083,077
Salary and bonus payables	985,252	1,463,861
Interest-bearing bank borrowings – current portion *(note 30)*	11,451,529	3,817,369
Subtotal	20,133,501	13,364,307
Non-current		
Interest-bearing bank borrowings *(note 30)*	9,482,555	15,755,490
Long term bonds *(note 31)*	14,390,824	7,564,340
Subtotal	23,873,379	23,319,830
Total	44,006,880	36,684,137

38. FINANCIAL INSTRUMENTS (continued)

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

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2015 RMB'000	31/12/2014 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments – money market fund	2,403,714	1,870,800	Level 1	Quoted bid prices in an active market

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

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

	Carrying amounts		Fair values	
	31 December 2015 RMB'000	31 December 2014 RMB'000	31 December 2015 RMB'000	31 December 2014 RMB'000
Financial liabilities				
Non-current				
Long term bonds *(note 31)*	14,390,824	7,564,340	14,210,661	7,261,059

Corporate bonds issued by the Company with fair value hierarchy of Level 2 is traded on China Interbank Bond Market of which its fair value is provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the discount rate that reflect its own credit spread as the key input. The fair value of senior unsecured USD bonds and guaranteed medium term notes issued by COSL Finance (BVI) Limited and COSL Singapore Capital Ltd. respectively with fair value hierarchy of Level 2 are using the present value valuation technique using income approach and applying treasury bond rate as adjusted to reflect the credit risk of the issuer as key input.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank borrowings, long term bonds, cash and short term deposits, investments in corporate wealth management products and liquidity funds. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB and USD, the aforesaid currency is defined as the functional currency of the Company and some subsidiaries respectively. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has foreign currency sales, purchases, bank borrowings, long term bonds, pledged deposits, time deposits with maturity of over three months and cash and cash equivalents denominated in US$, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values of monetary assets and liabilities) by using a sensitivity analysis on the change in the foreign exchange rates of the US dollar, from which the Group's foreign currency risk has arisen as at 31 December 2015 and 2014. Based on management's assessment at 31 December 2015, a change in depreciation of US dollars by 5% would lead to a decrease in the Group's net profit by RMB91,677,000 (2014: RMB170,988,000). Conversely, a change in appreciation of US dollars by 5% would lead to an increase in the Group's net profit by RMB91,677,000 (2014: RMB170,988,000).

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate long-term bonds (see note 31) and fixed-rate interest-bearing bank borrowings (see note 30). The cash flow interest rate risk of the Group relates primarily to variable-rate bank borrowings (see note 30 for details of these borrowings) and certain cash and cash equivalent (see note 27). The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on time deposits is insignificant as the fixed deposits are short-term.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for cash and cash equivalent as the Directors consider that the fluctuation in interest rates on cash and cash equivalent is minimal. For variable-rate bank borrowings, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2014: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 50 basis points (2014: 50 basis points) and all other variables were held constant, the Group's post-tax profit would decrease (increase) by approximately RMB81,890,000 for the year ended 31 December 2015 (2014: RMB84,997,000) without considering the effect of capitalisation of borrowing costs.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and investments in corporate wealth management products and liquidity funds, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages this credit risk by only dealing with reputable financial institutions.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are analysed by customer/counterparty, by geographical region and by industry sector. The Group has concentration of credit risk in respect of accounts receivable as the Group's largest trade receivable and the five largest trade receivables represent 53% (2014: 57%) and 92% (2014: 89%) of the total trade receivables respectively.

No other financial assets carry a significant exposure to credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's objective is to maintain a balance between continuity of funding and flexibility through long term bonds and interest-bearing loans. 32% of the Group's borrowings would mature in less than one year as at 31 December 2015 (2014: 14%) based on the carrying value of interest-bearing bank and other borrowings reflected in the financial statements.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	31 December 2015						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	11,779,656	7,735,714	1,843,071	450,605	21,809,046	20,934,084
Long term bonds	–	537,986	537,986	4,860,758	12,527,414	18,464,144	14,390,824
Financial liabilities included in trade and other payables	–	7,696,720	–	–	–	7,696,720	7,696,720
Salary and bonus payables	–	985,252	–	–	–	985,252	985,252
	–	20,999,614	8,273,700	6,703,829	12,978,019	48,955,162	44,006,880

	31 December 2014						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	4,118,189	7,362,291	8,316,019	521,107	20,317,606	19,572,859
Long term bonds	–	266,068	266,068	798,203	8,616,070	9,946,409	7,564,340
Financial liabilities included in trade and other payables	–	8,083,077	–	–	–	8,083,077	8,083,077
Salary and bonus payables	–	1,463,861	–	–	–	1,463,861	1,463,861
	–	13,931,195	7,628,359	9,114,222	9,137,177	39,810,953	36,684,137

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, long term bonds, trade and other payables, less cash and cash equivalents (not including pledged deposits). Capital represents equity attributable to owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

	31 December 2015 RMB'000	31 December 2014 RMB'000
Interest-bearing bank borrowings *(note 30)*	**20,934,084**	19,572,859
Trade and other payables *(note 28)*	**8,081,048**	8,634,342
Long term bonds *(note 31)*	**14,390,824**	7,564,340
Less: Cash and cash equivalents and time deposit with maturity of over three months *(note 27)*	**(12,773,958)**	(6,740,233)
Net debt	**30,631,998**	29,031,308
Equity attributable to owners of the Company	**46,741,378**	47,272,634
Non-controlling interests	**87,292**	49,465
Total capital	**46,828,670**	47,322,099
Capital and net debt	**77,460,668**	76,353,407
Gearing ratio	**40%**	38%

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS		
Property, plant and equipment	**29,457,953**	24,808,625
Other intangible assets	**342,077**	341,399
Investments in subsidiaries	**7,348,799**	7,323,799
Investments in joint ventures	**148,926**	148,926
Other long term receivables	**13,930,576**	19,980,201
Other non-current assets	**750,314**	2,123,865
Total non-current assets	**51,978,645**	54,726,815
CURRENT ASSETS		
Inventories	**776,802**	714,231
Prepayments, deposits and other receivables	**876,324**	835,029
Accounts receivable	**5,344,932**	5,783,520
Notes receivable	**1,906,542**	2,772,334
Other current assets	**3,905,924**	4,776,495
Pledged deposits	**4,156**	3,060
Time deposits with maturity of over three months	**200,000**	1,308,046
Cash and cash equivalents	**6,888,194**	3,688,748
Total current assets	**19,902,874**	19,881,463
CURRENT LIABILITIES		
Trade and other payables	**7,205,759**	6,948,182
Salary and bonus payables	**818,553**	1,273,903
Tax payable	**–**	174,110
Interest-bearing bank borrowings	**7,555,369**	3,817,369
Other current liability	**10,185**	–
Total current liabilities	**15,589,866**	12,213,564
NET CURRENT ASSETS	**4,313,008**	7,667,899
TOTAL ASSETS LESS CURRENT LIABILITIES	**56,291,653**	62,394,714
NON-CURRENT LIABILITIES		
Deferred tax liabilities	**425,416**	367,070
Interest-bearing bank borrowings	**9,482,555**	15,755,490
Long term bonds	**1,500,000**	1,500,000
Deferred revenue	**372,650**	251,862
Total non-current liabilities	**11,780,621**	17,874,422
Net assets	**44,511,032**	44,520,292

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

	31 December 2015 RMB'000	31 December 2014 RMB'000
EQUITY		
Issued capital	4,771,592	4,771,592
Reserves	39,739,440	39,748,700
Total equity	44,511,032	44,520,292

Movements in the Company's reserves

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000
Balance at 1 January 2014	8,074,565	2,508,656	35,907	(84,807)	18,895,124	2,051,785	31,481,230
Profit for the year	–	–	–	–	6,013,556	–	6,013,556
Other comprehensive income for the year	–	–	3,232	5,295	–	–	8,527
Total comprehensive income for the year	–	–	3,232	5,295	6,013,556	–	6,022,083
Issue of the new shares	4,350,399	–	–	–	–	–	4,350,399
Transaction costs attributable to issue of shares	(53,227)	–	–	–	–	–	(53,227)
Final 2013 dividend paid	–	–	–	–	–	(2,051,785)	(2,051,785)
Proposed final 2014 dividend	–	–	–	–	(2,290,364)	2,290,364	–
At 31 December 2014	12,371,737	2,508,656	39,139	(79,512)	22,618,316	2,290,364	39,748,700
Balance at 1 January 2015	12,371,737	2,508,656	39,139	(79,512)	22,618,316	2,290,364	39,748,700
Profit for the year	–	–	–	–	2,148,994	–	2,148,994
Other comprehensive income for the year	–	–	51,926	80,184	–	–	132,110
Total comprehensive income for the year	–	–	51,926	80,184	2,148,994	–	2,281,104
Final 2014 dividend paid	–	–	–	–	–	(2,290,364)	(2,290,364)
Proposed final 2015 dividend	–	–	–	–	(324,468)	324,468	–
At 31 December 2015	12,371,737	2,508,656	91,065	672	24,442,842	324,468	39,739,440

40. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

As detailed in note 14, the Company is required to transfer a minimum percentage of after-tax profit, if any, to the statutory common reserve fund, until the fund aggregates 50% of the Company's registered capital. As the aggregate amount of the statutory reserve funds as at 31 December 2015 were in excess of 50% of the Company's registered capital, the Directors are of the view that no further provision of these funds is required for this year.

As at 31 December 2015, in accordance with the PRC Company Law, an amount of approximately RMB12,371,737,000 (2014: RMB12,371,737,000) standing to the credit of the Company's capital reserve account and an amount of approximately RMB2,508,656,000 (2014: RMB2,508,656,000) standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting principles and financial regulations in the PRC, were available for distribution by way of a future capitalisation issue. In addition, the Company had retained profits of approximately RMB24,767,310,000 (2014: RMB24,908,680,000) available for distribution as dividends. Save as the aforesaid, the Company did not have any reserves available for distribution to its shareholders at 31 December 2015.

The retained profits of the Company determined under the relevant PRC accounting principles and financial regulations in the PRC amounted to approximately RMB25,292,000,000 as at 31 December 2015 (2014: RMB25,433,000,000).

41. EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

On 4 March 2016, COSL Drilling Europe AS, the wholly owned subsidiary of the Group, received notification from Statoil Petroleum AS ("Statoil") for requesting the termination and suspension of the service contracts of COSLINNOVATOR and COSLPROMOTER respectively. COSL Drilling Europe AS was also asked to take the necessary actions in order to fulfil certain requirements of the service contract of COSLPROMOTER. The original remaining contract periods for COSLINNOVATOR and COSLPROMOTER are 56 months and 61 months, respectively. Statoil is not going to pay any compensation to the Group in respect of above termination and suspension of service contracts in accordance with the relevant agreements.

Taking into account the contractual arrangements with Statoil and the circumstances and conditions of these two drilling rigs, the management of the Group is of the view that the grounds for demanding termination and suspension of above service contracts by Statoil are invalid. The Group has started negotiation with Statoil to resolve the dispute, and legal action may be taken to defense the Group's interests if necessary. The service contract of COSLPROMOTOER with Statoil was resumed from 18 March 2016 after further negotiation between the Group and Statoil. As at the date of approval of these consolidated financial statements, no consensus has been reached for the service contract of COSLINNOVATOR.

In March 2016, as approved by the State Council of the PRC, starting from 1 May 2016, the replacement of business tax with value added tax (the "VAT Pilot Program") will be implemented nationwide to cover various industries including construction, real estate, financial service and lifestyle services.

On 23 March 2016, the Ministry of Finance of the PRC and the State Administration of Taxation of the PRC jointly issued Cai Shui [2016] No. 36 "Notice on Tax Policy Concerning Nationwide Implementation of VAT Pilot Program" (the "No.36 Notice") setting out regulations on the implementation and other relevant matters.

The VAT Pilot Program may have certain impact on the financial performance and financial position of the Group. As at the date of approval of these consolidated financial statements, detailed review of the effect of the VAT Pilot Program according to the requirements of the No.36 Notice is being undertaken by the Group.

42. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements were approved and authorised for issue by the board of directors on 29 March 2016.

Company Information

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Newspapers for disclosure of information
China Securities Journal
Shanghai Securities News
Securities Times
Securities Daily
Website designated by CSRC on which the Company's annual report is posted: www.sse.com.cn

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Place of Listing of Shares, Stock Name and Stock Code
Place of Listing of H Share
The Stock Exchange of Hong Kong Limited
Stock Code of H Share: 2883

Place of Listing of A Share
Shanghai Stock Exchange
Stock Name of A Share: COSL
Stock Code of A Share: 601808

Business license registration number of corporate legal person
100000000036124

Tax Registration Number
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Corporate Business Number
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Documents for Inspection

1. Financial statements signed and sealed by legal representative, the person in charge of accounting work and the person in-charge of accounting department.
2. Original copy of auditors' report (PRC) with seals of audit firm and signed by certified public accountants.
3. Original copy of auditors' report (Hong Kong) signed by certified public accountants.
4. Original copy of all documents of the Company and Announcements disclosed on the newspaper designated by CSRC during the reporting period.
5. 2015 Annual Report published in the Hong Kong Stock Exchange.

China Oilfield Services Limited

Chairman
29 March 2016

Glossary

AGM	Annual general meeting
EGM	Extraordinary general meeting
COSL or the Group	China Oilfield Services Limited
CNOOC	China National Offshore Oil Corporation
CNOOC Limited	CNOOC Limited
2D	Seismic data collected in two dimensional form, by utilizing a single sound source and one or more collection points; typically 2D is used to map geographical structures for initial analysis.
3D	Seismic data collected in three-dimensional form, by utilizing two sound sources and two or more collection points; typically 3D is used to acquire refined seismic data and to raise the probability of successful exploration well drilling
COSL Holding AS	Formerly COSL Drilling Europe AS or CDE, the subsidiary of the Company in Norway
ELIS	Enhanced Logging Imaging System
IPM	Integrated project management
OSHA	Statistical standard for occupational injuries and diseases
QHSE	Quality, health, safety and environment management system
WTI	West Texas Intermediate crude oil
HTHP	High temperature and high pressure
LWD	Logging-while-drilling, generally means the measuring of physical parameters of rock formation during the process of drilling, and transmitting the real time measured results by data telemetry system to the ground surface for processing.
Cementing	The technique of filling of cement slurries into the ring-shaped space formed between the inner well hole casing and the well wall to cement them together.
Well completion	Services and installation of equipment that are necessary to prepare a well for production, including casing and well treatment, such as acidizing and fracking
Well workover	Any work on a completed well designed to maintain, restore or improve production from a currently producing petroleum reservoir, this may include replacement of casing and well treatment, such as sand control, fracking and acidizing
Available day utilization rate	Operating days/(calendar days-days of repairs and maintenance)
Calendar day utilization rate	Operating days/calendar days

Integrated marine surveying vessels	Vessels providing marine surveying, marine geological coring, CPT in-situ testing, marine environment observation/sampling and marine supporting services.
Geophysical vessels	Vessels carrying out marine seismic survey. Equipped with seismic survey equipment, streamers towed behind vessel, collecting seismic data by generating and receiving seismic waves during continuous sailing.
RSS	Rotary steerable system
Seismic data	Data recorded in either two dimensional (2D) or three dimensional (3D) form from sound wave reflections off of subsurface geology. This data is used to understand and map geological structures for exploratory purposes to predict the location of undiscovered reserves.
Streamers	Clear flexible tubing containing numerous hydrophones used for marine seismic surveys; streamers are towed behind seismic vessels at controlled shallow water depths to collect seismic data
Jack-up rigs	Jack-up rigs are so named because they are self-elevating—with three or four movable legs that can be extended ("jacked") above or below the drilling deck. During towing, the legs of a jack-up rig are elevated. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor (or onto the sea floor with mat supported jack-ups). This anchors the rig and holds the drilling deck well above the waves.
Semi-submersibles	Semi-submersibles do not rest on the sea floor as jackup rigs. Instead, the working deck sits atop giant pontoons and hollow columns. These afloat above the water when the rig moves. At the drill site, the crew pumps seawater into the pontoons and columns to partially submerge the rig, hence the name semisubmersible. With much of its bulk below the water's surface, the semi-submersible becomes a stable platform for drilling, moving only slightly with wind and currents. Like jack-ups, most semi-submersibles are towed to the drill site. Because of their exceptional stability, "semis" are well suited for drilling in rough waters. Semisubmersibles can drill in water as deep as 10,000 feet Drillships are specially built seagoing vessels that also drill in water as deep as 10,000 feet.
Module rigs	Complete rig installation fixed on offshore jacket which is immovable as a whole.
bbl	A barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees).
foot	Measuring unit of length, which is equivalent to approximately 0.305 meter.
Standard coal	The uniform standard of thermal value, China required the thermal value of 1 kg standard coal to be 7,000 kilocalorie.
Recordable incidents	Injury incident caused by work or impact of the work environment leading to death or occupational diseases or loss of consciousness, restricted working ability or mobility, or job transfer or injury incident which requires more than a simple medical treatment.

CHINA OILFIELD SERVICES LIMITED

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

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