COSL

CHINA OILFIELD SERVICES LIMITED
中海油田服務股份有限公司
(Stock Code 股份代號：2883)

Continuous Development to
Create Brighter Future 持續發展 共創未來

2009 INTERIM REPORT 中期報告

Financial Highlights

1. Revenue increased by **53.0%** to **RMB7,814 million.**

2. Profit from operations decreased by 4.5% to RMB1,823 million.

3. Profit for the period decreased by 33.0% to RMB1,028 million.

4. Basic earnings per share were RMB22.88 cents.

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Chief Executive Officer's Report

Dear Shareholders,

In the first half of 2009, the impact of the global financial crisis on the oil industry was significant. With the fall in oil price and reduced investment by oil companies, the oilfield services industry was affected generally. Comparing to the first half of last year, companies in the industry often seen significantly decreased revenue and profit as well as sharply diminished market capitalization.

In view of the severe market condition, the senior management and all employees of COSL have consolidated the Company's existing markets and developed new markets on the basis of rapid development in the past several years. We also controlled cost and expenses strictly, and strengthened our system establishment and management. In the first half of the year, we focused on integrating assets acquired with our production capabilities to ensuring the full utilization of material assets. At the same time, leveraging on our synergy and leading position in the domestic market, we maintained, in a backdrop of falling day rate and utilization rate for jack-up rigs internationally, a relatively high utilization rate of the jack-up rigs which has also driven the development of other business segments. As for our production and operation, the Company's revenue reached RMB7,813.8 million, representing an increase of 53.0% over the same period of last year. In consideration of factors such as the impact of financial crisis on the macro economy and the oil industry, and the delay in delivery of three semi-submersibles under construction, the Company has recognised impairment for the assets acquired. As a result, the Company's net profit for the first half of the year decreased 33.0% from the same period of last year, however, we still recorded a net profit of RMB1,028.4 million and an EPS of RMB0.2288 (RMB22.88 cents).

Our four core segments remain stable on the whole with mixed development. In the first half of 2009, the financial crisis and low oil price presented greater challenges for the Company's four core segments. Due to the lagging effect of economic recession and falling oil price on the oilfield services sector, the influence of such factors has not yet been fully reviewed. The Company actively developed new markets and was thus able to maintain a stable business for the four core segments on the whole. Our drilling capacity was enhanced significantly with contribution from drilling business of the newly acquired CDE. Revenue of drilling services reached RMB4,602.9 million, representing an increase of 108.1% over the same period last year. Driven by the effect of synergy from drilling rigs acquired, the well services segment developed faster and recorded revenue of RMB1,653.2 million, representing an increase of 47.4% over the same period last year. Marine support and transportation services also achieved an increase of 10.7% with revenue of RMB881.3 million. Affected by factors including the reduction of investment in exploration by oil companies, the operating volume of geophysical services segment decreased significantly. Its revenue was RMB676.4 million, representing a decrease of 30.8% over the same period last year. Overseas business remained stable and recorded revenue of RMB1,853.9 million, representing an increase of 45.1% over the same period last year and accounting for 23.7% of the total revenue of the Company.

Integrating assets acquired. In the first half of 2009, through effective and efficient efforts, the Company implemented the management integration of 8 jack-up rigs from CDE, which optimized our assets allocation, ensured a high utilization rate of rigs and lowered operating cost significantly. The optimized allocation of jack-up rigs not only ensured a smooth and success integration, but also realized the expected synergy promptly and drove the development of other segments. In addition, under the support of CNOOC Group, the Company has completed the debt restructuring of CDE within half year after acquisition. We have successfully achieved the goals of the restructuring which included lowering of risk from the indebtedness of assets acquired, improving the debt structure and reducing interest expense on the debts.

Control cost and enhance efficiency. In the first half of 2009, in order to mitigate the impact of financial crisis, the Company controlled its cost strictly and conducted specific review and analysis of cost management. We rationalized cost control procedures of all units, analysed various cost management situations, resolved practical problems in existing weaknesses and key areas, reinforced system establishment and strengthened system management to enhance corporate management standard. The Company also took measures in accordance with actual circumstances to maximize savings and leverage on capabilities and lifting efficiency through refining fixed costs, centralized procurement, strengthened tracking and monitoring at control points, strengthened control of inventories releasing management. In addition, we increased income, reduced expenditure and enhanced effectiveness from the very beginning. We make such effort starting from our daily operation and management, focusing on enhancing the scientific, feasibility and standardised execution of capital investment projects.

Chief Executive Officer's Report

Sustaining improvement of QHSE management. In the first half of 2009, the Company continued to improve its QHSE system. We carried out inspection activities for the completeness of equipment and enhanced equipment management through self-checking by all units. We also emphasized on incident management and handle incidents occurred strictly according to the principles of "four do not let go". In the first half of the year, the Company did not have any environmental incident and conducted production safely with the OSHA index maintaining at 0.23, which was basically at the same level with the corresponding period in the past.

Continual enhancement in technological research and development. In the first half of 2009, the Company made remarkable achievement again in technological research and development. The ERCT prototype for the State 863 Project "Drillstem stratum tester" has completed exploration testing for a number of wells in Bohai. The development and functional testing of a prototype for the high-speed pulsing instrument with continuous waves have been completed. The technology of artificial subsea deepwater drilling has been successfully tested comprehensively at the continental platform of the South China Sea. During the half year, the Company has made 57 patent applications, of which 48 were accepted (including 11 inventions), representing an increase of 84% over the same period of last year where 22 patents were obtained (including 2 inventions).

Exploring own training models to accelerate the development of human resources. An internationally first class management team and staff is a prerequisite for internationally first class competitiveness. In the first half of 2009, in accordance with COSL's development requirement, trainings mainly focused on technology and skills have been held by the COSL Engineering Institute covering the Company's business of drilling services, oilfield production, well services, oilfield chemistry and others. The training is aimed at providing COSL with various technological, technical, integrated and internationalized professionals at elementary, middle and senior levels, and satisfying the need for talents under a faster business development of the Company.

Oil industry is an industry with cycles of wide fluctuation and the financial crisis has accelerated the process of falling from the peak to the trough. The fall in oil prices had obvious impact to the development of the oilfield services industry. Due to the lagging effect, the oilfield service industry will face more pressure in the future. Since oil companies are maintaining a prudent and conservative manner for their capital investment, while the supply of production capacity from oilfield services companies originated from investments during the peak season are still entering the market, such double pressure will lead to a "difficult" time for the oilfield service industry for a period to come. The length of this period will depend on a number of factors and is not easy to judge at this moment. However, we have confidence on our advantages and abilities, and our greatest advantage is the advantage of China. In the face of a global recession, China's economy has sustained a growth rate of about 8%, making it the brightest "hot spot" in the world economy this year. The three top state-owned oil companies maintained relative high level of growth in investment and the number of offshore drilling rigs used in China this year had increased instead. Such domestic market provided us with a solid and reliable source of income. Another competitive advantage comes from our rapid development in recent years and our enhanced capability, with our capability in equipment, technology, management and our human resources advantage strengthening further. In a new milestone, the Company will leverage on its advantages solidly, reinforce cost management and crisis awareness, and actively develop our market. It will be, as it has been, committed to shouldering social responsibilities, saving energy and reducing emission, developing its QHSE system to an advanced level, and reward our shareholders, the society and employees with its unwavering efforts.

Liu Jian
Vice Chairman and CEO of COSL

Hong Kong, 28 August 2009

Management Discussion and Analysis

(The financial information presented in the discussion and analysis is derived from the Company's unaudited financial statements that have been prepared in accordance with Hong Kong Financial Reporting Standards)

Industry and Business Review

In the first half of 2009, the average price of the U.S. West Texas Intermediate (WTI) was US$51.5 per barrel, representing a decrease of 48% compared with the average price in 2008. The low oil price had a significant impact on the oilfield services industry as there were pressures on lower day rates and utilization rates of equipment. As demand are driven by the impact of the government's investment, the 2009 GDP in China is expected to maintain at 8%, China's investment in energy development continues to maintain a growth trend. As the leading integrated oilfield services provider in the China offshore market, COSL concentrated on the four core strategies, namely "technology-driven, cost effectiveness, integration and internationalisation". We have achieved a significant increase in our operating income through various measures, including consolidation of the existing markets, expansion of emerging markets, reinforcement of cost control, integration of acquired production capacity and other measures. During the first half of 2009, COSL had a revenue of RMB7.81 billion, representing an increase of 53.0% from the same period last year, of which the overseas business generated a revenue of RMB1.85 billion, an increase of 45.1% from the same period last year. However, the results of the Group for the current period had dropped due to the impact of asset impairment of a subsidiary, COSL Drilling Europe AS.

Drilling Services Segment

COSL is the major supplier of China offshore drilling services and is also an important participant of international drilling services. We mainly provide services such as drilling, module rigs, land drilling rigs and drilling management. As of 30 June 2009, the Group operated and managed a total of 24 drilling rigs (of which 21 are jack-up drilling rigs (one leased) and 3 are semi-submersible drilling rigs), 2 accommodation rigs, 4 module rigs and 6 land drilling rigs.

During the first half of 2009, based on the original market and through the integration of CDE group (in September 2008, COSL acquired Awilco Offshore ASA, a Norwegian drilling company which is known as COSL Drilling Europe AS, "CDE" after the acquisition), COSL's drilling capacity has been significantly enhanced. Compared with the first half of 2008, the Group newly added 9 jack-up drilling rigs (including 8 drilling rigs from CDE group and COSL942 which started operation in September 2008), 2 accommodation rigs and 4 land drilling rigs during the period. Due to the operation of new facilities, our revenue of the drilling services segment amounted to RMB4,602.9 million during the first half of 2009, representing an increase of RMB2,391.0 million or 108.1% compared with RMB2,211.9 million of the same period last year.

As of 30 June 2009, out of the 24 drilling rigs that the Group operated and managed (including one leased jack-up rig), 14 were located in Bohai Bay, China, 5 were located in South China Sea, 1 was located at offshore Indonesia, 1 was located at offshore Australia, 1 each were located at offshore Tunisia and offshore Saudi Arabia respectively and 1 foreign rig was managed by the Group.

During the first half of 2009, the operation days of our jack-up drilling rigs were 3,471 days, the operation days of our semi-submersible drilling rigs were 540 days and the total operation days were 4,011 days, an increase of 1,598 days from 2,413 days of the same period last year. The operation days of our jack-up drilling rigs increased by 1,604 days compared with the same period last year mainly due to the addition of 1,134 operation days contributed by the 8 drilling rigs from the acquired CDE group and the 181 operation days contributed by COSL942 which commenced operation in September 2008. In addition, the operation days increased by 289 days which was the net impact of the decrease in maintenance days for jack-up drilling rigs and the intercalary month in 2008. The operation days of the semi-submersible rigs fleet decreased by 6 days compared with the same period last year, mainly due to the 3 repair days of NH6 during the period and there were no repairs during the same period last year. In addition, 3 operation days were due to the intercalary month in 2008. Due to the decrease in maintenance for drilling rigs, the average calendar day utilization rate of the fleet in the first half of the year was 96.3%, an increase of 7.9% compared with the same period last year, of which the average calendar day utilization rate of the jack-up rigs was 95.8% and 99.4% for the semi-submersible rigs.

Moreover, 4 module rigs provided drilling services for clients in the Mexico Gulf, with 708 operation days during the first half of the year, and a calendar day utilization rate of 97.8%. 5 land drilling rigs operating in Libya and 1 land drilling rig operating in China brought 947 operation days, with both the calendar day utilization rate and the available day utilization rate reaching 100.0%.

During the first half of 2009, the average day rate of drilling rigs was US$135,000/day (US$/RMB conversion rate was 1:6.8319 on 30 June 2009), which represented a 15.4% increase from US$117,000/day from the same period last year (US$/RMB conversion rate was 1:6.8591 on 30 June 2008). The average day rate for jack-up rigs was US$126,000/day, which represented a 24.8% increase from US$101,000/day for the same period last year, and the average day rate for semi-submersible rigs was US$188,000/day, which represented a 9.9% increase from US$171,000/day of the same period last year.

To further enhance the service capabilities of the drilling business, the Group will continue to expand its own facilities. Currently, the Group is building three 2,500-feet semi-submersible rigs at the Shandong Yantai Raffles shipyard, four 200-feet jack-up drilling rigs at the Qingdao shipyard of the Offshore Oil Engineering Co., Ltd. and two 350-feet jack-up drilling rigs, each at the Shenzhen shipyard of the China Merchants Heavy Industry Co., Ltd. and the raffles of Dalian Shipbuilding Industry Co., Ltd. respectively.

Well Services Segment

During the first half of 2009, while the Group had continued to offer customers with logging, drilling fluids, directional drilling, cementing, well workover and well completion services. The Group had strengthened its market development with well cementing and well completion services entering the domestic onshore oilfield market, the directional drilling had expanded to overseas market and the self-developed ELIS logging equipment had completed its first full set sales.

"Technology-driven" has always been one of our four core strategies and we have strived to enhance our R&D capabilities. During the first half of the year, our Crossline Dipole Array Acoust Logging Tool (EXDT) was formally incorporated into the ELIS logging system, which enhanced the service capabilities of the ELIS system. Our self-developed Enhanced Resistivity Micro-Imager (ERMI) had succeeded in the experimental well testing for electrical imaging tool in the Liaohe Oilfield, which closed our gap of the logging technology in high-end electronic imaging.

During the first half of 2009, driven by the addition of five drilling platforms (COSLCraft/Boss/Seeker/Confidence/Superior) in the PRC and the enhanced technology in the business chain, revenue for well services amounted to RMB1,653.2 million, an increase of RMB531.8 million or 47.4% from RMB1,121.4 million of the same period last year.

Geophysical Services Segment

During the first half of 2009, affected by factors such as decrease in surveying and development activities of oil and gas companies, our geophysical services business declined significantly. 21,597 km of 2D seismic data collections were completed, a decrease of 19.6% from the same period last year and 5,060 km^2 of 3D seismic data collections were completed, a decrease of 24.9% from the same period last year. As for data processing business, due to securing an operation contract from Devon Energy China Ltd. during the period, 4,743 km of 2D processing were completed, an increase of 44.7% from the same period last year. Affected by the decrease in operation volume in Bohai Bay, 2,599 km^2 of 3D processing were completed in the current period, a decrease of 48.1% from the same period last year. The revenue of the geophysical services in the first half of 2009 amounted to RMB676.4 million, with a decrease of 30.8% compared with the RMB977.5 million of the same period last year.

Management Discussion and Analysis

Geophysical Services

During the first half of 2009, the changes in the operating volume of geophysical services were as follows:

Services	For the six months ended 30 June 2009	2008	Change %
2D Collection (km)	**21,597**	26,854	(19.6%)
2D Processing (km)	**4,743**	3,277	44.7%
3D Collection (km^2)	**5,060**	6,735	(24.9%)
3D Processing (km^2)	**2,599**	5,011	(48.1%)

Surveying services

Revenue from surveying services in the first half of 2009 amounted to RMB120.2 million, down 5.7% from RMB127.5 million in the same period last year. This was mainly because of the decrease in development projects in Bohai Bay.

Marine Support and Transportation Services Segment

COSL possesses and operates the largest and most comprehensive offshore utility transportation fleets in China. As of 30 June 2009, the Group owned an aggregate of 84 utility vessels of various types and leased 5 supply vessels on a long-term basis. At the same time, the Group owned 3 oil tankers and 5 chemical carriers.

During the first half of 2009, with the commencement of operation of 6 utility vessels and 3 well workover support barges, revenue in the year amounted to RMB881.3 million, representing an increase of 10.7% from RMB796.3 million in the same period last year. For operation volume, our 84 working vessels operated a total of 13,194 days during the first half of the year, representing an increase of 1,341 days from the same period last year. The calendar day utilization rate was 92.0%, representing a decrease of 4.0% compared to the same period last year. In addition, we leased five platform supply vessels from the joint venture company, Eastern Marine Services Ltd. and operated accumulative 881 days during the first half of the year and the calendar day utilization rate was 97.3%, representing an increase of 2.4% compared to the same period last year.

Gross transportation volume of oil tankers for the period was 561,000 tons, a 14.5% increase from 490,000 tons in the same period last year. Transportation volume of chemical carriers was 406,000 tons, a decrease of 29.1% from 573,000 tons in the same period last year, mainly due to decreased transportation volume of leased chemical carriers.

FINANCIAL REVIEW

I. Operating results analysis

1. Revenue

During the first half of 2009, the revenue of the Group reached RMB7,813.8 million, representing an increase of RMB2,706.7 million or 53.0% from RMB5,107.1 million for the same period last year. This is mainly due to the operation of CDE group, the operation of new facilities and increase in operation volume.

The table below shows the revenue of each of the business segments during the first half of 2009:

Business segments	For the six months ended 30 June 2009	2008	Unit: RMB million Change %
Drilling services	**4,602.9**	2,211.9	108.1%
Well services	**1,653.2**	1,121.4	47.4%
Marine support and transportation services	**881.3**	796.3	10.7%
Geophysical services	**676.4**	977.5	(30.8%)
Total	**7,813.8**	5,107.1	53.0%

2. Operating expenses

During the first half of 2009, our operating expenses amounted to RMB6,017.9 million, representing an increase of RMB2,801.6 million or 87.1% from RMB3,216.3 million for the same period last year.

The table below shows the operating expenses of each of the business segments during the first half of 2009:

Segments	For the six months ended 30 June 2009	2008	Unit: RMB million Change %
Drilling services	**3,665.1**	1,285.9	185.0%
Well services	**1,322.7**	891.6	48.4%
Marine support and transportation services	**595.2**	503.7	18.2%
Geophysical services	**434.9**	535.1	(18.7%)
Total	**6,017.9**	3,216.3	87.1%

The table below shows the breakdown of operating expenses for the Group in the first half of 2009:

	For the six months ended 30 June 2009	2008	Unit: RMB million Change %
Depreciation of property, plant and equipment and amortization of intangible assets	**1,356.5**	595.1	127.9%
Employee compensation costs	**1,130.3**	815.2	38.7%
Repair and maintenance costs	**149.9**	111.6	34.3%
Consumption of supplies, materials, fuel services and others	**1,349.9**	1,106.8	22.0%
Subcontracting expenses	**313.1**	197.1	58.9%
Operating lease expenses	**227.6**	173.1	31.5%
Other selling, general and administrative expenses	**227.3**	48.8	365.8%
Other operating expenses	**443.4**	168.6	163.0%
Impairment of property, plant and equipment	**819.9**	–	N/A
Total operating expenses	**6,017.9**	3,216.3	87.1%

Depreciation of property, plant and equipment and amortization of intangible assets increased by RMB761.4 million or 127.9%, mainly due to the operation of new drilling rig COSL942, 4 land drilling rigs, 11 utility vessels, 3 workover support barges and logging facilities, resulting in an increase of depreciation charge of RMB276.9 million. Moreover, the newly acquired CDE group had a depreciation charge of RMB484.5 million. Employee compensation costs increased by RMB315.1 million, mainly due to the expansion of operation of COSL, which contributed to the increase by RMB98.3 million. In addition, the acquired CDE group contributed to the increase by RMB216.8 million. Repair and maintenance costs increased by RMB38.3 million or 34.3%. Consumption of supplies, materials, fuel, services and others increased by RMB243.1 million or 22.0%, mainly due to the operation of new equipments, which resulted in the increase of consumption of supplies, materials, fuel, services and others by RMB178.5 million for CDE, and RMB64.6 million for COSL. Subcontracting expenses increased by RMB116.0 million or 58.9%, mainly due to the full capacity operation of well services which led to increased subcontracting for new drilling projects. Operating lease expenses increased by RMB54.5 million or 31.5%, mainly due to the increased rental fee of the drilling rig YS935 and the increased operation volume of leased utility vessels. Impairment of property, plant and equipment increased by RMB819.9 million, mainly due to the adverse impact of the macroeconomic environment on the oilfield services market and also, the effect on the present value of future cash flows arising from the delay in the delivery of the three semi-submersible rigs under construction. Consequently, the management performed, in accordance with the requirements of the applicable accounting standard, impairment test on the assets and recognised an asset impairment loss of RMB819.9 million based on the test result. Other selling, general and administrative expenses increased by RMB178.5 million or 365.8%, mainly due to increased accrued liabilities of RMB165.4 million during the period. Other operating expenses increased by RMB274.8 million or 163.0%, mainly due to the increase in charges payable to the platform management of drilling rig NH6 amounting to RMB40.9 million, resulting from the increase of day rate since 1 September 2008. Moreover, the newly acquired CDE group had other operating expenses of RMB165.6 million.

3. Operating profit

The operating profit for the Group in the first half of 2009 amounted to RMB1,822.9 million, representing a decrease of RMB86.0 million or 4.5%, from RMB1,908.9 million for the same period last year.

The operating profit for each of the segments during the first half of 2009 is as shown in the table below:

Segments	For the six months ended 30 June 2009	2008	Unit: RMB million Change %
Drilling services	**950.8**	926.5	2.6%
Well services	**331.6**	240.9	37.7%
Marine support and transportation services	**292.0**	294.0	(0.7%)
Geophysical services	**248.5**	447.5	(44.5%)
Total	**1,822.9**	1,908.9	(4.5%)

4. Exchange losses, net

The net exchange loss in the first half of 2009 amounted to RMB56.6 million, representing a decrease of RMB33.5 million from RMB90.1 million for the same period last year, mainly due to the mere 0.7% appreciation of RMB against US$ in the first half of 2009 while there was a 5.8% appreciation in the first half of 2008.

5. Finance costs

During the first half of 2009, the finance costs of the Group was RMB536.4 million, compared with RMB26.4 million for the same period last year. The increase of RMB510.0 million was mainly due to the borrowing of US$2.2 billion for the acquisition of CDE and CDE's own borrowings which contributed to an increase of finance expenses.

6. Interest income

During the first half of 2009, the interest income of the Group was RMB27.7 million, compared with RMB103.3 million for the same period last year. The decrease of RMB75.6 million was mainly due to the fact that approximately RMB2,980.0 million was used as treasury funds at the end of June 2008, while approximately RMB313.3 million was used as treasury funds at the end of June 2009.

7. Share of profits and losses from jointly-controlled entities

During the first half of 2009, the share of losses from jointly-controlled entities amounted to RMB61.8 million, representing a decrease of RMB164.3 million compared with the profits of RMB102.5 million for the same period last year. Except for COSL-Expro Testing Services (Tianjin) Company Ltd., China Petroleum Logging-Atlas Cooperation Service Company and China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd. of which the shared profits increased by RMB2.3 million, the shared profits of the other 7 jointly-controlled entities decreased by RMB166.6 million mainly due to Atlantis Deepwater Orient Ltd.'s deepwater technology research expenditure of approximately RMB108.0 million incurred during the period.

8. Income tax expense

The income tax expense of the Group in the first half of 2009 was RMB167.3 million, representing a decrease of RMB296.4 million or 63.9% from RMB463.7 million of the same period last year. The main reason of the decrease was that in October 2008, the Group was certified as an advanced technology enterprise by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation and Tianjin local Taxation Bureau. According to the New Corporate Income Tax Law effective from 1 January 2008, the Group was subject to income tax at 15% for three consecutive years as an advanced technology enterprise, while the income tax rate of 25% was applied to calculate and pay tax instalments for the same period last year.

9. Profit after tax

During the first half of 2009, the profit after tax of the Group amounted to RMB1,028.4 million, representing a decrease of RMB506.1 million or 33.0% from RMB1,534.5 of the same period last year.

II. Assets and liabilities analysis

As of 30 June 2009, the total assets of the Group amounted to RMB59,029.1 million, representing an increase of RMB2,442.0 million or 4.3% compared with that at the end of 2008. The total liabilities was RMB38,826.5 million, representing an increase of RMB2,037.2 million or 5.5% compared with that at the end of 2008. The shareholders' equity was RMB20,202.6 million, representing an increase of RMB404.8 million or 2.0% compared with that at the end of 2008. An anaysis of major accounting items with material changes in amount is as follows:

1. Accounts receivable

As of 30 June 2009, accounts receivable were RMB4,239.7 million, representing an increase of RMB1,504.7 million compared with RMB2,735.0 million as of the end of 2008. The increase was mainly due to the increased revenue of the Group.

2. Property, plant and equipment

As of 30 June 2009, the property, plant and equipment was RMB44,065.9 million, representing an increase of RMB2,210.2 million compared with RMB41,855.7 million as of the end of 2008. The increase was mainly due to the new construction of one 375-feet jack-up drilling rig, one 400-feet jack-up drilling rigs, three 2,500-feet semi-submersible drilling rigs, two land drilling rigs, two 350-feet jack-up drilling rigs, four 200-feet jack-up drilling rigs, two multi-function drilling platforms (LIFTBOAT), thirteen oilfield utility vessels and three workover support barges and one deepwater seismic vessel and an undersea cable. In addition, construction in progress decreased by RMB819.9 million due to the provision of impairment made during the period.

3. Interest-bearing bank borrowings (current)

As of 30 June 2009, the current portion of interest-bearing bank borrowings was RMB283.3 million, representing a decrease of RMB7,495.3 million compared with RMB7,778.6 million as of the end of 2008. The main reasons for the decrease were that in May 2009, the Group repaid in advance the short-term portion (US$933.3 million in total, or RMB6,359.5 million) of the US$1.4 billion borrowings from a bank syndicate in September 2008 for the acquisition of CDE, and in March 2009, the Group repaid in advance the short-term borrowing of CDE group, amounting to approximately RMB476.1 million from Nordea Bank Norge ASA. In addition, the CDE group repaid borrowings of RMB659.7 million which was due to Nordea Bank Norge ASA in May 2009.

4. Interest bearing bank loans (non-current)

As of 30 June 2009, the non-current portion of interest bearing bank borrowings was RMB26,257.9 million, representing an increase of RMB9,902.5 million compared with RMB16,355.4 million as of the end of 2008. The increase was mainly due to the borrowings of RMB1,000.0 million from CNOOC Finance Co., Ltd. in June 2009 for the repayment of previous borrowings and as working capital. In May 2009, US$0.8 billion (equivalent to approximately RMB5,465.5 million) and US$0.6 billion (equivalent to approximately RMB4,099.1 million) were borrowed from the Bank of China Limited and the Industrial and Commercial Bank of China Limited respectively for the refinancing of a syndicate bank borrowings of US$1.4 billion which belonged to a subsidiary. During May to June 2009, US$1.17 billion (equivalent to approximately RMB7,981.4 million) was borrowed from the Bank of China Limited for the refinancing of CDE's Nordea Bank borrowings and as working capital. In April 2009, RMB450.0 million was borrowed from the Import and Export Bank of China for the construction of the land drilling rig in Libya.

On the other hand, the Group repaid RMB200.0 million of the borrowings from the Import and Export Bank of China in June 2009 and RMB19.6 million of the borrowings from Eksportfinans, a Norway export credit institution, in February 2009, respectively. We have also repaid RMB6,723.2 million of the borrowings from Nordea Bank and RMB3,188.2 million of the borrowings from the Bank of China through the refinancing.

III. Cash flow statement analysis

During the first half year of 2009, the Group had cash and cash equivalents of RMB3,766.1 million, representing a decrease of RMB529.4 million or 12.3% compared with RMB4,295.5 million as at the end of last year. An analysis of the cash flow statement is as follows:

1. Cash flows from operating activities

During the first half year of 2009, the Group had net cash inflow from operating activities of RMB2,209.1 million, representing an increase of RMB858.9 million or 63.6% compared with RMB1,350.2 million for the same period last year. The main reason for the increase of cash from operating activities was that the business expansion of the Group driven by the CDE group.

2. Cash flows from investing activities

During the first half year of 2009, the cash outflow from investing activities of the Group was RMB3,043.1 million, representing a decrease of RMB113.7 million or 3.6% compared with RMB3,156.8 million for the same period last year. The cash outflow from investing activities was mainly due to the capital expenditure, of which the details are shown in IV. Capital expenditure analysis.

3. Cash flows from financing activities

During the first half year of 2009, net cash inflows from financing activities of the Group reached RMB346.3 million, representing an increase of RMB1,353.4 million compared with net outflows of RMB1,007.1 million of the same period of last year, mainly due to the refinancing conducted by the Group in the first half of 2009 by replacing original borrowings of the subsidiaries with borrowings with lower cost so as to optimize the debt structure, which resulted in the increase of cash received from borrowings amounting to RMB20,127.6 million, and the increase of cash paid for debt repayment amounting to RMB17,291.2 million during the period. In addition, due to the new borrowings derived from the acquisition of CDE group, cash paid for interest increased by RMB1,370.9 million.

IV. Capital expenditure analysis

Due to the construction of five drilling rigs owned by the CDE group in the first half of 2009, the total capital expenditure amounted to RMB4,348.2 million for the period, representing an increase of RMB2,018.6 million or 86.7% compared with RMB2,329.6 million for the same period last year.

The capital expenditure for each segment during the first half of 2009 is as shown in the table below:

	For the six months ended 30 June		Unit: RMB million
Segments	**2009**	**2008**	**Change %**
Drilling services	**3,329.6**	954.4	248.9%
Well services	**305.5**	455.4	(32.9%)
Marine support and transportation services	**421.9**	562.9	(25.0%)
Geophysical services	**291.2**	356.9	(18.4%)
Total	**4,348.2**	2,329.6	86.7%

The capital expenditure of the drilling services segment was mainly due to the construction of one 375-feet jack-up drilling rig, one 400-feet jack-up drilling rig, three 2,500-feet semi-submersible drilling rigs owned by the CDE group, the construction of two land drilling rigs, two 350-feet jack-up drilling rigs and four 200-feet jack-up drilling rigs. The capital expenditure of the well services segment was mainly due to the construction of two multi-function drilling platforms (LIFTBOAT) and the purchase of various well services equipments. The capital expenditure of the marine support and transportation services segment was mainly due to the construction of thirteen oilfield utility vessels and three workover support barges. The capital expenditure of the geophysical services segment was mainly due to the construction of a deepwater seismic vessel and an undersea cable.

OUTLOOK

Looking into the second half of 2009, the oilfield services industry will be faced with higher pressures due to the lagging effect of the impact from the economic recession and lower oil price. We will continue to exert our advantage, consolidate the existing market and expand the new market. We will strengthen our sense of crisis and cost control, implement cost inspection and analysis control measures and develop our internal capabilities. We will strengthen our technology research and development to increase our production and service capacity. We will also optimize our debt structure, ensure adequate use of external resources and continue the effort for post-integration of CDE. For facilities, we expect two 350-feet drilling rigs will be completed, four utility vessels will commence operation in the second half of the year. We will undertake our social responsibilities as always, by reducing energy consumption and emissions, enhance our corporate governance and intensify the QHSE system, so as to strive for greater values for shareholders and achieve an all-win situation among shareholders, customers, employees and business partners.

Supplementary Information

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters. The interim results for the six months ended 30 June 2009 have not been audited but have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim financial report for the six months ended 30 June 2009 has been reviewed by the audit committee.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

On 2 March 2009, the Board appointed Mr. Liu Jian as the CEO of the Company. Mr. Yuan Guangyu, the former CEO of the Company, ceased to serve as CEO of the Company due to changes in job responsibilities.

On 3 June 2009, the Annual General Meeting for 2008 of the Company was convened, during which Mr. Fu Chengyu, Mr. Liu Jian, Mr. Li Yong and Mr. Tsui Yiu Wa were elected as new directors of the Company (of which, Mr. Tsui Yiu Wa is an independent non-executive director and Mr. Andrew Y. Yan ceased to serve as the independent non-executive director of the Company) with a term of office of three years from the date the resolutions were passed at the general meeting, and Mr. Yuan Guangyu ceased to be a director of the Company. At the meeting, Mr. Zhu Liebing and Mr. Wang Zhile were elected as new supervisors assumed by non-representatives of the employees of the supervisory committee with a term of office of three years from the date the resolutions were passed at the general meeting. Mr. Zhang Benchun and Mr. Zhang Dunjie ceased to be supervisors of the Company.

On 3 June 2009, Mr. Gordon C. K. Kwong, the independent non-executive director of the Company, ceased to serve as the independent non-executive director of Ping An Insurance (Group) Company of China Limited.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2009, the Company has complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Listing Rules, except for provision E.1.2. Pursuant to provision E.1.2 of the Code on Corporate Governance Practices, the chairman of the board is required to attend the annual general meeting. However, Mr. Fu Chengyu, the chairman of the Company, failed to attend the annual general meeting of the Company held on 3 June 2009 due to an unexpected matter that required his immediate attention. According to the Articles of Association of the Company, the deputy chairman of the Company is required to preside the general meeting and act as the chairman of the meeting in the absence of the chairman. When the deputy chairman failed to preside the general meeting, over half of the board of directors may elect a director of the Company to preside the general meeting and act as the chairman of the meeting. When no chairman is elected, the shareholders attending the meeting may elect one person to preside over the meeting. Therefore, the shareholders attending the meeting elected Mr. Simon X. Jiang, the independent non-executive director of the Company, to preside the general meeting and act as the chairman of the meeting.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, for the six months ended 30 June 2009, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Supplementary Information

INTERESTS IN SHARES OR UNDERLYING SHARES OF SUBSTANTIAL SHAREHOLDERS AND OTHERS OF THE COMPANY

As at 30 June 2009, to the knowledge of any directors or chief executive officer, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO (see table 1):

Table 1

Company's name	Capacity and nature of interests	Number of shares and class	Approximate percentage in the shares of the same class (%)	Approximate percentage in the total share capital (%)
JPMorgan Chase & Co.	Through a controlled cooperation	138,704,105 (L) 85,939,119 (P) H Share	9.04 (L) 5.60 (P)	3.09 (L) 1.91 (P)
Baring Asset Management Limited	Through a controlled cooperation	123,426,000 (L) H Share	8.04 (L)	2.75 (L)
Commonwealth Bank of Australia	Through a controlled cooperation	122,312,000 (L) H Share	7.97 (L)	2.72 (L)
Northern Trust Fiduciary Services (Ireland) Limited	Directly beneficially owned	79,466,000 (L) H Share	5.17 (L)	1.77 (L)
Morgan Stanley	Through a controlled cooperation	77,045,542 (L) 5,500 (S) H Share	5.02 (L) 0.00 (S)	1.71 (L) 0.00 (S)

Note:

(a) "L" means long position

(b) "S" means short position

(c) "P" means lending pool

Except for the abovementioned shareholders, to the knowledge of each director, none of other parties or companies is interested in the shares representing 5% of the issued share capital of COSL or above which are required, pursuant to the SFO, to be entered in the register.

PURCHASE, DISPOSAL AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the six months ended 30 June 2009.

Supplementary Information

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2009, none of the directors and supervisors had any material interest, whether direct or indirect, in any contract that was significant to the Group's business and to which the Company, its controlling shareholder or any of its subsidiaries or subsidiaries of the Group was a party.

DIRECTORS' AND SUPERVISORS' INTERESTS IN SHARE

As at 30 June 2009, none of the directors and supervisors of the Company or any of their associates had any interest or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept by the Company under Section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

DIRECTORS' AND SUPERVISORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

During the first six months ended 30 June 2009, none of the directors and supervisors of the Company and their respective associates were granted with the rights to acquire benefit by means of the acquisition of shares in or debentures of the Company, or were any such rights exercised by any such person; nor was the Company, its controlling shareholder or any of its subsidiaries or any of the Group's subsidiaries a party to any arrangement which would enable any of the directors or supervisors of the Company to acquire such rights in any other body corporate.

MATERIAL LITIGATION AND ARBITRATION

In January 2007, Awilco Offshore ASA ("AWO", currently COSL Drilling Europe AS ("CDE"), a wholly-owned subsidiary of the Company) made a compulsory acquisition offer of the 8.8% (4,172,359 number of shares) outstanding shares in OffRig Drilling ASA ("OFRD"), a company which it already owned a 91.2% interest. The minority shareholders who owned the 8.8% interest of OFRD disagreed with the valuation and the acquisition price of 27.50 kroner per share. In June 2007, the minority shareholders filed a claim against AWO. At the time of acquisition by the Company of AWO, the proceeding was already in progress. On 14 May 2009, the Norwegian Court ruled against CDE. CDE has filed an appeal against the ruling and proceeding is in progress. The Company is currently preparing the defense for the case.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2009, the Group has 8,537 employees. The Group relies on incentive approaches to enable an efficient macro and micro human resources management. We adopted different incentive schemes based on various kinds of professions and established an appropriate appraisal system to create fair competition, in which promotion or degradation only depends on performance, thereby maximizing the development opportunities for quality staff. Besides, we also provide various benefits to our employees, including social insurance.

GEARING RATIO

As at 30 June 2009, the net current assets value of the Group increased to RMB5,788 million compared with 31 December 2008, while the current ratio rose to 2.25 times, compared with 0.81 times on 31 December 2008.

Supplementary Information

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. The gearing ratios as at the balance sheet dates were as follows:

Group	30 June 2009 RMB'000	31 December 2008 RMB'000
Interest-bearing bank and other borrowings	**26,541,212**	24,134,063
Trade and other payable	**2,749,940**	3,430,891
Notes payable	**912,663**	366,763
Long term bonds	**4,070,864**	4,028,342
Less: Cash and cash equivalents	**(3,766,124)**	(4,563,834)
Net debt	**30,508,555**	27,396,225
Equity attributable to equity holders of the company	**20,202,621**	19,797,844
Total Capital	**20,202,621**	19,797,844
Capital and net debt	**50,711,176**	47,194,069
Gearing ratio	**60%**	58%

MISCELLANEOUS

1. As there has been a delay in the delivery of the semi-submersible drilling rig COSL Pioneer, BP Norge AS has terminated its North Sea drilling contract with COSL Drilling Europe AS in July 2009. Owing to the advance and scarcity nature of the semi-submersible rigs, the Company is confident about its demand and is committed to complete the building of this rig in accordance with the original specifications. The directors are of the view that the cancellation of such contract will not have a material impact on the operations of the Company's future operation.

2. The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2008, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix16 of the Listing Rules will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn) in due course.

By Order of the Board
China Oilfield Services Limited
Chen Wei Dong
Company Secretary

28 August 2009

Report on Review of Unaudited Interim Condensed Consolidated Finanical Statements

ERNST & YOUNG
安永會計師事務所

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

INTRODUCTION

We have reviewed the interim condensed consolidated financial statements set out on pages 18 to 42, which comprises the interim condensed consolidated statement of financial position of China Oilfield Services Limited (the "Company") and its subsidiaries (collectively as the "Group") as of 30 June 2009 and the related interim condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants.

The directors are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

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

Ernst & Young
Certified Public Accountants

18th Floor, Two International Finance Centre
8 Finance Street, Central
Hong Kong
28 August 2009

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2009

	Notes	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
REVENUE	3	**7,813,832**	5,107,106
Other revenues		**26,894**	18,078
Total revenue		**7,840,726**	5,125,184
Operating Expenses			
Depreciation of property, plant and equipment and amortisation of intangible assets		**(1,356,539)**	(595,111)
Employee compensation costs		**(1,130,250)**	(815,233)
Repair and maintenance costs		**(149,933)**	(111,593)
Consumption of supplies, materials, fuel, services and others		**(1,349,913)**	(1,106,778)
Subcontracting expenses		**(313,096)**	(197,057)
Operating lease expenses		**(227,565)**	(173,095)
Other operating expenses		**(443,351)**	(168,605)
Other selling, general and administrative expenses		**(227,304)**	(48,849)
Impairment of property, plant and equipment	6	**(819,924)**	–
Total operating expenses		**(6,017,875)**	(3,216,321)
PROFIT FROM OPERATIONS		**1,822,851**	1,908,863
Exchange losses, net		**(56,582)**	(90,140)
Finance costs		**(536,426)**	(26,436)
Interest income		**27,672**	103,332
Share of (losses)/profits of jointly-controlled entities		**(61,825)**	102,538
PROFIT BEFORE TAX		**1,195,690**	1,998,157
Tax	4	**(167,309)**	(463,705)
PROFIT FOR THE PERIOD		**1,028,381**	1,534,452
EARNINGS PER SHARE – basic and diluted	5	**22.88 cents**	34.13 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Six months ended 30 June 2009 (unaudited) RMB'000	Six months ended 30 June 2008 (unaudited) RMB'000
Profit for the period	**1,028,381**	1,534,452
Exchange differences on translation of foreign operations	**5,741**	(580)
Other comprehensive income for the period, net of tax	**5,741**	(580)
Total comprehensive income for the period, net of tax	**1,034,122**	1,533,872

Interim Condensed Consolidated Statement of Financial Position

30 June 2009

	Notes	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*6*	**44,065,853**	41,855,657
Goodwill	*7*	**3,479,166**	3,480,541
Intangible assets		**467,253**	523,799
Interests in jointly-controlled entities		**452,442**	620,329
Available-for-sale investments	*8*	**31,822**	34,318
Pledged deposits		**126,973**	78,235
Total non-current assets		**48,623,509**	46,592,879
CURRENT ASSETS			
Inventories		**899,420**	780,871
Prepayments, deposits and other receivables		**1,455,657**	1,505,856
Accounts receivable	*9*	**4,239,685**	2,735,025
Notes receivable		**–**	354,870
Pledged deposits		**44,738**	53,768
Cash and cash equivalents		**3,766,124**	4,563,834
Total current assets		**10,405,624**	9,994,224
CURRENT LIABILITIES			
Trade and other payables	*10*	**2,749,940**	3,430,891
Notes payable		**912,663**	366,763
Salary and bonus payables	*11*	**368,868**	485,875
Tax payable		**276,430**	252,460
Interest-bearing bank borrowings	*12*	**283,307**	7,778,617
Other current liabilities	*13*	**26,906**	–
Total current liabilities		**4,618,114**	12,314,606
NET CURRENT ASSETS/(LIABILITIES)		**5,787,510**	(2,320,382)

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2009

	Notes	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**54,411,019**	44,272,497
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**2,260,681**	2,429,001
Interest-bearing bank borrowings	*12*	**26,257,905**	16,355,446
Long term bonds	*14*	**4,070,864**	4,028,342
Deferred revenue	*15*	**1,520,988**	1,512,635
Defined benefit obligations		**6,210**	5,664
Derivative financial instruments	*16*	**24,933**	49,308
Other non-current liabilities	*17*	**66,817**	94,257
Total non-current liabilities		**34,208,398**	24,474,653
Net assets		**20,202,621**	19,797,844
EQUITY			
Equity attributable to equity holders of the Parent			
Issued capital	*18*	**4,495,320**	4,495,320
Reserves		**15,707,301**	14,673,179
Proposed final dividend		**–**	629,345
Total equity		**20,202,621**	19,797,844

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2009

(Unaudited)	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Cumulative translation reserve RMB'000	Total equity RMB'000
	Attributable to equity holders of the Parent						
Balance at 1 January 2009	**4,495,320**	**8,074,565**	**1,000,056**	**5,578,681**	**629,345**	**19,877**	**19,797,844**
Profit for the period	–	–	–	**1,028,381**	–	–	**1,028,381**
Other comprehensive income	–	–	–	–	–	**5,741**	**5,741**
Total comprehensive income	–	–	–	**1,028,381**	–	**5,741**	**1,034,122**
Final 2008 dividend paid	–	–	–	–	**(629,345)**	–	**(629,345)**
As at 30 June 2009	**4,495,320**	**8,074,565**	**1, 000,056**	**6,607,062**	–	**25,618**	**20,202,621**
(Unaudited)							
Balance at 1 January 2008	4,495,320	8,074,565	677,615	3,428,226	539,438	9,844	17,225,008
Profit for the period	–	–	–	1,534,452	–	–	1,534,452
Other comprehensive loss	–	–	–	–	–	(580)	(580)
Total comprehensive income	–	–	–	1,534,452	–	(580)	1,533,872
Final 2007 dividend paid	–	–	–	–	(539,438)	–	(539,438)
As at 30 June 2008	4,495,320	8,074,565	677,615	4,962,678	–	9,264	18,219,442

Interim Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Net cash inflow from operating activities	**2,209,071**	1,350,227
Net cash outflow from investing activities	**(3,043,060)**	(3,156,813)
Net cash inflow/(outflow) from financing activities	**346,332**	(1,007,051)
Net decrease in cash and cash equivalents	**(487,657)**	(2,813,637)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**4,295,488**	6,797,122
Effect of foreign exchange rate changes, net	**(41,707)**	(44,527)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,766,124**	3,938,958
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks and financial institutions	**3,937,835**	6,435,537
Less: Pledged deposits	**(171,711)**	(11,768)
Cash and cash equivalents for the interim condensed consolidated statement of financial position	**3,766,124**	6,423,769
Less: Non-pledged time deposits with original maturity of more than three months when acquired	**–**	(2,484,811)
Cash and cash equivalents for the interim condensed consolidated cash flow statement	**3,766,124**	3,938,958

Notes to Interim Condensed Consolidated Financial Statements

30 June 2009

1. Corporate information and principal activities

The registered office of China Oilfield Services Limited (the "Company") is located at 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin 300451, the People's Republic of China (the "PRC").

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

In the opinion of the directors, the ultimate holding company of the Company is China National Offshore Oil Corporation ("CNOOC"), a company established in the PRC.

As at 30 June 2009, particulars of the principal subsidiaries are as follows:

Name of entity	Place and date of incorporation/ establishment and operations	Percentage of equity directly /indirectly attributable to the Group	Nominal value of issued and paid up capital	Principal activities
COSL America Inc.	United States of America 2 November 1994	100%	US$100,000	Sale of logging equipment
China Oilfield Services (BVI) Limited	British Virgin Islands 19 March 2003	100%	US$1	Investment holding
COSL Chemicals (Tianjin) Limited	Tianjin, PRC 7 September 1993	100%	RMB9,000,000	Provision of drilling fluid services
COSL (Labuan) Company Limited	Malaysia 11 April 2003	100%	US$1	Provision of drilling services in Indonesia
COSL Oilfield Services Southeast Asia (BVI) Limited	British Virgin Islands 29 May 2003	100%	US$1	Investment holding
COSL (Australia) Pty Ltd	Australia 11 January 2006	100%	AU$10,000	Provision of drilling services in Australia
COSL Hong Kong International Limited	Hong Kong 3 December 2007	100%	HK$2,227,770,001	Investment holding
COSL Norwegian AS	Norway 23 June 2008	100%	NOK1,541,328,656	Investment holding
COSL Drilling Europe AS ("CDE")*	Norway 21 January 2005	100%	NOK1,494,415,487	Provision of drilling services

The above table lists the principal subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the period or formed a substantial portion of the net assets of the Group.

* *CDE was acquired through COSL Norwegian AS on 29 September 2008 as further described in note 20.*

1. Corporate information and principal activities (continued)

As at 30 June 2009, particulars of the jointly-controlled entities are as follows:

Name of entity	Place and date of incorporation/ establishment and operations	Percentage of equity directly /indirectly attributable to the Group	Nominal value of issued and paid up capital	Principal activities
China France Bohai Geoservices Co., Ltd.	Tianjin, PRC 30 November 1983	50%	US$6,650,000	Provision of logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar")	Shenzhen, PRC 25 October 1984	60% (a)	RMB4,640,000	Provision of drilling fluid services
CNOOC-OTIS Well Completion Services Ltd.	Tianjin, PRC 14 April 1993	50%	US$2,000,000	Provision of well completion services
China Petroleum Logging-Atlas Cooperation Service Co.	Shenzhen, PRC 10 May 1984	50%	US$2,000,000	Provision of logging services
China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd.	Shenzhen, PRC 24 August 1983	50%	US$1,720,790	Provision of geophysical services
Eastern Marine Services Ltd. ("Eastern Marine")	Hong Kong 10 March 2006	51%(a)	HK$1,000,000	Marine transportation services
PT Tritunggal Sinergi Company Limited ("PTTS")	Indonesia 30 December 2004	55%(a)	US$700,000	Provision of oilfields repair services
COSL-Expro Testing Services (Tianjin) Company Ltd.	Tianjin, PRC 28 February 2007	50%	US$5,000,000	Provision of well testing services
Atlantis Deepwater Orient Ltd. ("ADOL")	Hong Kong 28 August 2006	50%	HK$1,000	Provision of artificial buoyant seabed unit services
Premium Drilling AS (b)	Norway 1 June 2005	50%	NOK 100,000	Management of jack-up drilling rigs

(a) In the opinion of the directors, the Company does not have control over Magcobar's, PTTS's and Eastern Marine's financial and operating decisions, and accordingly, the financial statements of Magcobar, PTTS and Eastern Marine have not been incorporated into the Group's consolidated financial statements as subsidiaries. The financial statements of Magcobar, PTTS and Eastern Marine have been dealt with in the Group's consolidated financial statements under the equity accounting method.

(b) Premium Drilling ("PD") consists of Premium Drilling AS, Premium Drilling Inc. and Premium Drilling (Cayman) Ltd.. PD was set up by COSL Drilling Europe AS and Sinvest AS (formerly known as Sinvest ASA) in June 2005 to manage the operations of jack-up drilling rigs. The joint venture is accounted for using the equity accounting method and was acquired through the acquisition of CDE as further described in note 20. In May 2009, the Group and the other investor in PD had jointly decided to terminate their rig management agreements with Premium Drilling (Cayman) Ltd.. For further information on PD, please refer to note 13.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2009 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2008.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2008, except for the adoption of new and revised HKFRSs effective for annual periods beginning on or after 1 January 2009, as follows:

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 First-time Adoption of HKFRSs and HKAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 Financial Instruments: *Disclosures*
HKFRS 8	Operating Segments
HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs

Further information about those changes that affect the Group is as follows:

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the separate financial statements. The amendment is applied prospectively only. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost of either fair value or the carrying amount under the previous accounting practice in the separate financial statements. The adoption of HKAS 27 Amendment did not have any impact on the financial position or performance of the Group. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

The HKFRS 7 Amendments require additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instrument. In addition, a reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The adoption of these amendments did not have any impact on the financial position or performance of the Group.

HKFRS 8 requires disclosure of information about the Group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments of the Group. The Group determined that the operating segments were the same as the business segments previously identified under HKAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 3, including revised comparative information.

HKAS 1 (Revised) separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognized directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

Based on management's assessment, the adoption of these changes did not have any significant impact on the Group's accounting policies, financial positions or performance for the period.

Apart from the above, the HKICPA has also issued Improvements to HKFRSs which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. While the adoption of some of the amendments may result in changes in accounting policy, none of them are expected to have a material financial impact on the Group. The Group has also considered all other HK (IFRIC)s issued and they are unlikely to have any financial impact on the Group.

3. Segment information

For management purposes, the Group's operating businesses are structured and managed separately according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are 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 fluid, directional drilling, cementing and well completion, the sale of well materials and well workovers;

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

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

Group financing (including finance costs and finance revenue) and income taxes are managed on a group basis and are not allocated to operating segments.

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

Business Segments

The following tables present the revenue net of sales surtaxes and profit information for the Group's business segments for the six months ended 30 June 2009 and 2008:

Six months ended 30 June 2009 (unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation services RMB'000	Geophysical services RMB'000	Total RMB'000
Revenue					
Sales (including intersegment)	5,072,727	1,710,357	942,090	709,461	8,434,635
Less: Intersegment sales	(469,784)	(57,128)	(60,796)	(33,095)	(620,803)
Total sales to external customers	4,602,943	1,653,229	881,294	676,366	7,813,832
Profit before tax*	822,722	386,618	293,004	258,682	1,761,026
Exchange losses, net					(56,582)
Finance costs					(536,426)
Interest income					27,672
30 June 2009 (unaudited)					
Assets:					
Segment assets	45,270,626	3,860,801	4,788,623	2,211,214	56,131,264
Interests in jointly-controlled entities	–	251,650	157,219	43,573	452,442
Unallocated assets					2,445,427
Total assets					59,029,133
Liabilities:					
Segment liabilities	34,669,116	1,266,181	268,660	309,346	36,513,303
Unallocated liabilities					2,313,209
Total liabilities					38,826,512

* *The profit before tax for each business segment does not include the unallocated exchange losses, finance costs and interest income as shown in the table above.*

3. Segment information (continued)

Business Segments (continued)

Six months ended 30 June 2008 (unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation services RMB'000	Geophysical services RMB'000	Total RMB'000
Revenue					
Sales (including intersegment)	2,625,260	1,148,712	850,846	1,221,400	5,846,218
Less: Intersegment sales	(413,392)	(27,306)	(54,551)	(243,863)	(739,112)
Total sales to external customers	2,211,868	1,121,406	796,295	977,537	5,107,106
Profit before tax*	922,732	310,107	321,101	457,461	2,011,401
Exchange losses, net					(90,140)
Finance costs					(26,436)
Interest income					103,332
31 December 2008 (audited)					
Assets:					
Segment assets	43,421,562	3,658,323	4,284,153	1,888,107	53,252,145
Interests in jointly-controlled entities	41,161	338,946	198,067	42,155	620,329
Unallocated assets					2,714,629
Total assets					56,587,103
Liabilities:					
Segment liabilities	26,310,714	1,293,239	324,364	417,864	28,346,181
Unallocated liabilities					8,443,078
Total liabilities					36,789,259

* *The profit before tax for each business segment does not include the unallocated exchange losses, finance costs and interest income as shown in the table above.*

4. 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 income currently sourced from Hong Kong.

The New Corporate Income Tax ("CIT") Law effective from 1 January 2008 introduces the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. In addition, the new detailed Implementation Rules of the Corporate Income Tax Law were approved on 28 November 2007 and are effective from 1 January 2008 onwards.

The State Administration of Taxation Circular Guoshuifa [2008] Number 17 confirms that enterprises which had been recognised as advanced technology enterprises prior to 1 January 2008 should pay provisional CIT at the rate of 25% pending a re-recognition process under the New CIT Law.

On 30 October 2008, the Company was certified as an advanced technology enterprise by Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT") and Tianjin Local Taxation Bureau, which is effective for three years. Further, the Company obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the Circular Jinguoshuihaishuijianmian [2009] Number 2, the corporate income tax rate was approved to be 15%.

4. Tax (continued)

As such, the management considers it is appropriate to use the rate of 15% to accrue for the income tax liability of the Company for the six months ended 30 June 2009 (six months ended 30 June 2008: 25%).

The Group's drilling activities in Indonesia are mainly subject to a deemed profit withholding tax of 4.2% (six months ended 30 June 2008: 4.5%) based on its gross service income generated from its drilling activities in Indonesia, and a further branch corporate income tax of 10% (six months ended 30 June 2008: 10%) on the remaining deemed profit for the year. The Group's drilling activities in Australia are subject to income tax of 30% (six months ended 30 June 2008: 30 %) based on its taxable profit generated. The Group's drilling activities in Myanmar are subject to income tax of 3% (six months ended 30 June 2008: 3%) based on its gross service income generated from its drilling activities in Myanmar. The Group's drilling activities in Mexico are subject to the higher of income tax rate of 28% or business flat tax of 17% (six months ended 30 June 2008: 28% and 16.5%, respectively). The Group's activities in Norway are mainly subject to corporate income tax of 28% (six months ended 30 June 2008: not applicable), based on its taxable profit. The Group's activities in Vietnam are subject to withholding tax of 10% on income derived from the provision of drilling services (six months ended 30 June 2008: not applicable). The Group's drilling activities in Libya are subject to income tax of 44% based on its deemed profit or at 16% based on gross income (six months ended 30 June 2008: not applicable). The Group's drilling activities in Tunisia are subject to income tax of 35% (six months ended 30 June 2008: not applicable), based on its taxable income. The Group's taxes pertaining to drilling activities in Saudi Arabia are borne by the customer.

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

	Six months ended 30 June	
	2009 (unaudited) RMB'000	**2008 (unaudited) RMB'000**
Hong Kong profits tax	**–**	–
Overseas income tax:		
Current income tax	**55,588**	34,590
Deferred income tax	**(141,821)**	–
PRC corporate income tax:		
Current income tax	**205,488**	371,066
Deferred income tax	**48,054**	58,049
Total tax charge for the period	**167,309**	463,705

4. Tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China where the Company and the majority of its jointly-controlled entities are domiciled to the tax expense at the effective tax rate and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate are as follows:

	Six months ended 30 June			
	2009 (unaudited)		2008 (unaudited)	
	RMB'000	%	RMB'000	%
Profit before tax	**1,195,690**		1,998,157	
Tax at the statutory tax rate of 25% (2008: 25%)	**298,923**	**25.0**	499,539	25.0
Tax reduction as an advanced technology enterprise – current year	**(174,994)**	**(14.6)**	–	–
Income not subject to tax	**(182,007)**	**(15.2)**	(24,435)	(1.2)
Tax benefit for qualifying research and development expense	**(8,880)**	**(0.7)**	–	–
Effect of different tax rates for overseas subsidiaries	**71,024**	**5.9**	(14,937)	(0.8)
Unrecognised tax losses	**311,216**	**26.0**	–	–
Translation adjustment*	**(222,252)**	**(18.6)**	–	–
Others	**74,279**	**6.2**	3,538	0.2
Total tax charge at the Group's effective rate	**167,309**	**14.0**	463,705	23.2

* *Translation adjustment includes tax effect of differences arising from foreign exchange effects to Norwegian Krone, which is the basis for taxation of some group companies. The translation adjustment mainly relates to differences between the taxable income under the Norwegian Krone tax basis and the US dollar functional currency income statement of such group companies.*

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2009 of approximately RMB1,028,381,000 (six months ended 30 June 2008: RMB1,534,452,000) and the 4,495,320,000 (six months ended 30 June 2008: 4,495,320,000) shares in issue during the period.

There were no potentially diluting events for the six months ended 30 June 2008 and 2009.

6. Property, plant and equipment

During the period, the Group acquired seismic vessels, machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB4,346 million (six months ended 30 June 2008: RMB2,324 million). Vessels, machines and equipment with a net carrying amount of RMB4 million (six months ended 30 June 2008: RMB5 million) were disposed of in 2009, resulting in a loss on disposal of RMB2 million (six months ended 30 June 2008: RMB0.25 million) recorded in the Group's interim condensed consolidated financial statements for the six months ended 30 June 2009 as other operating expenses.

Out of the total interest expenses for the current period of RMB756.2 million (six months ended 30 June 2008: RMB57.7 million), an amount of approximately RMB172.1 million (six months ended 30 June 2008: RMB31.3 million) was included in the current period additions in respect of interest capitalised in property, plant and equipment.

Impairment of property, plant and equipment

Impairment loss of approximately RMB819.9 million was recognised to reduce the carrying amount of certain semi-submersible rigs under construction to their respective recoverable amounts, primarily arising from the adverse change of economic environment since late 2008 and the delay in the delivery of the semi-submersible rigs under construction. This impairment loss has been classified under the segment of drilling services in note 3 of the segment information. The recoverable amount was calculated based on the respective assets' value in use and was determined at the cash generating unit level. In determining the value in use for the cash generating unit, cash flows were discounted at a rate of 9.5% on a pre-tax basis.

7. Goodwill

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Cost	**3,480,541**	3,472,241
Less: Provision for impairment	**–**	–
Exchange realignment	**(1,375)**	8,300
Net carrying amount, at fair value	**3,479,166**	3,480,541

Impairment testing of goodwill

Goodwill acquired through business combinations has been allocated to the drilling services cash-generating unit, which is reportable in the drilling segment, for impairment testing.

The recoverable amount of the drilling services cash-generating unit 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 discount rate applied to the cash flow projections is 9.5%, and the cash flows beyond the five-year period are extrapolated using a nominal growth rate.

Key assumptions were used in the value in use calculation of the drilling services cash-generating unit for 30 June 2009. The following describes the key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill.

Discount rates-The discount rates used are before tax and reflect specific risks relating to the unit.

The values assigned to key assumptions which include the rig utilisation rate, day rate and projected expenses are consistent with external information sources and historical trends.

8. Available-for-sale investments

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Unlisted equity investment, at acquired cost	**100**	–
Listed equity investment, at acquired cost	**140,366**	140,366
Less: Provision for impairment	**(108,925)**	(106,508)
Exchange realignment	**281**	460
Net carrying amount, at fair value	**31,722**	34,318
Total	**31,822**	34,318

The listed equity investment consists of an investment in a listed equity security, Petrojack ASA. Fair value equals the listed price at the period end. Impairment losses of approximately RMB2,582,000 have been recognised for the available-for-sale investment during the current period (six months ended 30 June 2008: Nil). The unlisted equity investment is an investment in Atlantis Deepwater Technology Holding AS.

9. Accounts receivable

The general credit terms of the Group range from 30 to 45 days upon the issuance of the invoices.

An aged analysis of accounts receivable based on the invoiced date as at the statement of financial position date is as follows:

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Outstanding balances aged:		
Within one year	**4,268,546**	2,777,864
Within one to two years	**21,767**	7,751
Within two to three years	**131**	278
Over three years	**2,440**	2,441
	4,292,884	2,788,334
Less: Provision for impairment of accounts receivable	**(53,199)**	(53,309)
	4,239,685	2,735,025

10. Trade and other payables

An aged analysis of trade and other payables as at the statement of financial position date is as follows:

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Outstanding balances aged:		
Within one year	**2,579,570**	3,112,197
Within one to two years	**117,816**	290,739
Within two to three years	**25,631**	16,674
Over three years	**26,923**	11,281
	2,749,940	3,430,891

11. Share appreciation rights plan

On 22 November 2006, the share appreciation rights plan for senior officers (the "SAR Plan") was approved by the shareholders in an Extraordinary General Meeting. A total of 5 million share appreciation rights with an exercise price of HK$4.09 per share were awarded under the SAR Plan to seven senior officers, including the chief executive officer (president), three executive vice presidents, and three other non-executive vice presidents. The share appreciation rights will become vested upon completion of a two years' service period, and the senior officers can exercise their rights in four equal batches, beginning year 3 (first exercisable date: the first trading day after 22 November 2008), 4, 5 and 6 from the approval date of the SAR Plan. No share appreciation rights were exercised during the period.

11. Share appreciation rights plan (continued)

The SAR Plan further provides that if the gain from exercising the share appreciation rights exceeds HK$0.99 per share in any particular year, the excess gain should be calculated using the following percentages:

1) between HK$0.99 and HK$1.50, at 50%;
2) between HK$1.51 and HK$2.00, at 30%;
3) between HK$2.01 and HK$3.00, at 20%; and
4) HK$3.01 or above, at 15%.

The grant of the share appreciation rights was completed and became effective on 6 June 2007 when all the entitled senior officers agreed and signed individual performance contracts with the Company.

As at 30 June 2009, the fair value of the share appreciation rights granted was measured at HK$1.94 per share. The fair value of the rights is calculated using the Black-Scholes model with the following assumptions: expected dividend yield of 1.26%, expected life of two years, expected volatility of 85.17% and risk-free interest rate of 2.46%. The fair value is expensed over the period until vesting with the recognition of a corresponding liability. The liability is measured at each statement of financial position date up to and including the settlement date with changes in fair value recognised in profit or loss.

Share appreciation rights expenses amounting to approximately RMB1.1 million for the period ended 30 June 2009 (six months ended 30 June 2008: RMB1.0 million) were recorded in salary and bonus payables and in general and administrative expenses.

The assumptions on which the valuation model is based represent the subjective estimation made by the directors.

12. Interest-bearing bank borrowings

Current:

	Contractual interest rate (%)	Maturity	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Syndicated bank loan-secured	LIBOR+170pts	2009	–	6,359,459
Bank loans-secured	LIBOR+225pts	2009	–	476,138
			–	6,835,597
Current portion of long term loan			**283,307**	943,020
			283,307	7,778,617

12. Interest-bearing bank borrowings (continued)

Non-current:

	Contractual interest rate (%)	Maturity	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Bank loans – unsecured (a)	i	2013	**544,000**	744,000
Bank loans – unsecured (b)	ii	2017	**400,000**	400,000
Bank loans – unsecured (c)	LIBOR+170pts	2020	**5,413,553**	5,467,680
Bank loans – unsecured (d)	iii	2015	**450,000**	–
Bank loans – unsecured (e)	LIBOR+138pts	2017	**7,981,351**	–
Bank loans – unsecured (f)	LIBOR+90pts	2017	**5,465,520**	–
Bank loans – unsecured (f)	LIBOR+90pts	2017	**4,099,140**	–
Entrusted loans – unsecured (g)	3.71%	2011	**800,000**	–
Entrusted loans – unsecured (g)	iv	2011	**200,000**	–
Syndicated bank loan-secured	LIBOR+170pts	2010	**–**	3,189,503
Syndicated bank loan-secured	LIBOR+162.5pts	2010	**–**	6,725,859
Commercial facility loan-secured (h)	LIBOR+162.5pts	2019	**1,089,893**	654,071
Bank loans – secured (i)	3.20%	2011	**97,755**	117,353
			26,541,212	17,298,466
Less: current portion of long term loan			**(283,307)**	(943,020)
			26,257,905	16,355,446

i The market interest rate of a similar loan type quoted by the People's Bank of China.
ii 4.86% for the first quarter and thereafter the market interest rate of a similar loan type quoted by the People's Bank of China.
iii 3.51% for the first quarter and thereafter the market interest rate of a similar loan type quoted by the People's Bank of China.
iv 3.66% for the first quarter and thereafter the interest rate as determined by the loan entrustor.

(a) The Group borrowed a RMB dominated bank loan for the purpose of financing the construction of certain modular drilling rigs. The borrowings are to be repaid from 30 June 2008 to 30 June 2013 by instalments as follows: RMB200 million on every 30 June from 2008 to 2011, RMB100 million on 30 June 2012, and RMB44 million on 30 June 2013.

(b) The Group borrowed a RMB400 million loan for the purpose of financing the construction of barges for the workover operation in Indonesia. The borrowing should be repaid from 19 November 2009 to 19 November 2017 by instalments as follows: RMB44 million on every 19 November from 2009 to 2016, RMB48 million on 19 November 2017.

(c) The Group borrowed a US$800 million loan for the purpose of funding the acquisition of a subsidiary. The repayment will start on 2 September 2011, with instalments amounting to US$42.1 million bi-annually.

(d) The Group borrowed a RMB450 million loan for the purpose of financing the construction of Libya drilling rigs. The repayment will start on 7 April 2011, with instalments amounting to RMB90 million annually.

(e) The Group borrowed a US$1,170 million loan to refinance loans borrowed by a subsidiary and for working capital purposes.

(f) The Group borrowed a US$800 million loan and a US$600 million loan to refinance a syndicated bank loan borrowed by a subsidiary.

(g) The Group obtained entrusted loan facilities from CNOOC Finance Co., Ltd. entrusted by CNOOC with facilities amounting to RMB2 billion for the purpose of loan refinancing and working capital. An additional entrusted loan facility amounting to RMB1 billion was obtained for the purpose of financing the construction of jack-up drilling rigs and working capital.

12. Interest-bearing bank borrowings (continued)

(h) The loan agreement was entered into by a subsidiary of CDE, WilPromoter Pte. Ltd. (currently known as "COSL Promoter Pte. Ltd."), relating to a loan facility of up to US$335,600,000 for drilling rig construction. The facility is secured by a semi-submersible drilling rig. The loan has been repaid in August 2009.

(i) The loan was granted based on a subsidiary's extensive use of Norwegian suppliers in the construction of the jack-up drilling rig, WilPower. In return, the loan carries a fixed interest rate of 3.2%. The loan is to be repaid in semi-annual instalments beginning six months after the loan drawdown date. Proceeds of the loan were deposited in an account with the agent bank, which serve as a security for the loan and are classified as a pledged deposit in the statement of financial position.

13. Other current liabilities

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Negative interest in a jointly-controlled entity	**92,542**	–
Due to a jointly-controlled entity	**34,519**	–
Due from a jointly-controlled entity	**(100,155)**	–
	26,906	–

The share of net liabilities in PD was recognised as other current liabilities since the Group has a constructive obligation on behalf of PD as PD was established to manage the operations of some of the Group's jack-up drilling rigs. During the period, the shareholders of PD had terminated their management agreements and subsequent to the termination, liquidation process has commenced for Premium Drilling Inc. and Premium Drilling (Cayman) Ltd..

14. Long term bonds

Long term bonds consist of:

(i) Corporate bonds:
On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100.00 per bond, amounting to RMB1,500 million. The bonds carry interest at a fixed coupon rate of 4.48% per annum, which is payable annually in arrears on 14 May, and the redemption or maturity date is 14 May 2022.

(ii) Senior unsecured US$ bonds:
COSL Drilling Europe AS issued the bonds in February 2006, with a book value of US$100 million. The notes are unsecured, have a five-year bullet maturity and carry a fixed coupon rate of 9.75%. The bonds are flexible in that they (1) have no change of control provisions; and (2) allow for a possible demerger of the Group in connection with possible future corporate transactions, which is pre-approved by the bond holders.

(iii) Second security priority US$ bonds:
COSL Drilling Semi AS (formerly known as Offrig Drilling ASA) issued the bonds in April 2006, with a book value of US$200 million and with a second security priority mortgage in the construction contracts relating to semi-submersible rigs. The company incurred debt issuance costs of US$4.5 million, which are capitalised and amortised as a component of interest expense over the term of the bonds. The bonds are shown net of issue costs in the statement of financial position. The bonds carry a fixed coupon rate of 9.75% and have a five-year bullet maturity. During the period, bonds with principal value amounting to US$4 million were redeemed by the company.

(iv) Senior unsecured NOK bonds:
COSL Drilling Europe AS issued the bonds in July 2007, with a book value of NOK 500 million, and an interest rate of NIBOR+2.25%. The bullet maturity is three years.

15. Deferred revenue

Deferred revenue mainly aroses from the difference of contracted day rates and market day rates of the drilling rigs owned by COSL Drilling Europe AS. The deferred revenue was amortised according to the related contract period.

16. Derivative financial instruments

Part of the NOK bond (NOK250 million), subject to a rate of three-month NIBOR + 2.25%, has been swapped with a three-month US LIBOR + 2.40%. This swap agreement has been entered into to minimise the exposure to fluctuations in the US$/NOK exchange rate.

The Group recognised a fair value gain and also a realised loss as finance costs from this agreement amounting to approximately RMB26,915,000 and RMB2,540,000 respectively (six months ended 30 June 2008: Nil). The carrying amount of the interest swap is the same as the fair value.

17. Other non-current liabilities

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Negative interest in a jointly-controlled entity	**93,502**	72,406
Due to a jointly-controlled entity	**–**	93,771
Due from a jointly-controlled entity	**(26,685)**	(71,920)
	66,817	94,257

The share of net liabilities in ADOL was recognised as other non-current liabilities since the Group has a constructive obligation on behalf of ADOL. The balance as at 31 December 2008 was the share of net liabilities in PD, and the corresponding share of net liabilities in PD as at 30 June 2009 was classified as other current liabilities since the liquidation process of PD had commenced (note 13).

18. Issued capital

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Registered, issued and fully paid:		
2,460,468,000 state-owned shares of RMB1.00 each	**2,460,468**	2,460,468
1,534,852,000 H shares of RMB1.00 each	**1,534,852**	1,534,852
500,000,000 A Share of RMB1.00 each	**500,000**	500,000
	4,495,320	4,495,320

The Company does not have any share option scheme but does have a share appreciation rights plan for senior officers (note 11).

19. Dividends

In accordance with the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution is deemed to be the lesser of (i) the net profit determined in accordance with the PRC accounting principles and financial regulations; and (ii) the net profit determined in accordance with Hong Kong Financial Reporting Standards.

The board of directors of the Company did not recommend the payment of interim dividends for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

20. Business combination

On 29 September 2008, the Group acquired a 98.8% interest in Awilco Offshore ASA (currently known as COSL Drilling Europe AS, "CDE"). On 15 October 2008, the Group acquired the rest of the interest thereby holding a 100% interest in CDE. After the acquisition, CDE became a limited liability company incorporated and domiciled in Norway. The principal activity of CDE is the investment in and operation of jack-up drilling rigs, semi-submersible drilling rigs and accommodation rigs. The purchase consideration for the acquisition was in the form of cash, amounting to approximately US$2,333,894,927 (approximately RMB16,094,230).

The purchase consideration has been allocated to the identifiable assets and liabilities of CDE as of the date of acquisition. The purchase price allocation is still preliminary pending for the finalisation of the valuation of the assets and liabilities.

21. Related party transactions

Companies are considered to be related if one company has the ability, directly or indirectly, to control the other company, or exercise significant influence on the other company in making financial and operating decisions. Companies are also considered to be related if they are subject to common control or common significant influence.

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties.

In addition to the transactions and balances detailed elsewhere in these financial statements, the following significant transactions were carried out between the Group and (i) CNOOC Limited, its subsidiaries and associates (collectively known as the "CNOOC Limited Group"); (ii) CNOOC, its subsidiaries and associates other than the CNOOC Limited Group (collectively known as the "CNOOC Group"); and (iii) the Group's jointly-controlled entities:

(A) Included in revenue

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Revenue earned from provision of services to the following related parties:		
(a) The CNOOC Limited Group		
Provision of drilling services	**2,618,436**	1,494,185
Provision of well services	**1,310,892**	887,106
Provision of marine support and transportation services	**654,964**	552,043
Provision of geophysical services	**504,913**	478,677
	5,089,205	3,412,011
(b) CNOOC Group		
Provision of drilling services	**46,626**	2,932
Provision of well services	**11,732**	410
Provision of marine support and transportation services	**81,853**	105,429
Provision of geophysical services	**65,856**	63,043
	206,067	171,814

21. Related party transactions (continued)

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
(c) Jointly-controlled entities		
Provision of drilling services	**214,509**	980
Provision of well services	**381**	1,230
Provision of marine support and transportation services	**6,678**	5,622
Provision of geophysical services	**8,505**	541
	230,073	8,373

(B) Included in operating expenses

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Services provided by the CNOOC Group and the Group's jointly-controlled entities:		
Labour services	**10,757**	2,617
Materials, utilities and other ancillary services	**109,411**	79,647
Transportation services	**1,997**	962
Lease of offices, warehouses and berths	**18,669**	23,159
Repair and maintenance services	**1,995**	995
Management services	**6,182**	4,495
	149,011	111,875

Included in the above is the amount of services provided by the Group's jointly-controlled entities totalling RMB19.6 million for the six months ended 30 June 2009 (six months ended 30 June 2008: RMB10.3 million).

(C) Included in interest income/expenses

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
CNOOC Finance Corporation Limited		
Interest income	**2,134**	410
Interest expenses	**(477)**	–

21. Related party transactions (continued)

(D) Loans drawn down and repaid during the period

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
CNOOC Finance Corporation Limited	**1,000,000**	–

(E) Construction progress billing

	Six months ended 30 June 2009 (unaudited) RMB'000	2008 (unaudited) RMB'000
Drilling rigs construction provided by CNOOC Group	**177,957**	–

(F) Deposits

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Deposits placed with CNOOC Finance Corporation Limited as at period/year end	**386,823**	539,821

(G) Accounts receivable

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

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Due from the ultimate holding company	**–**	120,526
Due from the CNOOC Limited Group	**2,830,438**	1,574,383
Due from other CNOOC Group companies	**29,881**	77,259
Due from joint-controlled entities	**198,105**	3,199
	3,058,424	1,775,367

21. Related party transactions (continued)

(H) Prepayments, deposits and other receivables

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Due from the ultimate holding company	**3,242**	2,300
Due from the CNOOC Limited Group	**5,690**	921
Due from other CNOOC Group companies	**736,304**	285,525
Due from joint-controlled entities	**99,578**	16,391
	844,814	305,137

(I) Trade and other payables

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Due to the ultimate holding company	**3,706**	3,248
Due to the CNOOC Limited Group	**1,034**	38,490
Due to other CNOOC Group companies	**75,337**	85,818
Due to joint-controlled entities	**27,887**	48,977
	107,964	176,533

(J) Notes payable

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Due to other CNOOC Group companies	**912,663**	366,763

The Group and the above related parties are within the CNOOC Group and are under common control by the same ultimate holding company.

The balances with related parties at 30 June 2009 under prepayments, deposits and other receivables and trade and other payables and notes payable of the Group are unsecured and interest-free, and have no fixed terms of repayment.

In connection with the reorganisation in 2002, the Group entered into several agreements with the CNOOC Group which govern employee benefits arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the lease of properties, and various other commercial arrangements.

During the period, all pension scheme payments relating to the Supplementary Pension Benefits of approximately RMB10.9 million (six months ended 30 June 2008: RMB22.4 million) were borne by CNOOC.

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 to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually on terms based upon corresponding market prices.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the usual course of business.

21. Related party transactions (continued)

(K) Transactions with other state-owned enterprises in the PRC

The Group operates in an economic environment predominated by enterprises directly or indirectly owned or controlled by the PRC government through its numerous authorities, affiliates or other organisations (collectively the "State-owned Enterprises"). During the six months ended 30 June 2009, the Group had transactions with the State-owned Enterprises including, but not limited to, the rendering of services and purchases of raw materials. The directors consider that transactions with such other State-owned Enterprises are activities in the ordinary course of the Group's business, and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and such other State-owned Enterprises are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for products and services, and such pricing policies do not depend on whether or not the customers are State-owned Enterprises. Having due regard to the substance of the relationships, the directors are of the opinion that none of these transactions is material related party transaction that requires separate disclosure.

22. Operating lease arrangements

(a) Group as lessee

The Group leases certain of their office properties under operating lease arrangements. Leases for properties and equipment are negotiated for terms ranging from one to five years.

At the statement of financial position date, the Group had the following minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Within one year	**127,761**	127,420
In the second to fifth years, inclusive	**225,380**	275,668
After five years	**24,604**	28,497
	377,745	431,585

(b) Group as lessor

The Group has entered into a bareboat lease with a lease term of five years.

At the statement of financial position date, the Group had the following minimum lease receivables under a non-cancellable operating lease falling due as follows:

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Within one year	**167,860**	170,483
In the second to fifth year, inclusive	**195,836**	284,138
	363,696	454,621

23. Capital commitments

The Group had following capital commitments, principally for construction and purchase of property, plant and equipment at the statement of financial position date:

	30 June 2009 (unaudited) RMB'000	31 December 2008 (audited) RMB'000
Contracted, but not provided for	**7,534,109**	6,384,560
Authorised, but not contracted for	**13,984,411**	18,990,187
	21,518,520	25,374,747

24. Significant litigations

(A) In 2006, Awilco Offshore ASA (currently known as CDE) signed a management agreement with Polycrest AS for the operation and management of the semi-submersible drilling rigs on the Norwegian Continental Shelf.

During 2007, Awilco Offshore ASA decided that the company itself should operate and manage the semi-submersible drilling rigs. Awilco Offshore ASA and Polycrest are therefore in negotiations on how to terminate this management agreement and different alternatives are being discussed.

In accordance with HKAS37 "Provisions, Contingent Liabilities and Contingent Assets", Awilco Offshore ASA has a contingent liability to Polycrest AS in connection with Polycrest's previous planned role as manager for the Group's semi-submersible drilling units.

Due to the nature of the different solutions being discussed, it is difficult to give an expected value of this contingency.

(B) In January 2007, Awilco Offshore ASA made a compulsory acquisition of the outstanding shares in OffRig Drilling ASA ("OFRD"). The acquisition was made in accordance with the regulations of the Norwegian Public Limited Companies Act § 4-25. Some of the minority shareholders (who owned 8.8% of OFRD) disagreed with the valuation and the price paid per share. In 2009, the court entered into an appraisement where the redemption price for the shares was set at a price higher than the acquisition price. CDE has filed a petition for a second appraisement by the higher courts where the redemption consideration for the shares in COSL Drilling Semi AS as determined by Stavanger District Court is contested. The date for the second valuation proceedings before the higher court has not yet been set.

Considering the above mentioned status, no further disclosures were made as the management believes that disclosure of further details may prejudice the position of the company in the dispute.

25. Contingent liabilities

Save as disclosed in note 24 above, there are no other significant contingent liabilities as at 30 June 2009.

26. Events after the statement of financial position date

Subsequent to 30 June 2009, BP Norge AS notified the Group to terminate a drilling service contract with the Group on one of its semi-submersible rigs under construction as the rig was not able to deliver on schedule. Since further arrangements following the termination with BP Norge AS are under negotiation, the outcome thereof cannot be reasonably determined as of the date of approving the financial statements.

27. Comparative amounts

The balances with related parties have been reclassified to the respective accounts, namely prepayments, deposits and other receivables and trade and other payables, based on the nature of transactions. In addition, certain comparative amounts have been reclassified to conform with the current period's presentation.

28. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements for the six months ended 30 June 2009 were approved and authorised for issue by the board of directors on 28 August 2009.

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Chairman of the Board &
Non-Executive Director

Liu Jian
Executive Director

Li Yong
Executive Director

Wu Mengfei
Non-Executive Director

Tsui Yiu Wa
Independent Non-Executive Director

Gordon C.K. Kwong
Independent Non-Executive Director

Simon X. Jiang
Independent Non-Executive Director

Audit Committee

Gordon C. K. Kwong
Chairman

Tsui Yiu Wa

Simon X. Jiang

Remuneration Committee

Simon X. Jiang
Chairman

Wu Mengfei

Gordon C. K. Kwong

Tsui Yiu Wa

Nomination Committee

Liu Jian
Chairman

Tsui Yiu Wa

Simon X. Jiang

Board of Supervisor

Zhu Liebing
Supervisor Chairman

Yang Jinghong
Supervisor

Wang Zhile
Independent Supervisor

Senior Management

Liu Jian
Chief Executive Officer

Li Yong
President

Zhong Hua
Executive Vice President & CFO

Chen Weidong
Executive Vice President & CSO
Company Secretary

Dong Weiliang
Executive Vice President & CTO

Li Xunke
Senior Vice President

Xu Xiongfei
Vice president

Xiao Guoqing
Vice president

Yu Zhanhai
Vice president

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