CHINA OILFIELD SERVICES LIMITED
中海油田服務股份有限公司
(Stock Code 股票代號 A 股: 601808 ; H 股: 2883)

2011 INTERIM REPORT 中期報告

1. Revenue was

RMB8,139.2 million.

2. Profit from operations was RMB2,607.2 million.

3. Profit for the period was RMB2,074.5 million.

4. Basic earnings per share were RMB46.08 cents.

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Chief Executive Officer's Report

Dear shareholders,

In the first half of 2011, world's major economies continued to recover, but the process of recovery was difficult and the European debt crisis worsened. The growth of China's economy slowed down while inflation pressure was apparent. The competition in the global oilfield services market continued to be fierce, opportunities for low-end large-scale equipment to win contract became fewer and fewer and the technical and safety requirements of oil companies on oilfield services were more and more stringent. Amidst complex macro situation and fierce industry competition, we achieved steady operation in the first half of the year, which are mainly reflected in the following aspects:

Operating results were stable. In the first half of the year, there was a certain drop in the operating volume of drilling services and well services segments due to factors such as the allocation of drilling resources and the market, but the company's operating results basically met our expectations. The company achieved revenue of RMB8,139.2 million. Operating profit reached RMB2,607.2 million. Net profit amounted to RMB2,074.5 million and earnings per share reached RMB 46 cents.

Stable domestic market position and expanding overseas market. In the first half of 2011, the principal, businesses of the Company maintained a stable position in domestic market. The operating days of the Company's drilling vessel team reached 4,487 days, representing an increase of 75 days compared with the same period of last year and the calender day utilization rate reached 90.6%. The calendar day utilization rate of the Group self-owned vessels of marine support and transportation services segment reached 96.5%, representing an increase of 1.3 basic points compared to the same period of last year. In particular, the geophysical services segment realized a significant increase of turnover, which showed an increase of 39.1% compared with the same period last year. This was mainly because we grasped the opportunities of the strong demand in deep-water exploration and the contribution of production capacity by the new 12-streamer geophysical vessel. With regard to the overseas market, the Company further optimized the resources allocation of drilling rigs in both the overseas and domestic markets, allocated more high-end drilling rigs to the overseas market, such that 5 drilling rigs are newly introduced to the overseas market in the first half of the year. As of now, the Company has deployed 11 drilling rigs in the overseas market, and all these drilling rigs have secured contracts for more than one year, laying a solid foundation for the steady growth in turnover in the second half of the year and next year. In the Mexican market, following upgrade and modification in the first half of the year, the original four module rigs not only adapted to the more stringent safety and technological requirements there, but also won a new round of contract from PEMEX with the day rate also increasing. Thanks to the quality service of the Company's module rigs, the Company won another service contract for jack-up drilling rig from PEMEX. In the Norwegian market, the semi-submersible drilling rig COSLPioneer successfully received the AoC (Acknowledgement of Compliance) certificate from the Petroleum Safety Authority of Norway after arriving Norway and has commenced operation. The Indonesian market continued to expand, apart from signing contracts for three high-end drilling rigs, the Company's business scope also involve integrated well workover, integrated land drilling, cementing, drilling fluids and logging, etc. Clients of the Company become more diversified, in which over half of the turnover came from local and international clients apart from the traditional clients of the Company. In addition, we achieved major breakthrough in markets of both Iraq and Cambodia. During the period, our overseas revenue created a new high and reached RMB2.251 billion, accounting for 28% of our revenue for the reporting period.

The building of large scale equipment proceeded smoothly. In the first half of the year, the Company successively delivered two 200-feet jack-up drilling rigs and one 12-streamer geophysical vessel "HYSY720" which was delivered ahead of schedule and put into operation within very short period of time after delivery (It created an excellent result of collecting a maximum of 99.5 square kilometers 3-D seismic data per day). Construction progress of the Company's 2 deep-water utility vessels and deep-water surveying vessel and semi-submersible drilling rigs – COSLInnovator and COSLPromoter were going smoothly. In which, COSLInnovator is expected to be delivered in the second half of 2011.

Safety situation maintained stable. In the first half of the year, safety situation of the Company was stable, and there were no "up class" accidents. Rate of OSHA was 0.16.

Technological research and development ("R&D") achievements. Technological R&D provides an effective support for the sustainable development of the Company. In the first half of 2011, the Company developed ELIS Magnetic Resonance Tool (EMRT) which we have complete independent intellectual property rights. In addition, research on key technology about logging-while-drilling SPOTE. Enhensed Resistivity Micro-Imager (ERMI) Engineering and Oil-Based Mud Micro-Resistivity Image achieved breakthrough. During the period, the Company obtained 56 granted patents, of which nine are invention patents.

A Share issue proceeded smoothly. On 15 June 2011, the application for the Company to issue A share stocks was approved by the Listing Review and Examination Committee of China Securities Regulatory Commission (CSRC). On 20 July 2011, the Company obtained Reply to Approve China Oilfield Services Limited to Issue Shares from CSRC, and the Company will wait for an opportunity to make the issue within 6 months after the date of the approval.

Looking into the near future, the European sovereign debt crisis, slow-down in the US economic growth and the downgrade of US sovereign debt would bring new uncertainties for the world's economic recovery, but the gradual recovery of the world's economy and the growth in emerging economies would still increase oil demand. The pressure from steady production and increase of production of oil companies as well as exploration and development of new oil and gas reserves are still major contributors to the development of oilfield services market. Taking into account continuously putting into use of new equipment, the competition in the oilfield services industry would remain fierce in the second half of the year, but the prospect for oilfield service market and high-end equipment are still optimistic. While pushing forward the construction of the equipment current under construction, we will grasp the opportunities brought by the deep-water exploration and development in the South China Sea, actively engage in the building of the Company's deep-water equipment and capability, so as to create new momentum for the development of the Company.

In the second half of 2011, the Company will be market-oriented, continue to optimize mode of resources allocation and marketing, raise operation ability, solidify its leading position in domestic market, and expand and strengthen overseas market. In the second half of the year, the Company's revenue from its main business will further increase. COSLPioneer, COSLConfidence, COSLSeeker and two 200-feet drilling rigs will commence operation in the second half of the year; the operation of the four module rigs in Mexico will increase significantly in the second half of the year compared with the first half of the year; As led by the increase in operation in the drilling services segment, the operation of the well services segment will also increase significantly in the second half of the year; the development of the Iraq project and the Cambodian project will bring new income to the Company. The Company will further improve its technological research system, and strive to facilitate technological research; safe production will always be emphasized by improving the Company's contingency management system and comprehensively strengthen the Company's ability to respond to contingency; based on our own talents and advantages, the ability for deep-water operation will be formed as soon as possible; new market such as coalbed methane will be actively exploit to create new source of income growth for the Company; we will keep enhancing risk management and internal control level, strengthen cost control and raise economic efficiency, so as to provide steady return to the shareholders.

Li Yong
CEO and President of China Oilfield Services Ltd.

Hong Kong, 23 August 2011

Management Discussion and Analysis

Industry Review

In the first half of 2011, the global economy had experienced various challenges during its slow recovery, but the global economic condition was still grim. International crude oil price was unstable at high level. Due to the continued unrest in the Middle East and North Africa and the influence of speculative capital in early 2011, international crude oil (WTI) average price was US$98.3/barrel, accompanied by significant fluctuation within the range from US$83/barrel to US$114/barrel in the first half of 2011. In June, as the members of the International Energy Agency (IEA) jointly released the strategic oil reserve, oil price was impacted and declined to around US$90/barrel. High oil price stimulated oilfield investment to a certain extent. Barclays Capital expects that investment in the exploration and production around the world would reach US$529 billion in 2011, representing an increase of 16% compared with US$458 billion in 2010. The well services and the geophysical services segments continued their recovery momentum. Although the demand for high end drilling rigs in the drilling services segment has increased, the speed of recovery of the drilling services segment was still slow due to the continuous delivery of the newly built drilling rigs that had been ordered and the fact that the usage of low end drilling rigs was still subdued. According to the data from ODS-data, the global comprehensive day rate of drilling rigs in the first half of 2011 was at around the same level as in the first half of last year, and overall global drilling rig contract signing rate reduced by 2.75% compared to the same period of last year. The day rate of the drilling services segment in offshore of the PRC was stable and sustaining a relatively high rate of securing contracts. The demand for geophysical businesses was booming in China.

Business Review

Drilling Services Segment

As of 30 June 2011, the Group operated a total of 31 drilling rigs (of which 27 were jack-up drilling rigs, 4 were semi-submersible drilling rigs), 2 accommodation rigs, 4 module rigs and 6 land drilling rigs. Among the Group's drilling rigs, 10 were operating in Bohai Bay, 5 in South China Sea, 1 in East China Sea, and 8 in overseas such as Indonesia and Australia; 2 newly delivered 200 feet jack-up drilling rigs were waiting for the operator's inspection and acceptance, 1 semi-submersible drilling rig delivered last year was under modification before the commencement of operation, and another 4 jack-up drilling rigs were under maintenance. Moreover, 2 accommodation rigs were providing services to customers in the North Sea, 4 module rigs were working in the Mexican waters, 5 land drilling rigs originally working in Libya stopped operation due to the civil war within the country, and the other 1 land drilling rig was in Xinjiang of China.

In the first half of 2011, competition was still intense in the drilling services segment. The Company strived to consolidate its existing markets, and at the same time kept exploring overseas markets. During the period, we successfully renewed a service contract with a client in relation to the offshore accommodation rig-COSLRigmar for a term of 12 months; apart from the second contract renewal for the 4 module rigs with the client at Mexican Bay, we also entered into a service contract with Mexico National Oil Company for a jack-up drilling rig. In addition, the two 200 feet jack-up drilling rigs delivered at the end of last October commenced operation in the first quarter of this year. The other two 200 feet jack-up drilling rigs were delivered in May this year. In the first half of the year, the operating day of the Group's drilling rigs was 4,487 days, representing an increase of 75 days compared with the same period of last year, and the calendar day utilization rate of the Group's drilling rigs reached 90.6%, representing a 4.0 basic points decrease compared with the same period of last year. At the same time, under influences of the suspension of land drilling rigs in Libya and the upgrading of module rigs in Mexico as well as the market environment, the turnover of our drilling services segment recorded a decrease of 8.8% from RMB4,616.3 million for the same period of last year to RMB4,210.9 million.

The operation details of our jack-up and semi-submersible drilling rigs in the first half of 2011 are as follows:

	For the six months ended 30 June 2011	2010	Increase/ (Decrease)	Increase/ (Decrease)
Operating days (day)	**4,487**	4,412	75	1.7%
Jack-up drilling rigs	**3,986**	3,935	51	1.3%
Semi-submersible drilling rigs	**501**	477	24	5.0%
Available day utilization rate	**94.0%**	100.0%	(6.0 basic points)	
Jack-up drilling rigs	**93.3%**	100.0%	(6.7 basic points)	
Semi-submersible drilling rigs	**100.0%**	100.0%	–	
Calendar day utilization rate	**90.6%**	94.6%	(4.0 basic points)	
Jack-up drilling rigs	**90.4%**	95.4%	(5.0 basic points)	
Semi-submersible drilling rigs	**92.3%**	87.8%	4.5 basic points	

The main reasons for the increase by 51 days in operating days of jack-up drilling rigs compared with the same period of last year were, firstly, COSL936 and COSL937 which commenced operation last year were fully operated and increased operating days by 40 days in the current period, and the 200 feet drilling rigs COSL921 and COSL922 commenced operation in March this year and increased operating days by 244 days, in the mean time, the 2 drilling rigs COSLSeeker and COSLConfidence operated 284 days less due to market impact, and the operating days of other jack-up drilling rigs increased by 51 days due to the decrease in the number of days of repair and maintenance.

The operating days of semi-submersible drilling rigs increased by 24 days compared with the same period of last year mainly due to the decrease in the number of days of repair and maintenance by 24 days.

Due to the decrease in operating days of the 2 drilling rigs COSLSeeker and COSLConfidence, the calendar day utilization rate of the Group's drilling rigs was 90.6%, representing a decrease of 4.0 basic points as compared with the same period of last year.

The two accommodation rigs continued to provide services to clients in the North Sea and operated for 362 days in the first half of the year, with available day utilization rate and calendar day utilization rate both reached 100.0%. The 4 module rigs working in Mexican Bay were upgraded and modified during the period to provide better service to our clients, and operated for 370 days in the first half of the year with a calendar day utilization rate of 51.1%. The 6 land drilling rigs operated for a total of 444 days, representing a decrease of 618 days compared with the same period last year. This was mainly due to the civil war in Libya which led to the suspension of operation of 5 land drilling rigs of the Group since the end of February this year. Under this impact, the calendar day utilization rate of land drilling rigs decreased to 40.9%.

The average day rate of the drilling rigs of the Group for the first half of 2011 slightly decreased compared with the same period of last year, and the details are as follows:

Average day rate* (ten thousand US$/day)	For the six months ended 30 June 2011	2010	Increase/ (Decrease)	Increase/ (Decrease)
Jack-up drilling rigs	**10.7**	11.0	(0.3)	(2.7%)
Semi-submersible drilling rigs	**19.5**	19.3	0.2	1.0%
Drilling rigs sub-total	**11.7**	12.0	(0.3)	(2.5%)
Accommodation rigs	**21.5**	22.7	(1.2)	(5.3%)
Total	**12.3**	12.7	(0.4)	(3.1%)

Note: US$/RMB exchange rate was 1:6.4716 on 30 June 2011 and 1:6.7909 on 30 June 2010, respectively.

* Average day rate = Revenue / operating day

Management Discussion and Analysis

Well Services Segment

In the first half of 2011, operation volume of the well services segment decreased due to market impact, resulting in a turnover of RMB1,690.7 million, which has decreased by RMB490.7 million or 22.5% compared with RMB2,181.4 million for the same period of last year.

In the first half of 2011, although the operation volume of the well services segment decreased due to the overall domestic market impact, the Group continued to consolidate its overseas market of the well services segment. The Group successfully renewed the Papua New Guinea LIHIR project and the 1-year cementing service contract for three sets of cementing equipments with Philippine client. Moreover, we also completed the first optimization of onshore oilfield production in Indonesia, which laid a foundation for the Group's expansion in the oilfield production optimization business in Indonesia. At the same time, the Group explored the new energy market of land coalbed methane. We provided logging services to the clients' land coalbed methane projects during the period.

While keep exploring new markets, the Group also continuously improved its own technical level. The self-researched cement slurry for deep-water cementing successfully passed the deep-water test, symbolizing that the Group possessed the initial ability to carry out deep-water cementing. The self-developed Enhanced Reservior Characteristic Tester (ERCT) was the first set of modular strata testing instrument within the country, which made China to be he second country after the USA which owns this technology.

Marine Support and Transportation Services Segment

In the first half of 2011, the Group's marine support and transportation services segment faced intense market competition. The Group utilized its own advantages and reasonably selected resources from the market to expand and create profit, maintaining a high calendar day utilization rate of its own vessels. In the first half of the year, the calendar day utilization rate of its own vessels was 96.5%, representing a 1.3 basic points increase compared with 95.2% for the same period of last year. As at 30 June 2011, the Group owned an aggregate of 75 oilfield utility vessels, 3 oil tankers and 5 chemical carriers. There are 2 other high-power deep-water utility vessels under construction which are expected to be delivered in the second half of the year.

The operation of self-owned oilfield utility vessels in the first half of 2011 is as follows:

Operating days (day)	For the six months ended 30 June 2011	2010	Increase/ (Decrease)	Increase/ (Decrease)
Standby vessels	**7,922**	8,188	(266)	(3.2%)
AHTS vessels	**2,942**	3,118	(176)	(5.6%)
Platform supply vessels	**905**	905	–	–
Multi-purpose vessels	**659**	687	(28)	(4.1%)
Workover support barges	**628**	497	131	26.4%
Total	**13,056**	13,395	(339)	(2.5%)

The operating days of self-owned vessels decreased by 339 days compared with the same period of last year mainly because there were 5 utility vessels scrapped and retired last year, which resulted in the decrease of operating days of 571 days; moreover, the 1 workover support barge commenced operation last year increased operating days by 181 days; and the operating days of other vessels increased by a total of 51 days.

As affected by the decrease in transportation volume of external vessels, the transportation volume of oil tankers during the period was 784,000 tons, representing a decrease of 17.4% compared with 949,000 tons for the same period of last year. As the number of days of repair and maintenance decreased, the transportation volume of chemical carriers increased by 23.6% from 888,000 tons for the same period of last year to 1,098,000 tons.

In the first half of 2011, the Group's marine support and transportation services segment realized a turnover of RMB1,211.6million, representing an increase of 1.6% or RMB18.8 million compared with RMB1,192.8 million for the same period of last year.

Geophysical Services Segment

Seismic Services

In the first half of 2011, the country's first 12-streamer deep-water geophysical vessel, HYSY720, was successfully delivered and commenced 3D seismic collection in the South China Sea, and effectively enhanced the seismic data collection capabilities of the Group's geophysical services segment. While new equipments commenced operation which enhanced the Group's working capabilities, the Group also made reasonable arrangements and considerations in the market, the Group utilized to deploy vessels such as HYSY719 and Nanhai 502 to carry out seismic data collection in overseas at the beginning of the year when it was winter period and not suitable for operation in China.

In the first half of 2011, the details of the Group's collection and processing workload are as follows:

Services	For the six months ended 30 June 2011	2010	Increase/ (Decrease)	Increase (Decrease)
2D collection (km)	**16,202**	17,874	(1,672)	(9.4%)
2D processing (km)	**12,423**	856	11,567	1,351.3%
3D collection (km^2)	**9,938**	5,753	4,185	72.7%
Including Submarine cable (km^2)	**322**	185	137	74.1%
3D processing (km^2)	**3,366**	2,301	1,065	46.3%

The operation volume of 2D collection services reduced by 1,672 km compared with the same period of last year, mainly because the Group rented an external vessel to carry out 2D collection for the same period of last year and the vessel was not rented this year, which reduced the operation volume by 5,010 km. At the same time, through reasonable regional arrangements, the operation volume of 2D collection carried out by self-owned vessels increased by 3,338 km compared with the same period of last year. The operation volume of 3D collection services increased by 4,185km^2 compared with the same period of last year, mainly because the 12-streamer geophysical vessel newly commenced operation, HYSY720, brought 1,533 km^2 of operation volume, HYSY719 was fully operated in the first half of 2011, resulted in an increase in operation volume by 1,361 km^2, operation volume of other vessels increased by 1,154 km^2 in total, the submarine cable fleet which commenced operation in April last year increased operation volume by 137 km^2 during this period. For the data processing services, as impacted by the market, 2D data processing and 3D data processing business recorded a relatively high increase.

Surveying Services

In the first half of 2011, the Group's surveying services recorded a turnover of RMB186.3 million, increased by 20.1% or RMB31.2 million from RMB155.1 million for the same period of last year.

In the first half of 2011, the Group's geophysical services recorded a turnover of RMB1,026.0 million, representing an increase of 39.1% or RMB288.4 million compared with RMB737.6 million for the same period of last year.

Management Discussion and Analysis

FINANCIAL REVIEW

1. Analysis of interim condensed consolidated income statement

1.1 Revenue

In the first half of 2011, the Group's revenue amounted to RMB8,139.2 million, representing a decrease of 6.7% or RMB588.9 million from RMB8,728.1 million for the same period of last year.

The table below shows the revenue of each of the business segments in the first half of 2011:

Unit: RMB million	For the six months ended 30 June		
Business segments	2011	2010	Change %
Drilling services	**4,210.9**	4,616.3	(8.8%)
Well services	**1,690.7**	2,181.4	(22.5%)
Marine support and transportation services	**1,211.6**	1,192.8	1.6%
Geophysical services	**1,026.0**	737.6	39.1%
Total	**8,139.2**	8,728.1	(6.7%)

1.2 Operating expenses

In the first half of 2011, the aggregate operating expenses of the Group amounted to RMB5,595.5 million, representing a decrease of RMB351.0 million or 5.9% from RMB5,946.5 million for the same period of last year.

The table below shows the operating expenses of each of the business segments in the first half of 2011:

Unit: RMB million	For the six months ended 30 June		
Business segments	2011	2010	Change %
Drilling services	**2,707.2**	2,836.5	(4.6%)
Well services	**1,414.8**	1,688.4	(16.2%)
Marine support and transportation services	**844.2**	842.6	0.2%
Geophysical services	**629.3**	579.0	8.7%
Total	**5,595.5**	5,946.5	(5.9%)

The table below shows the breakdown of operating expenses for the Group in the first half of 2011:

Unit: RMB million	**For the six months ended 30 June**		
	2011	**2010**	**Change %**
Depreciation of property, plant and equipment and amortization of intangible assets	**1,540.7**	1,577.2	**(2.3%)**
Employee compensation costs	**1,319.1**	1,382.8	**(4.6%)**
Repair and maintenance costs	**251.8**	144.3	**74.5%**
Consumption of supplies, materials, fuel, services and others	**1,288.5**	1,532.6	**(15.9%)**
Subcontracting expenses	**465.6**	463.5	**0.5%**
Operating lease expenses	**210.2**	246.6	**(14.8%)**
Impairment of property, plant and equipment	**41.8**	–	**100.0%**
Other selling, general and administrative expenses	**62.9**	50.3	**25.0%**
Other operating expenses	**414.9**	549.2	**(24.5%)**
Total operating expenses	**5,595.5**	5,946.5	**(5.9%)**

Repair and maintenance costs increased by RMB107.5 million or 74.5% compared with the same period of last year. This was mainly due to the maintenance of overseas semi-submersible rig NH6 in the dock, at the same time, repair and maintenance was carried out for 2 jack-up drilling rigs.

Consumption of supplies, materials, fuel, services and others decreased by RMB244.1 million or 15.9% compared with the same period of last year, mainly due to the Group's increased effort in its cost control. The other reason is that under the impact of the international political environment and market, the work volume of drilling services and well services decreased.

Impairment losses of property, plant and equipment increased by RMB41.8 million, mainly because the civil war in Libya during the period affected the Group's land drilling business in Libya, the management recognized an asset impairment of RMB41.8 million accordingly.

Other operating expenses decreased by RMB134.3 million or 24.5% compared with the same period of last year, mainly due to the fact that the Group accrued the bad debt provision for part of the accounts receivable and other receivables in the first half of 2010, which resulted in a decrease of impairment loss of RMB93.9 million compared with the same period of last year.

1.3 Profit from operations

The profit from operations of the Group during the first half of 2011 amounted to RMB2,607.2 million, representing a decrease of RMB178.0 million or 6.4% from RMB2,785.2 million for the same period of last year.

The profit from operations of each of the business segments in the first half of 2011 are shown in the table below:

Unit: RMB million	**For the six months ended 30 June**		
Business segments	**2011**	**2010**	**Change %**
Drilling services	**1,521.9**	1,779.9	(14.5%)
Well services	**291.7**	495.6	(41.1%)
Marine support and transportation services	**380.4**	351.1	8.3%
Geophysical services	**413.2**	158.6	160.5%
Total	**2,607.2**	2,785.2	(6.4%)

1.4 Financial expenses, net

In the first half of 2011, the net financial expenses of the Group was RMB186.2 million, representing a decrease of RMB81.7 million or 30.5% from RMB267.9 million for the same period of last year, mainly due to the Group's full repayment during the period of the loans used in the Mexico project, the Indonesia barge project and the Libya project, as well as the loan borrowed from CNOOC Finance Corporation Limited and the second security priority bonds, which resulted in the decrease of financial expenses by RMB80.5 million compared with the same period of last year.

1.5 Share of profits of jointly-controlled entities

In the first half of 2011, the Group's share of profits of jointly-controlled entities amounted to RMB90.0 million, representing an increase of RMB9.7 million compared to RMB80.3 million for the same period of last year. This was mainly due to the decrease in share of loss of a jointly-controlled entity, Eastern Marine Service Ltd., amounted to RMB12.2 million, and the aggregate share of profits of the remaining jointly-controlled entities decreased by RMB2.5 million as compared with the same period of last year.

1.6 Income tax expense

In the first half of 2011, the income tax expense was RMB436.4 million, representing an increase of 3.1% compared to RMB423.4 million for the same period of last year.

1.7 Profit for the period

In the first half of 2011, the profit of the Group was RMB2,074.5 million, including the profit attributable to owners of the parent amounted to RMB2,071.2 million. The profit attributable to owners of the parent decreased by RMB103.0 million or 4.7% as compared with RMB2,174.2 million for the same period of last year.

1.8 Basic earnings per share

In the first half of 2011, the Group's basic earnings per share were RMB0.46, representing a decrease of RMB0.02 or 4.7% as compared with RMB0.48 for the same period of last year.

2. Analysis of interim condensed consolidated statement of financial position

As of 30 June 2011, the total assets of the Group amounted to RMB62,011.6 million, representing a decrease of RMB1,485.8 million or 2.3% compared with RMB63,497.4 million at the end of 2010. The total liabilities were RMB35,319.8 million, representing a decrease of RMB2,587.7 million or 6.8% compared with RMB37,907.5 million at the end of 2010. The shareholders' equity was RMB26,691.8 million, representing an increase of RMB1,101.9 million or 4.3% compared with RMB25,589.9 million at the end of 2010. The analysis for significant changes in accounts on the interim condensed consolidated statement of financial position is as follows:

2.1 Other non-current assets

As of 30 June 2011, other non-current assets of the Group amounted to RMB203.8 million, representing an increase of 625.3% or RMB175.7 million compared with RMB28.1 million at the beginning of the year. This was mainly resulting from the mobilization cost incurred by a semi-submersible drilling rig.

2.2 Prepayments, deposits and other receivables

As of 30 June 2011, the prepayments, deposits and other receivables of the Group was RMB246.6 million, representing a decrease of RMB142.2 million or 36.6% compared with RMB388.8 million as of the beginning of the year. The decrease was mainly due to the realization of prepayments for equipment maintenance and maintenance cost charged as the maintenance progressed.

2.3 Pledged time deposits (current portion)

As of 30 June 2011, the pledged time deposits of the Group was RMB138.5 million, representing an increase of RMB51.0 million or 58.3% compared with RMB87.5 million as of the beginning of the year. This was mainly due to increased guarantee deposit of RMB116.6 million for the Group's drilling rig which went to Indonesia for operation during the period. Moreover, part of the pledged time deposits were due and released according to the relevant requirements during the period.

2.4 Cash and cash equivalents

As of 30 June 2011, cash and cash equivalents of the Group was RMB3,976.0 million, representing a decrease of RMB1,871.2 million or 32.0% compared with RMB5,847.2 million as of the beginning of the year. The details were provided in "Analysis of interim condensed consolidated statement of cash flows" below.

2.5 Other current assets

As of 30 June 2011, other current assets of the Group were RMB26.8 million, representing a decrease of RMB14.3 million or 34.8% compared with RMB41.1 million as of the beginning of the year. Other current assets consisted of the current part of deferred mobilization cost. The decrease in this period was mainly due to the normal amortization of deferred mobilization cost as the drilling works carried out.

2.6 Salary and bonus payables

As of 30 June 2011, the salary and bonus payables of the Group were RMB424.3 million, representing a decrease of 45.7% or RMB357.1 million compared with RMB781.4 million at the beginning of the year. The major reasons were that the balance at the beginning of the year consisted of the Group's provision for staff salary and year-end bonus in 2010, which were distributed at the beginning of the year. The balance at the end of the period was the Group's provision during the period for staff salary and bonus which have not been paid.

2.7 Interest-bearing bank borrowings (current portion)

As of 30 June 2011, the current portion of interest-bearing bank borrowings of the Group amounted to RMB1,094.1 million, representing an increase of RMB443.4 million or 68.1% compared with RMB650.7 million as of the beginning of the year. This was mainly due to borrowings in the amount of RMB796.8 million would due within one year during the period. On the other hand, the Group early repaid borrowings and loans totaling RMB353.4 million for the Mexican project, the Indonesian barge project, the Libya project and to Eksportfinans, and a Norwegian export credit institution.

2.8 Long-term bonds (current portion)

As of 30 June 2011, the Group had no long-term bonds (current portion). This was mainly due to the Group's repayment of the outstanding balance of CDE second security priority bond with an amount of RMB573.7 million during the period.

3. Analysis of interim condensed consolidated statement of cash flows

3.1 Net cash flows from operating activities

In the first half of 2011, net cash inflows from operating activities of the Group reached RMB2,875.9 million, of which RMB8,020.8 million was received from the sales of goods and the provision of services, while RMB2,378.7 million was paid for the purchase of goods and receipt of services, RMB1,673.9 million was paid to or for employees, and RMB555.6 million was used to pay for various taxes. Cash outflow related to other operating activities amounted to RMB536.7 million.

3.2 Net cash flows from investing activities

In the first half of 2011, net cash outflows used in investing activities of the Group amounted to RMB2,192.5 million, of which RMB1,868.7 million was paid for the purchase of fixed assets, intangible assets and other long-term assets during the period, and RMB507.8 million was paid for purchase of other investments during the period. In addition, the investment income and interest income received during the period amounted to RMB93.8 million and RMB40.3 million, respectively, while RMB30.6 million was received from the disposal of fixed assets during the period. A total cash inflows received from disposal of other investments amounted to RMB19.3 million.

3.3 Net cash flows from financing activities

In the first half of 2011, net cash outflows used in financing activities amounted to RMB2,491.1 million, of which RMB32.8 million was received from government grants and RMB1,323.9 million was received from borrowings during the period. RMB2,716.8 million was paid for repayment of debts, RMB807.2 million was paid for dividends distribution, and RMB323.8 million was paid for the repayment of interests.

3.4 The net impact of foreign exchange fluctuations on cash during the period was the decrease in cash for RMB63.5 million.

4. Capital expenditure analysis

In the first half of 2011, the total capital expenditure of the Group amounted to RMB1,799.8 million, representing a decrease of RMB85.0 million or 4.5% compared with RMB1,884.8 million for the same period of last year.

The capital expenditure of each of business segments in the first half of 2011 is shown in the table below:

Unit: RMB million	**For the six months ended 30 June**		
Business Segments	**2011**	**2010**	**Change %**
Drilling services	**828.0**	873.1	(5.2%)
Well services	**124.5**	96.8	28.6%
Marine support and transportation services	**105.2**	531.2	(80.2%)
Geophysical services	**742.1**	383.7	93.4%
Total	**1,799.8**	1,884.8	(4.5%)

The capital expenditure of the drilling services segment was mainly used for the construction of 2 200-feet jack-up drilling rigs and 2 2,500-feet semi-submersible drilling rigs. The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipments. The capital expenditure of the marine support and transportation services segment was mainly used for the construction of 2 deep water AHTS vessels. The capital expenditure of the geophysical services segment was mainly used for the construction of 1 deep-water surveying vessel and 1 12-streamer geophysical vessel.

OUTLOOK

Looking forward to the second half of 2011, the recovery momentum of the world economy will still continue, but the strength of recovery will be weakened, and the recovery trend is still not unstable. The European sovereign debt crisis, the slowdown of the economic growth of the USA and the downgrade of the U.S. credit rating recently have brought new uncertainties to the growth of the world economy. The recovery of the global economy and the growth in newly emerged economies together contributed to a higher demand for oil consumption and in turn a growth in the oilfield services market. According to the data of Spears & Associates, it is expected that a growth of around 5% of the total value of the oilfield services market would be maintained in 2011, reaching US$270 billion. Along with the burgeoning offshore petroleum exploration and development, there will be a faster growth in both the production capacity and demand of the future offshore oilfield services market. According to the anticipation of ODS-data, it is expected that the comprehensive day rate of drilling rigs around the world in the second half of the year would increase by 10.53% compared with the first half of the year. The speed of recovery of the large drilling equipments segment will accelerate, but market competition is still severe.

Facing the second half of the year which is full of opportunities and challenges, COSL will put greater emphasis on the research of technology to promote the development, continue to enhance the quality and capability of the oilfield technical services, keep on conducting comprehensive reinforcement on safety management, place great importance on production safety, increase the effort in overseas and domestic market expansion persistently. For the domestic market, business will be market-oriented. The allocation of resources as well as the sales and marketing should be optimized to enhance the service capability and maintain the leading status in the service market of the offshore oilfields in the PRC. The Company will also strengthen the exploration of the deep water market and establish full capability of deep water services and actively develop techniques and services in new markets such as the coalbed methane to enable new growth of income for the Company. For the overseas market, apart from expanding and strengthening the overseas business, the Company will actively foster projects in countries like Iraq and Cambodia while sustaining the exploration of markets such as the Middle East and the Gulf of Mexico in order to facilitate the steady development of overseas business; the Company will further enhance cost control, and raise economic efficiency. The Company will continue to bear social responsibilities proactively, put great effort in facilitating energy-saving and emission-reduction and protecting the environment and provide continued and steady return to the shareholders.

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 2011 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 2011 has been reviewed by the audit committee.

CORPORATE GOVERNANCE PRACTICES

For the six months ended 30 June 2011, the Company has complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Listing Rules.

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 2011, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules. The Company has adopted a code of conduct for securities transactions by directors that exceed the provisions set out in the Model Code.

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 2011.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2011, 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' SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2011, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers were as follows:

Name of Director	Capacity	Number of interested shares	Approximate percentage of the interests (H) in COSL (%)
Li Feilong	Beneficial Owner	50,000	0.003%

Save as disclosed above, as at 30 June 2011, none of the Directors, chief executives of the Company or their respective associates had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2011, other than the Directors or the chief executive of the Company as disclosed above, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and HKSE:

Name of shareholder	Shares held	Number of shares in interest (share)	Shares in COSL's interest(%)
JPMorgan Chase & Co.	Interest in controlled corporation	201,165,372(L) 28,000(S) 66,540,302(P)	13.11(L) 0.00(S) 4.34(P)
Commonwealth Bank of Australia	Interest in controlled corporation	139,414,000(L)	9.08(L)
Allianz SE	Interest in controlled corporation	106,971,000(L)	6.97(L)

Notes:

(a) "L" means long position.

(b) "S" means short position.

(c) "P" means lending pool.

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

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

At no time during the six months ended 30 June 2011 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, chief executive and supervisors or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2011, the Group has 9,129 employees. The Group relies on incentive approaches to enable an efficient macro and micro human resources management. We adopts different incentive schemes based on various kinds of professions and establishes 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 provided various benefits to employees, including provisions of social insurance.

Supplementary Information

SHARE APPRECIATION RIGHTS PLAN

On 22 November 2006, the share appreciation rights plan for senior officers of COSL (the "SAR Plan") was approved by the shareholders by way of voting in the second Extraordinary General Meeting of 2006, implementing a medium-to-long-term incentive scheme for 7 senior management members of the Company. The SAR Plan became effective on 22 November 2006 with a term of ten years and the grant of the share appreciation rights was completed and became effective on 6 June 2007 when the targeted senior management agreed and signed individual performance contracts with the Company, with an exercise price of HK$4.09. According to the plan, the targeted senior management's exercisable number of share appreciation rights was connected with their performance target to be reviewed comprehensively within two years from the effective date, so as to confirm the exercise ratio. The share appreciation rights have a vesting restriction period of two years, and the senior management can exercise their rights in four equal batches beginning year 3, 4, 5 and 6 from the approval date of the SAR Plan. The share appreciation rights will be settled in cash.

The total amount paid in cash as a result of exercising the share appreciation rights shall not exceed 10% of the net profit of the Company of the year. Cash payments from exercising share appreciation rights must be deposited into personal accounts of related grantees, with no less than 20% of such cash payment shall only be withdrawn after qualified upon expiry of employment term with the Company.

According to the SAR Plan, the exercise gain for excisable share appreciation rights will be determined by the difference between the average closing price of the shares on the Stock Exchange of Hong Kong Limited (the "HKSE") as stated in the HKSE's quotation from the 30 days immediately preceding the date of its annual report to the last transaction date of that year, and the exercise price.

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

(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%.

As of 30 June 2011, the first batch share appreciation rights has been forfeited in 2009, the second batch has been approved and the third batch has not been submitted for approval. The exercise gains of the second and third batch share appreciation rights were measured at HK$1.82 and HK$2.27, respectively. The weighted average closing price of the shares immediately before the date on which the share appreciation rights were exercised was HK$9.11.

The movement during the period of share appreciation rights granted to senior management of the Company is as follows:

			Number of shares		
Title	Name	Outstanding at the beginning of the period	Exercised during the period	Forfeited during the period	Outstanding at the end of the period
Former Non-executive Director	Yuan Guangyu*	723,150	(241,050)	(482,100)	–
Executive Director, CEO and President	Li Yong	528,225	(176,075)	–	352,150
Former Executive Vice President and CFO	Zhong Hua*	528,225	(176,075)	(176,075)	176,075
Former Executive Vice President, CSO and Board Secretary	Chen Weidong*	528,225	(176,075)	(176,075)	176,075
Former Senior Vice President	Li Xunke*	492,675	(164,225)	(164,225)	164,225
Former Employee Supervisor	Tang Daizhi*	246,338	(164,225)	(82,113)	–
Vice President	Xu Xiongfei	456,825	(152,275)	–	304,550
		3,503,663	(1,250,000)	(1,080,588)	1,173,075

Note*: Yuan Guangyu, Zhong Hua, Chen Weidong, Li Xunke and Tang Daizhi have tendered their resignation due to other work assignments, respectively. According to the terms of the SAR Plan, the above incentive targets were entitled to its benefits up to servicing period within vesting period as well as in accordance with its performance appraisal.

Further details on SAR are given in note 13 to this interim condensed consolidated financial statements.

CHANGES TO INFORMATION OF DIRECTORS UNDER RULE 13.51(B)(1) OF THE LISTING RULES

The following is the change to the information of Directors required to be disclosed under Rule 13.51B(1) of the Listing Rules:

Mr. TSUI Yiu Wa Alec, an independent non-executive director of the Company, was appointed an independent non-executive director of Summit Ascent Holdings Limited (stock code: 102), a company listed on the main board of the Stock Exchange, on 25 March 2011.

GEARING RATIO

As at 30 June 2011, the net current assets of the Group decreased to RMB4,733.7 million compared with 31 December 2010, while the current ratio rose to 1.81 times, compared with 1.77 times on 31 December 2010.

The Group monitors its capital structure using a gearing ratio, which is net debt divided by the total capital plus net debt. The gearing ratios as at the end of the reporting period were as follows:

Group	30 June 2011 RMB'000	31 December 2010 RMB'000
Interest-bearing bank borrowings	**26,332,931**	27,741,260
Trade and other payable	**4,099,716**	4,435,823
Long term bonds	**1,500,000**	2,073,729
Less: Cash and cash equivalents and time deposits with original maturity over three months	**4,882,072**	6,247,164
Net debt	**27,050,575**	28,003,648
Equity attributable to owners of the parent	**26,688,174**	25,589,577
Non-controlling interests	**3,657**	348
Total Capital	**26,691,831**	25,589,925
Capital and net debt	**53,742,406**	53,593,573
Gearing ratio	**50%**	52%

Supplementary Information

FOREIGN CURRENCY RISK

During the period, the Group's significant business operations were in Mainland China, and its revenue and expenses were mainly denominated in RMB. The effect of the fluctuations in the exchange rate of RMB against foreign currencies arising from this aspect on the Group's results of operations is therefore not expected to be significant and the Group has not entered into any hedging transactions in order to reduce the Group's exposure to foreign currency risk in this regard. However, the Group is exposed to foreign currency risk as the Group had obtained debts denominated in US dollars.

CHARGES ON ASSETS

As at 30 June 2011, the Group has no charges on assets.

CONTINGENT LIABILITIES

As at 30 June 2011, the Group had contingent liabilities as set out in note 22 to the interim condensed consolidated financial statements.

MISCELLANEOUS

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 2010, 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 Appendix 16 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
Yang Haijiang
Company Secretary

23 August 2011

Ernst & Young
安永會計師事務所

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

INTRODUCTION

We have reviewed the accompanying interim condensed consolidated financial statements set out on pages 20 to 46, 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 2011 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 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
23 August 2011

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2011

	Note	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
REVENUE	*3*	**8,139,160**	8,728,150
Other revenues		**63,613**	3,568
		8,202,773	8,731,718
Depreciation of property, plant and equipment and amortisation of intangible assets		**(1,540,730)**	(1,577,218)
Employee compensation costs		**(1,319,094)**	(1,382,778)
Repair and maintenance costs		**(251,814)**	(144,285)
Consumption of supplies, materials, fuel, services and others		**(1,288,491)**	(1,532,567)
Subcontracting expenses		**(465,612)**	(463,521)
Operating lease expenses		**(210,191)**	(246,664)
Other operating expenses		**(414,859)**	(549,201)
Other selling, general and administrative expenses		**(62,940)**	(50,256)
Impairment of property, plant and equipment	*7*	**(41,807)**	–
Total operating expenses		**(5,595,538)**	(5,946,490)
PROFIT FROM OPERATIONS		**2,607,235**	2,785,228
Financial income/(expenses)			
Exchange gains, net		**29,507**	41,266
Finance costs		**(254,193)**	(334,662)
Interest income		**38,443**	25,538
Financial expenses, net		**(186,243)**	(267,858)
Share of profits of jointly-controlled entities		**89,964**	80,276
PROFIT BEFORE TAX		**2,510,956**	2,597,646
Income tax expense	*4*	**(436,409)**	(423,408)
PROFIT FOR THE PERIOD		**2,074,547**	2,174,238
Attributable to:			
Owners of the parent		**2,071,230**	2,174,238
Non-controlling interests		**3,317**	–
		2,074,547	2,174,238
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*6*	**46.08 cents**	48.37 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2011

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**2,074,**547	2,174,238
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(163,483)**	(36,403)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**(163,483)**	(36,403)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**1,911,064**	2,137,835
Attributable to:		
Owners of the parent	**1,907,755**	2,137,835
Non-controlling interests	**3,309**	–
	1,911,064	2,137,835

Interim Condensed Consolidated Statement of Financial Position

30 June 2011

	Note	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**45,994,092**	46,371,109
Goodwill	*8*	**4,360,215**	4,462,018
Other intangible assets		**380,994**	407,897
Investments in jointly-controlled entities		**487,728**	487,785
Available-for-sale investments		**100**	100
Defined benefit assets		**6,654**	6,265
Other non-current assets	*9*	**203,750**	28,120
Total non-current assets		**51,433,533**	51,763,294
CURRENT ASSETS			
Inventories		**866,077**	815,540
Prepayments, deposits and other receivables		**246,600**	388,791
Accounts receivable	*10*	**3,747,746**	3,460,752
Notes receivable		**670,193**	693,191
Other current assets	*11*	**26,838**	41,127
Pledged time deposits		**138,536**	87,533
Cash and cash equivalents		**3,976,048**	5,847,164
Time deposits with original maturity over three months		**906,024**	400,000
Total current assets		**10,578,062**	11,734,098
CURRENT LIABILITIES			
Trade and other payables	*12*	**4,099,716**	4,435,823
Salary and bonus payables		**424,323**	781,375
Tax payable		**176,172**	124,028
Current portion of long-term bonds	*15*	**–**	573,729
Interest-bearing bank borrowings	*14*	**1,094,100**	650,721
Other current liabilities	*11*	**50,068**	76,074
Total current liabilities		**5,844,379**	6,641,750
NET CURRENT ASSETS		**4,733,683**	5,092,348
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,167,216**	56,855,642

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2011

	Note	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,825,008**	1,716,052
Interest-bearing bank borrowings	*14*	**25,238,831**	27,090,539
Long-term bonds	*15*	**1,500,000**	1,500,000
Deferred revenue	*16*	**874,128**	922,523
Other non-current liabilities	*17*	**37,418**	36,603
Total non-current liabilities		**29,475,385**	31,265,717
NET ASSETS		**26,691,831**	25,589,925
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*18*	**4,495,320**	4,495,320
Reserves		**22,192,854**	20,285,099
Proposed final dividend		**–**	809,158
		26,688,174	25,589,577
Non-controlling interests		**3,657**	348
Total equity		**26,691,831**	25,589,925

Li Yong
Director

Li Fei Long
Director

Interim Condensed Consolidated Statement of Changes In Equity

For the six months ended 30 June 2011

	Attributable to owners of the parent								
(Unaudited)	**Issued capital RMB'000**	**Capital reserve RMB'000**	**Statutory reserve funds RMB'000**	**Retained profits RMB'000**	**Proposed final dividend RMB'000**	**Exchange fluctuation reserve RMB'000**	**Total RMB'000**	**Non-controlling interests RMB'000**	**Total equity RMB'000**
At 1 January 2011	**4,495,320**	**8,074,565**	**1,687,453**	**10,716,592**	**809,158**	**(193,511)**	**25,589,577**	**348**	**25,589,925**
Profit for the period	**–**	**–**	**–**	**2,071,230**	**–**	**–**	**2,071,230**	**3,317**	**2,074,547**
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**(163,475)**	**(163,475)**	**(8)**	**(163,483)**
Total comprehensive income for the period	**–**	**–**	**–**	**2,071,230**	**–**	**(163,475)**	**1,907,755**	**3,309**	**1,911,064**
Final 2010 dividend paid (note 5)	**–**	**–**	**–**	**–**	**(809,158)**	**–**	**(809,158)**	**–**	**(809,158)**
At 30 June 2011	**4,495,320**	**8,074,565**	**1,687,453**	**12,787,822**	**–**	**(356,986)**	**26,688,174**	**3,657**	**26,691,831**
(Unaudited)									
At 1 January 2010	4,495,320	8,074,565	1,335,640	7,749,069	629,345	21,666	22,305,605	–	22,305,605
Profit for the period	–	–	–	2,174,238	–	–	2,174,238	–	2,174,238
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	–	–	(36,403)	(36,403)	–	(36,403)
Total comprehensive income for the period	–	–	–	2,174,238	–	(36,403)	2,137,835	–	2,137,835
Final 2009 dividend paid (note 5)	–	–	–	–	(629,345)	–	(629,345)	–	(629,345)
At 30 June 2010	4,495,320	8,074,565	1,335,640	9,923,307	–	(14,737)	23,814,095	–	23,814,095

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Net cash flows from operating activities	**2,875,923**	3, 099,335
Net cash flows used in investing activities	**(2,192,456)**	(2,012,990)
Net cash flows used in financing activities	**(2,491,076)**	(590,433)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,807,609)**	495,912
Cash and cash equivalents at beginning of period	**5,847,164**	3,214,603
Effect of foreign exchange rate changes, net	**(63,507)**	7,925
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**3,976,048**	3,718,440

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 2011, particulars of the principal subsidiaries of the Company 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%	RMB20,000,000	Provision of drilling fluids services
COSL (Labuan) Company Limited	Malaysia 11 April 2003	100%	US$1	Provision of drilling services in Indonesia
China 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$2,743,035,822	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
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	100%	US$1	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	100%	US$1	Management of jack-up drilling rigs

1. Corporate information and principal activities (continued)

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
PT Samudra Timur Santosa	Indonesia 27 July 2010	49%*	US$250,000	Provision of marine support and transportation services
COSL Oil Tech (Singapore) Ltd.	Singapore 31 January 2011	100%	US$1	Provision of marine support and transportation services

* *In the opinion of the directors, the Company has control over the financial and operating policies of PT Samudra Timur Santosa ("PT STS"), and accordingly, the financial statements of PT STS have been incorporated into the Group's interim condensed consolidated financial statements as a subsidiary, and non-controlling interests are recognised in the interim condensed consolidated financial statements.*

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. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

As at 30 June 2011, particulars of the jointly-controlled entities of the Company 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. ("China France")	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 fluids services
CNOOC-OTIS Well Completion Services Ltd. ("CNOOC-OTIS")	Tianjin, PRC 14 April 1993	50%	US$2,000,000	Provision of well completion services
China Petroleum Logging-Atlas Cooperation Service Co. ("Logging-Atlas")	Shenzhen, PRC 10 May 1984	50%	US$2,000,000	Provision of logging services
China Offshore Fugro Geo Solutions (Shenzhen) Co., Ltd. ("China Offshose Fugro")	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

1. Corporate information and principal activities (continued)

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
PT Tritunggal Sinergi Company Ltd. ("PTTS")	Indonesia 30 December 2004	55% (a)	US$700,000	Provision of oilfields repair services
COSL-Expro Testing Services (Tianjin) Co., Ltd. ("COSL-Expro")	Tianjin, PRC 28 February 2007	50%	US$5,000,000	Provision of well testing services
Atlantis Deepwater Orient Ltd. ("Atlantis Deepwater")	Hong Kong 28 August 2006	50%	HK$1,000	Provision of artificial buoyant seabed unit services
Premium Drilling AS	Norway 1 June 2005	50% (b)	NOK 100,000	Management of jack-up drilling rigs

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

(b) Premium Drilling AS, Premium Drilling Inc. and Premium Drilling (Cayman) Ltd., collectively, known as Premium Drilling, were set up by CDE and Sinvest AS (formerly known as Sinvest ASA) in June 2005 to manage the operations of jack-up drilling rigs.

All of the above investments in jointly-controlled entities are directly held by the Company except for Eastern Marine, PTTS and Atlantis Deepwater, which are indirectly held through China Oilfield Services (BVI) Limited, and Premium Drilling which is indirectly held through CDE.

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2011 have been prepared in accordance with Hong Kong Accounting Standard 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 as at 31 December 2010.

2. Basis of preparation and accounting policies (continued)

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 2010, except for the adoption of new standards, interpretations and amendments as of 1 January 2011, noted below:

HKAS 24 (Revised)	*Related Party Disclosures*
HK(IFRIC)-Int 14 Amendment	Amendment to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*

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

HKAS 24 (Revised) clarifies and simplifies the definition of a related party. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The adoption of HKAS 24 (Revised) does not have significant impact on the Group's interim condensed financial statements.

HK(IFRIC)-Int 14 provides further guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. Adoption of this amendment does not have significant impact on Group's interim condensed financial statements.

Improvements to HKFRSs (issued in May 2010)

Apart from the above, the HKICPA has also issued Improvements to HKFRSs 2010 in May 2010 which sets 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 policies, none of them are expected to have a material financial impact on the Group.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Notes to Interim Condensed Consolidated Financial Statements

30 June 2011

3. Operating segment information

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

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

(b) the well services segment is engaged in the provision of logging and downhole services, such as drilling fluids, directional drilling, cementing and well completion, sales of well chemical 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, moving and positioning drilling structures, 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.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax from continuing operations. The adjusted profit before tax from continuing operations is measured consistently with the Group's profit before tax from continuing operations except that interest income, finance costs, and exchange gains are excluded from such measurement.

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.

Six months ended 30 June 2011 (Unaudited)	**Drilling services RMB'000**	**Well services RMB'000**	**Marine support and transportation services RMB'000**	**Geophysical services RMB'000**	**Total RMB'000**
Segment revenue:					
Sales to external customers	**4,210,856**	**1,690,685**	**1,211,609**	**1,026,010**	**8,139,160**
Intersegment sales	**533,319**	**195,885**	**81,600**	**57,429**	**868,233**
	4,744,175	**1,886,570**	**1,293,209**	**1,083,439**	**9,007,393**
Reconciliation:					
Elimination of intersegment sales					**(868,233)**
Revenue					**8,139,160**
Segment result*	**1,560,761**	**314,817**	**393,433**	**428,188**	**2,697,199**
Reconciliation:					
Exchange gains, net					**29,507**
Finance costs					**(254,193)**
Interest income					**38,443**
Profit before tax					**2,510,956**

3. Operating segment information (continued)

Six months ended 30 June 2010 (Unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation services RMB'000	Geophysical services RMB'000	Total RMB'000
Segment revenue:					
Sales to external customers	4,616,346	2,181,429	1,192,772	737,603	8,728,150
Intersegment sales	605,089	116,562	24,743	–	746,394
	5,221,435	2,297,991	1,217,515	737,603	9,474,544
Reconciliation:					
Elimination of intersegment sales					(746,394)
Revenue					8,728,150
Segment result*	1,827,142	513,523	354,226	170,613	2,865,504
Reconciliation:					
Exchange gains, net					41,266
Finance costs					(334,662)
Interest income					25,538
Profit before tax					2,597,646

* *The segment result for each operating segment does not include the unallocated exchange gains, finance costs and interest income as shown in the table above.*

Geographical Information

The Group mainly engages in the provision of drilling services, well services, marine support and transportation services and geophysical services in offshore China. Activities outside Mainland China are mainly conducted in Indonesia, Australia, Mexico, Myanmar, Norway, Vietnam, Dubai, and certain countries in the Middle East, such as Libya and other countries.

In determining the Group's geographical information, revenues and results are attributed to the segments based on the location of the Group's customers. No further analysis of geographical information is presented for revenues as revenues generated from customers in other locations are individually less than 10% (six months ended June 30 2010: less than 10%), and approximately 72% (six months ended June 30 2010: approximately 75%) of the Group's revenues are generated from customers in Mainland China.

The following table presents revenue information for the Group's geographical segments for the six months ended 30 June 2011 and 2010:

Six months ended 30 June 2011 (Unaudited)	Mainland China RMB'000	Others RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	**5,888,593**	**2,250,567**	**8,139,160**

Six months ended 30 June 2010 (Unaudited)	Mainland China RMB'000	Others RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	6,526,062	2,202,088	8,728,150

4. Income tax

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

The 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%.

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 commenced from 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the corporate income tax rate was approved to be 15% for the year 2009 and 2010. The Company is in the process to apply for renewing its advanced technology enterprise status for three years commenced from 1 January 2011. Based on the management's assessment, the Company believes that it has fulfilled the criteria for renewing as an advanced technology enterprise and thus, the management considers it appropriate to use 15% to accrue for the income tax liability of the Company for the six months ended 30 June 2011 (six months ended 30 June 2010: 15%).

Certain overseas subsidiaries of the Group with permanent establishment status in the PRC are subject to deemed income tax calculated at 3.75% (six months ended 30 June 2010: 3.75%) of service income generated from drilling activities in the PRC. The Group's drilling activities in Indonesia are mainly subject to a corporate income tax of 25% (six months ended 30 June 2010: 25%). The Group's drilling activities in Australia are subject to income tax of 30% (six months ended 30 June 2010: 30%) based on its taxable profit generated. The Group's drilling activities in Myanmar are subject to income tax of 3.5% (six months ended 30 June 2010: 3.5%) 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 of 30% or business flat tax of 17.5% (six months ended 30 June 2010: 30% and 17.5%, respectively). The Group's activities in Norway are mainly subject to a corporate income tax of 28% (six months ended 30 June 2010: 28%). The Group's taxes pertaining to drilling activities in Libya and Saudi Arabia are borne by the customer. The Group's drilling activities in the U.K. are subject to income tax of 28% (six months ended 30 June 2010: Not applicable).

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

	Six months ended 30 June	
	2011	**2010**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**54,213**	55,750
Deferred	**(46,526)**	(24,968)
PRC corporate income taxes:		
Current	**244,581**	345,666
Deferred	**184,141**	46,960
Total tax charge for the period	**436,409**	423,408

4. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China where the Company and its key 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			
	2011 (Unaudited)		2010 (Unaudited)	
	RMB'000	%	RMB'000	%
Profit before tax	**2,510,956**		2,597,646	
Tax at the statutory tax rate of 25% (six months ended 30 June 2010: 25%)	**627,739**	**25.0**	649,412	25.0
Tax reduction as an advanced technology enterprise	**(170,947)**	**(6.8)**	(181,282)	(7.0)
Income not subject to tax	**(23,464)**	**(0.9)**	(24,120)	(0.9)
Expense not deductible for tax	**15,967**	**0.6**	553,534	21.3
Tax benefit for qualifying research and development expense	**(11,867)**	**(0.5)**	(9,911)	(0.4)
Effect of different tax rates for overseas subsidiaries	**(80,069)**	**(3.2)**	(133,390)	(5.1)
Unrecognised tax losses	**–**	**–**	97,575	3.8
Utilisation of previous unrecognised tax losses	**(462,082)**	**(18.4)**	–	–
Deductible translation adjustment*	**530,033**	**21.1**	(657,478)	(25.3)
Adjustment in respect of current tax of previous periods	**(21,218)**	**(0.8)**	58,172	2.3
Others	**32,317**	**1.3**	70,896	2.7
Total tax charge at the Group's effective rate	**436,409**	**17.4**	423,408	16.4

* *Deductible translation adjustment includes the tax effect of differences arising from foreign exchange effects to Norwegian Krone ("NOK"), 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 accounting income of such group companies.*

The share of tax attributable to jointly-controlled entities amounting to approximately RMB34,317,190 (six months ended 30 June 2010: RMB 35,915,298) was included in "Share of profits of jointly-controlled entities" in the interim condensed consolidated income statement.

5. Dividends paid and proposed

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.

Dividends on ordinary shares paid during the six-month period:

	Six months ended 30 June	
	2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Final dividend for 2010: RMB0.18 per ordinary share (2009: RMB0.14 per ordinary share)	**809,158**	629,345

The board of directors of the Company did not propose the interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

6. Earnings per share attributable to ordinary equity holders of the parent

The calculation of basic earnings per share amounts is based on the profit for the period attributable to ordinary equity holders of the parent of approximately RMB2,071,230,000 (six months ended 30 June 2010: RMB2,174,238,000), and the weighted average number of ordinary shares of 4,495,320,000 (six months ended 30 June 2010: 4,495,320,000) in issue during the period.

There were no potentially diluting events for the periods ended 30 June 2011 and 2010.

7. Property, plant and equipment

During the period, the Group acquired certain seismic vessels, machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB1,799 million (six months ended 30 June 2010: RMB1,877 million). Vessels, machines and equipment with a net carrying amount amounting to RMB33 million (six months ended 30 June 2010: RMB65 million) were disposed of in 2011, resulting in a loss on disposal of RMB2 million (six months ended 30 June 2010: RMB13 million).

Out of the total interest expenses, as part of the finance costs in interim condensed consolidated income statement, for the current period of RMB291.4 million (six months ended 30 June 2010: RMB367.1 million), an amount of approximately RMB45.4 million (six months ended 30 June 2010: RMB43.6 million) was capitalised in property, plant and equipment.

Provision for impairment loss of approximately RMB41.8 million was recognised for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil) in relation to certain land drilling equipments in Libya, as a direct result of the civil unrest there.

8. Goodwill

	30 June 2011 (Unaudited) RMB'000	**31 December 2010 (Audited) RMB'000**
Cost	**4,462,018**	4,600,473
Exchange realignment	**(101,803)**	(138,455)
Net carrying value	**4,360,215**	4,462,018

Impairment of goodwill
There was no impairment of goodwill recognised for the six months ended 30 June 2011 (six months ended 30 June 2010: Nil).

9. Other non-current assets

As at 30 June 2011 and 31 December 2010, substantially other non-current assets were deferred expenses recognised resulting from mobilisation cost incurred by the Group's jack-up and semi-submersible drilling rigs. The current portion of deferred expenses was recorded as other current assets in note 11. The deferred expenses are amortised over the drilling contract periods.

10. Accounts receivable

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

An aged analysis of the accounts receivable as at the end of the reporting period, based on the invoiced date, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances aged:		
Within one year	**4,010,505**	3,692,000
One to two years	**8,041**	21,100
Two to three years	**23,640**	21,209
Over three years	**7,767**	7,923
	4,049,953	3,742,232
Less: Provision for impairment of accounts receivable	**(302,207)**	(281,480)
	3,747,746	3,460,752

11. Other current assets/(liabilities)

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Negative investment in a jointly-controlled entity*	**(91,659)**	(95,698)
Due to a jointly-controlled entity	**(17,973)**	(18,391)
Due from a jointly-controlled entity	**91,747**	95,785
Current portion of deferred revenue	**(32,183)**	(57,770)
	(50,068)	(76,074)
Current portion of deferred expenses	**26,838**	41,127

* *The negative interest in Premium Drilling was recognised since the management of the Company is of the opinion that the Group has an obligation towards Premium Drilling which was established to manage the operations of some of the Group's jack-up drilling rigs. In 2009, the shareholders of Premium Drilling had terminated their management agreements and subsequent to the termination, the liquidation process has commenced for Premium Drilling Inc. and Premium Drilling (Cayman) Ltd. The current period balance was recorded as other current liabilities by the Group.*

12. Trade and other payables

An aging analysis of the trade and other payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Outstanding balances aged:		
Within one year	**3,924,298**	4,173,676
One to two years	**69,909**	138,652
Two to three years	**21,229**	33,448
Over three years	**84,280**	90,047
	4,099,716	4,435,823

Trade and other payables are non-interest-bearing, and are normally settled on terms ranging from one month to two years.

13. 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 five 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 vice presidents. The share appreciation rights will become vested upon completion of a two year 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. The share appreciation rights will be settled in cash.

According to the SAR Plan, the exercise gain for excisable share appreciation rights will be determined by the difference between the average closing price of the shares on the Stock Exchange of Hong Kong Limited (the "HKSE") as stated in the HKSE's quotation from the 30 days immediately preceding the date of its annual report to the last transaction date of that year, and the exercise price.

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

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 of 30 June 2011, the first batch share appreciation rights has been forfeited in 2009, the second batch has been approved and the third batch has not been submitted for approval. The exercise gains of the second and third batch share appreciation rights were measured at HK$1.82 and HK$2.27, respectively. The fair value of the share appreciation rights is calculated using the Black-Scholes model with the following assumptions: expected dividend yield of 1.17%, expected life of 0.5 years, expected volatility of 35.21% and a risk-free interest rate of 0.59%. The assumptions of the valuation model are based on the subjective estimation of the directors.

13. Share appreciation rights plan (continued)

The fair value change is charged to income statement over the period until the finalisation of exercise gain. The liability is measured at each end of the reporting period and the settlement date with changes recognised in profit or loss. As of 30 June 2011, the salary and bonus payable arising from the share appreciation rights was RMB1.4 million (31 December 2010: RMB7.7 million). The decrease in fair value of the share appreciation rights amounted to approximately RMB2.1 million for the period ended 30 June 2011 (six months ended 30 June 2010: RMB0.1 million), was recorded in general and administrative expenses.

Details of the share appreciation rights movement are as follows:

	2011 **Number of shares**
Outstanding at 1 January 2011	**3,503,663**
Granted during the period	**–**
Exercised during the period	**(1,250,000)**
Forfeited during the period	**(1,080,588)**
Outstanding at 30 June 2011	**1,173,075**
Exercisable at 30 June 2011	**844,725**

14. Interest-bearing bank borrowings

Current:

	30 June **2011** **(Unaudited)** **RMB'000**	**31 December** **2010** **(Audited)** **RMB'000**
Current portion of long-term bank loan	**1,094,100**	650,721

14. Interest-bearing bank borrowings (continued)

Non-current:

	Contractual interest rate (%)	Year of maturity	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Bank loans – unsecured (a)	i	2013	–	344,000
Bank loans – unsecured (b)	ii	2017	–	312,000
Bank loans – unsecured (c)	LIBOR+170pts	2020	**5,105,945**	5,219,623
Bank loans – unsecured (d)	iii	2015	–	450,000
Bank loans – unsecured (e)	LIBOR+138pts	2017	**12,148,226**	11,105,952
Bank loans – unsecured (f)	LIBOR+90pts	2017	**5,177,280**	5,298,160
Bank loans – unsecured (f)	LIBOR+90pts	2017	**3,882,960**	3,973,620
Headquarter entrusted loan – unsecured (g)	3.71%	2011	–	–
Headquarter entrusted loan – unsecured (g)	iv	2012	–	1,000,000
Bank loans-secured (h)	3.20%	2011	**18,520**	37,905
			26,332,931	27,741,260
Less: current portion of long-term bank loan			**(1,094,100)**	(650,721)
			25,238,831	27,090,539

i Market interest rate of 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 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 similar loan type quoted by the People's Bank of China.
iv Floating interest rate, with commission of the entrusted loan at 0.15%.

(a) The Group borrowed a RMB denominated bank loan 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. The Group repaid all the outstanding balance during the current period.

(b) The Group borrowed a RMB400 million loan which should be repaid from 19 November 2009 to 19 November 2017 by installments as follows: RMB44 million on every 19 November from 2009 to 2016, RMB48 million on 19 November 2017. The Group repaid all the outstanding balance during the current period.

(c) The Group borrowed a US$800 million loan which the repayment will start on 2 September 2011, with installments amounting to US$42.1 million bi-annually.

(d) The Group borrowed a RMB450 million loan which the repayment will start on 7 April 2011, with installments amounting to RMB90 million annually. The Group repaid all the outstanding balance during the current period.

(e) The Group borrowed US$1,880 million of which the repayment will start on 14 May 2012 over eleven instalments, paid bi-annually.

(f) The Group borrowed a US$800 million and a US$600 million loans which will be repaid on 24 May 2017 and 21 May 2017, respectively.

(g) The Group obtained entrusted loan facilities amounting to RMB2 billion and RMB1 billion which will expire on 10 June 2011 and 29 June 2012, respectively. The Group repaid all the outstanding balance during the current period.

(h) The loan was denominated in United States dollars and is to be repaid in semi-annual instalments beginning six months after the loan drawdown date.

15. Long-term bonds

As at 30 June 2011, long-term bonds consist of:

Non-current:
Corporate bonds:

On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 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.

Current:
Second security priority US$ bonds:

COSL Drilling Semi AS (formerly known as "Offrig Drilling ASA") issued the bonds in April 2006, with 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 carry a fixed coupon rate of 9.75% and have a five-year bullet maturity. In April 2011, the bonds were matured and had been redeemed, the mortgage in the construction contracts relating to semi-submersible rigs was released correspondently.

16. Deferred revenue

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Balance at beginning of the period/year	**922,523**	780,114
Additions	**45,197**	218,096
Credited to the consolidated income statement during the period/year	**(75,384)**	(53,492)
Exchange realignment	**(18,208)**	(22,195)
Balance at end of the period/year	**874,128**	922,523

Deferred revenue balance as at 30 June 2011 and 31 December 2010 were comprised of the contract value generated in the process of the acquisition of CDE, the deferred mobilisation revenue and government grants. The deferred revenue generated from contract value and deferred mobilisation revenue are amortised according to the related drilling contract periods. The deferred revenue generated from government grants will be recognised to the consolidated income statement according to the related assets depreciation periods and related costs incurred periods.

17. Other non-current liabilities

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Negative interest in a jointly-controlled entity*	**37,466**	36,651
Due from a jointly-controlled entity	**(48)**	(48)
	37,418	36,603

* *The negative interest in Atlantis Deepwater was recognised as other non-current liabilities since the management of the Company is of the opinion that the Group has an obligation towards Atlantis Deepwater.*

18. Issued capital

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Registered, issued and fully paid:		
2,460,468,000 state legal person 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 shares of RMB1.00 each	**500,000**	500,000
	4,495,320	4,495,320

The Company does not have any share option scheme but has a share appreciation rights plan for senior officers (note 13).

19. Operating lease arrangements

(a) Group as lessee

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

As at 30 June 2011 and 31 December 2010, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**222,152**	120,962
In the second to fifth year, inclusive	**78,432**	127,276
After five years	**19,628**	23,850
	320,212	272,088

(b) Group as lessor

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

As at 30 June 2011 and 31 December 2010, the Group had total future minimum lease receivables under a non-cancellable operating lease falling due as follows:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Within one year	**31,801**	81,360
In the second to fifth year, inclusive	**–**	–
	31,801	81,360

20. Capital commitments

The Group had the following capital commitments, principally for construction and purchases of property, plant and equipment at the end of the reporting period:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Contracted, but not provided for	**1,958,005**	3,492,713
Authorised, but not contracted for	**11,534,985**	6,810,488
	13,492,990	10,303,201

21. Related party transactions

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 transaction and balances detailed elsewhere in these financial statements, the following is a summary of significant transactions carried out between the Group and (i) CNOOC Limited and its subsidiaries ("CNOOC Limited Group"); (ii) CNOOC and its subsidiaries, excluding CNOOC Limited Group ("CNOOC Group"); and (iii) the Group's jointly-controlled entities. CNOOC is a company controlled by the PRC government.

(a) Included in revenue-gross revenue earned from provision of services to the following related parties:

		Six months ended 30 June	
		2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
i	CNOOC Limited Group		
	Provision of drilling services	**2,102,683**	2,373,793
	Provision of well services	**1,197,165**	1,605,726
	Provision of marine support and transportation services	**891,985**	869,276
	Provision of geophysical services	**614,527**	526,552
		4,806,360	5,375,347
ii	CNOOC Group		
	Provision of drilling services	**132,479**	107,753
	Provision of well services	**59,839**	68,590
	Provision of marine support and transportation services	**165,640**	96,941
	Provision of geophysical services	**68,198**	66,252
		426,156	339,536
iii	Jointly-controlled entities		
	Provision of drilling services	**730**	4,447
	Provision of well services	**2,267**	1,307
	Provision of marine support and transportation services	**–**	–
	Provision of geophysical services	**3,207**	292
		6,204	6,046

21. Related party transactions (continued)

(b) Included in operating expenses:

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Services provided by CNOOC Group and the Group's jointly-controlled entities:		
Labour services	**10,892**	13,541
Materials, utilities and other ancillary services	**254,096**	122,142
Transportation services	**1,741**	1,137
Leasing of offices, warehouses and berths	**53,696**	41,467
Repair and maintenance services	**1,064**	1,119
Management services	**45,337**	2,595
	366,826	182,001

(c) Included in interest income/(expenses):

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
CNOOC Finance Co., Ltd. (a subsidiary of CNOOC)		
Interest income	**8,532**	1,602
Interest expenses	**(1,448)**	(34,098)

(d) Loans drawn down and repaid during the period:

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
CNOOC Finance Co., Ltd.	**1,000,000**	500,000

(e) Construction progress billing:

	Six months ended 30 June 2011 (Unaudited) RMB'000	2010 (Unaudited) RMB'000
Drilling rigs construction service provided by CNOOC Group	**135,987**	263,594

21. Related party transactions (continued)

(f) Deposits:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Deposits placed with CNOOC Finance Co., Ltd. as at the end of the reporting period	**406,500**	1,259,245

(g) Accounts receivable:

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

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Due from the ultimate holding company	**123,593**	26
Due from CNOOC Limited Group	**1,726,526**	1,751,148
Due from other CNOOC Group companies	**137,645**	205,630
Due from jointly-controlled entities	**29,991**	34,475
	2,017,755	1,991,279

(h) Prepayments, deposits and other receivables:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Due from the ultimate holding company	**9,065**	1,315
Due from CNOOC Limited Group	**5,850**	29,885
Due from other CNOOC Group companies	**2,545**	7,810
Due from jointly-controlled entities	**30,043**	30,208
	47,503	69,218

21. Related party transactions (continued)

(i) Notes receivable:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Due from CNOOC Limited Group	**669,003**	691,574

(j) Trade and other payables:

	30 June 2011 (Unaudited) RMB'000	31 December 2010 (Audited) RMB'000
Due to the ultimate holding company	**3,259**	3,248
Due to CNOOC Limited Group	**–**	907
Due to other CNOOC Group companies	**466,535**	662,523
Due to jointly-controlled entities	**35,554**	42,273
	505,348	708,951

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

The balances with related parties as at 30 June 2011 under accounts receivable, prepayments, deposits and other receivables and trade and other payables and notes receivable of the Group are unsecured, interest-free, and have no fixed terms of repayment.

In connection with the reorganisation of CNOOC in preparation for the listing of the Company's shares on the HKSE (the "Reorganisation"), the Company entered into several agreements with CNOOC Group which govern the employee benefits arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements. During the period, all pension scheme payments relating to the supplementary pension benefits provided by CNOOC approximately RMB0.3 million (six months ended 30 June 2010: RMB7.8 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 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 is indirectly controlled by the PRC government and operates in an economic environment predominated by entities controlled, jointly controlled or significantly influenced by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ('SOEs')). During the period, the Group had transactions with other SOEs including, but not limited to, certain sales of goods and render of services, certain purchases of goods or services; obtaining loans and making deposits with financial institutions and the rental of certain properties. The directors of the Company consider that these transactions with other SOEs are activities in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services, and such pricing policies do not depend on whether or not the customers are SOEs. Exemption from disclosure requirements under HKAS 24 (Revised) is applied for disclosure of transactions with these government related entities.

Included in the additions to the Group's property, plant and equipment is an aggregate amount of RMB267 million, representing costs of construction in progress incurred during the six months ended 30 June 2011 (six months ended 30 June 2010: RMB75 million) in relation to the construction of three semi-submersible rigs by a subsidiary controlled by China International Marine Containers (Group) Co., Ltd., a SOE in the PRC.

Other transactions with enterprises which are controlled, jointly controlled or significantly influenced by the same government are individually not significant and are in the ordinary course of business.

22. Contingency

(a) In 2009 and 2010, certain subsidiaries of CDE received notifications from the Norwegian tax authorities requesting information on the valuation basis and the fair value used by the respective companies for the transfer of certain jack-up rigs' contracts and options and semi-submersible drilling rigs' contracts, respectively, to certain entities within the Group, and indicating their intent to consider additional assessment. If the valuation basis and the fair value indicated by the tax authorities are adopted, the tax liability relating to the transfers could increase substantially for those companies. The respective subsidiaries have submitted the response letters and assessment report to the Norwegian tax authorities regarding the above notifications and requirements on 30 June 2010, 19 January 2011 and 7 June 2011 respectively, and no further requests have been received from the Norwegian tax authorities as at the approval date of the interim condensed consolidated financial statements. After giving due consideration to the circumstances, the directors will defend vigorously against any additional assessment by the tax authorities. Considering the uncertainties relating to the final outcome of both the final assessment amount and the timing of the cash outflows, if any, the directors have not made any provision for any amount arising from the above-mentioned tax contingencies in the interim condensed consolidated financial statements.

(a) In 2010, the Company received an inspection notice from Tianjin Xin Gang Customs of the People's Republic of China ("Tianjin Customs") to inspect the Company's customs duties related to the imports and exports for the past three years. As at the approval date of the interim condensed consolidated financial statement, no conclusion has been received from Tianjin Customs. Considering the uncertainties relating to the final outcome of both the final assessment amount and the timing of the cash outflows, if any, the directors have not made any provision for any amount arising from the above-mentioned contingency in the interim condensed consolidated financial statements.

23. Comparative amounts

Certain comparative figures have been reclassified to conform with the current period's presentation.

24. Events after the report period

There have been no subsequent events that need to be disclosed in the interim condensed consolidated financial statements.

25. Approval of the interim condensed consolidated financial statements

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 23 August 2011.

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Chairman of the Board &
Non-Executive Director

Li Yong
Executive Director

Li Feilong
Executive Director

Wu Mengfei
Non-Executive Director

Tsui Yiu Wa
Independent Non-Executive Director

Fong Wo, Felix
Independent Non-Executive Director

Chen Quansheng
Independent Non-Executive Director

Audit Committee

Tsui Yiu Wa
Chairman

Fong Wo, Felix

Chen Quansheng

Remuneration Committee

Fong Wo, Felix
Chairman

Wu Mengfei

Tsui Yiu Wa

Chen Quansheng

Nomination Committee

Li Yong
Chairman

Fong Wo, Felix

Chen Quansheng

Board of Supervisor

An Xuefen
Supervisor Chairman

Zi Shilong
Supervisor

Wang Zhile
Independent Supervisor

Senior Management

Li Yong
Chief Executive Officer & President

Dong Weiliang
Executive Vice President & CTO

Li Feilong
Executive Vice President & CFO

Xu Xiongfei
Vice president

Yu Zhanhai
Vice president

Cao Shujie
Vice president

Yang Haijiang
Company Secretary

COSL

CHINA OILFIELD SERVICES LIMITED

中海油田服務股份有限公司

(Stock Code 股票代號 A 股: 601808 ; H 股: 2883)

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