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)

中期報告

INTERIM REPORT

2012

Financial Highlights

1. Revenue increased by 23.0% to

RMB**10,010.6** million.

2. Profit from operations increased by 13.1% to RMB2,949.3 million.

3. Profit for the period increased by 15.8% to RMB2,402.8 million.

4. Basic earnings per share were RMB53.34 cents.

Contents

Chief Executive Officer's Report

DEAR SHAREHOLDERS,

The Company carried out various measures in a steady and orderly manner through rational market strategies in the first half of 2012, equipment was put into effective use and management was effectively improved. Benefited from increased operation volume, addition capability from new equipment and high operating efficiency, the Company has attained encouraging results.

ACHIEVING RECORD RESULTS

During the first half of 2012, revenue reached a historic high of RMB10.011 billion, representing an increase of 23.0% over the same period of last year. Operating profit and profit attributable to owners of the Company amounted to RMB2.949 billion and RMB2.398 billion, representing an increase of 13.1% and 15.8% respectively over the same period of last year. Earnings per share also attained a new record of RMB0.53. The management and I were satisfied with the results for the period.

The Group achieved encouraging rapid growth in all the four business segments of the Company. Revenue of the drilling services segment, benefited from newly installed equipment and higher operating efficiency, amounted to RMB5.265 billion or an increase of 25.0% over the same period last year; the well services segment increased by 24.4% to RMB2.104 billion due to recovery of operation volume, the marine support and transportation services increased by 15.7% to RMB1.401 billion by making good use of social resources and the geophysical and surveying services increased by 20.9% to RMB1.241 billion with the support of robust market demand for China offshore 3D operation. These satisfactory results are by no means easy to accomplish.

STRONG MARKET DEVELOPMENT, BREAKTHROUGH IN OVERSEAS REVENUE

The domestic market continued to be the base of development of the Company. During the first half of 2012, the Company has seized opportunities, employing customized strategies for market segmentation, enhanced operating efficiency of self-owned equipment and utilized external resources in all circumstances. All these contributed to consolidation of the Company's dominant position in the China offshore market.

On the other hand, the international market provided the Company with vast room for business growth. Internationalization has been the direction of the Company's development. After a decade of cultivation, revenue of overseas operation of the Company exceeded 30% of total revenue for the first time. All of the Company's international businesses on geophysical and surveying services, drilling services and well services expanded in the first half of 2012. Markets of North Sea, Southeast Asia and Mexico continued to grow and the number of the Company's drilling rigs serving the international markets amounted to 13. Overseas clients were more diversified. Other than clients the Company has cooperated with in the past such as STATOIL, PEMEX and CHEVRON, the Company obtained a drilling contract with BP Indonesia through tender, reflecting increasing recognition to drilling services of the Company by internationally renowned oil companies. The Company made a good start in providing well services in Iraq in the first half of 2012. For the period, overseas revenue of the Company maintained its strong growth and increased by 41% to RMB3.16 billion over the same period of last year, representing 32% of the Company's total revenue.

In addition, the Company continued to watch closely and participated in unconventional energy markets – CBM and shale gas markets by elaborate mapping of equipment and resources and efforts in enhancing capabilities of services. Scope of services has been further expanded. During the first half of 2012, the Company provided logging services for the coal-bed methane (CBM) projects of China CBM and Sino Gas & Energy (SGE) and Anhui shale gas projects.

Chief Executive Officer's Report (continued)

STEADY TAKE-OFF OF DEEP-WATER BUSINESS

Deep-water business is a major area of the Company's development. The Company has been striving to enhance capability of deep-water technological services in recent years. 2012 marked the first year of the Company's stepping into the deep-water. HYSY981, the semi-submersible drilling rig of the sixth generation operated by the Company, commenced its drilling in South China Sea in the first half of 2012 and completed drilling two wells. Its downtime rate was merely 2.16%, reflecting the Company's professional quality and ability to learn. Certain service items of the well services segment also took part in the deepwater operation in South China Sea. Moreover, following commencement of operation of equipment including drilling rigs, deep-water high-powered utility vessels, deep-water surveying vessels and 12-streamer geophysical vessels, the Company has been initially forming a relatively complete set of deep-water service system. The Company will continue to improve the chain of deep-water services and thus their capabilities.

Also worth mentioning is that COSLPioneer starts operating in North Sea of Norway. The quality and efficiency of its operation have been recognized by the client as it was rated number 1 in an integrated examination on performance and efficiency by Statoil over 29 drilling rigs operating in the North Sea in May 2012, and was accredited "the rig of May".

BRILLIANT RESULTS IN TECHNOLOGICAL RESEARCH AND DEVELOPMENT

Technology is the driving force of COSL's development. During the first half of 2012, numerous research and development projects of the Company reaped fruits: thick oil thermal recovery technology had its initial large-scale application; the high-speed logger ELIS70 specialized for CBM performed well; its nuclear magnetic resonance loggers entered the stage of commercialization; research on LWD system and revolving directional drilling system made great progress; and the proprietary high precision cable collection system "Hailiang", cable control system "Haiyan" and positioning system proceeded to a new stage. During the first half of 2012, the Company accumulated 409 valid patents, of which 97 were invention patents.

I would also like to mention here about our marketing efforts of proprietary technology of the well services segment which made great progress. During the period, we not only installed ELIS, our cable logging system with proprietary intellectual property rights, into the operation team of the Company, but also put it in the market and recently received orders from high-end market in Canada. Our LWD equipments were intoduced to various land oilfield markets. New proprietary drilling mud products were widely applied in East China Sea. Low-permeability fracking business has also completed production optimization for several wells. Technological development has brought positive impact to results of the Company in the first half of 2012 and will provide strong protection for the Company's operations in the second half of the year.

STEADY ADVANCEMENT OF BASIC MANAGEMENT OPTIMIZATION WITH NOTABLE EFFECT

During the first half of 2012, the Company commenced optimization of its basic management, whereby management process was reorganized and optimized and prevention and control of risk were strengthened with a view to enhancing management efficiency. Focusing on the characteristics of overseas operations, being broad area coverage and high occurrence of safety incidents and emergencies, the Company improved contingency measures to enhance its ability to cope with these circumstances and lower overseas operation risk. In addition, as large equipments were commonly used and in diversed locations with high mobility, the Company further strengthened their repair and maintenance. By strengthening management on repair and maintenance in dock and on site, repairing capability of the crew of drilling services and geophysical and surveying services was enhanced, which reduced repairing cost and time and enhanced operating rate of the equipment.

Chief Executive Officer's Report (continued)

During the period, in order to further promote contingency responsive ability of the crew, the Company prompted its subsidiaries and operation units to establish on-site drills on drilling rigs, vessels and land, the effect was satisfactory. Also, by promoting energy saving and reduction of gas emission and environmental work, the Company met the target set by energy consumption per RMB10,000 in production. The safety situation was stable throughout the period with the OSHA index stood at 0.27.

Looking forward to the second half of 2012, with enhanced capability, the Company will grip the favourable opportunity of market recovery to consolidate its position in domestic market and develop international markets. Also, we will further improve service capability of each business segment to strengthen competitiveness. We will actively observe our social responsibility by constant strengthening of operation safety and environment protection. The Company will continue to improve its management for higher efficiency as well as to promote growth in operating results and ensure strong and healthy development.

Li Yong
Chief Executive Officer and President of COSL

21 August 2012, Hong Kong

Management Discussion and Analysis

Industry Review

During the first half of 2012, recovery of global economy has been weakened, which shook the stability of the major economies and resulted in lowering growth rate in them. As at the end of June, international oil price dropped after a rise, with oil price in New York and London both fell by approximately 20% from their highest level of the year and WTI price sank to around US$80/barrel.

According to the report of Barclays Capital, the expenditures in exploration and development projects by the world's oil and gas companies will reach US$598.0 billion in 2012, representing an increase of 10% over 2011. For the drilling services segment, the market was showing an upward trend in market demand for drilling rigs, in particular for high-end drilling rigs. According to the data from ODS-data, overall global drilling rig contract signing rate increased by 4.5% as compared to the same period of last year, and the global comprehensive day rate of drilling rigs in the first half of 2012 increased. The well services segment rebounded along with the substantially increased demand in the market, which showed a growth in the operating volume and service price. With more investments, demand for geophysical and surveying services increased, which pushed up the prices of the services and equipment and bring a steady growth to the market.

Business Review

Drilling Services Segment

During the first half of 2012, while the Group was committed to solidifying the domestic drilling services market, it also put in efforts in developing the international markets, which significantly increased income from this segment. Driven by the substantial operation and addition of equipment, the drilling service business recorded an operating income of RMB5,265.0 million for the first half of 2012, increased by 25.0% compared to RMB4,210.9 million of the same period last year.

The addition of the semi-submersible drilling rigs enhanced both the Group's deep-water capability and its competitiveness in overseas drilling operation. COSLPioneer continued to provide drilling services to Statoil in the North Sea with satisfactory result, received recognitions from clients. HYSY981, a deep-water semi-submersible drilling rig of the sixth generation operated and managed by the Group, commenced its operation in the South China Sea in the first half of 2012. Its operation has been steady and it met various standards satisfactorily.

As for jack-up drilling rigs, the Group operated a total of 27 jack-up drilling rigs, of which 13 were located in Bohai, China, 3 in South China Sea, 1 in the waters east of China, 1 in Yellow Sea and the remaining 9 in Indonesia, Mexico, Middle East and other overseas areas. During the first half of 2012, jack-up drilling rigs of the Group operated for 4,577 days, representing an increase of 591 days or 14.8% over the same period last year, where COSLSeeker at Indonesia and COSLConfidence at Mexico attained a full operation of 364 days, representing an increase of 286 days over the same period last year.

As at 30 June 2012, the Group operated and managed a total of 34 drilling rigs, as well as 2 accommodation rigs and 4 module rigs, which were serving at waters of the North Sea and Mexico respectively.

During the first half of 2012, the number of operating days of the Group's drilling rigs amounted to 5,358 days, representing an increase of 871 days, and the calendar day utilization rate reached 92.8%, representing a 2.2 basic points increase compared with the same period of last year.

Management Discussion and Analysis (continued)

The operation details of our jack-up and semi-submersible drilling rigs in the first half of 2012 are as follows:

	For the six months ended 30 June 2012	2011	Increase/ (Decrease)	Increase/ (Decrease)
Operating days (day)	**5,358**	4,487	871	19.4%
Jack-up drilling rigs	**4,577**	3,986	591	14.8%
Semi-submersible drilling rigs	**781**	501	280	55.9%
Available day utilization rate	**99.7%**	94.0%	5.7 basic points	
Jack-up drilling rigs	**99.9%**	93.3%	6.6 basic points	
Semi-submersible drilling rigs	**98.9%**	100.0%	(1.1 basic points)	
Calendar day utilization rate	**92.8%**	90.6%	2.2 basic points	
Jack-up drilling rigs	**93.1%**	90.4%	2.7 basic points	
Semi-submersible drilling rigs	**90.7%**	92.3%	(1.6 basic points)	

The main reasons for the increase by 591 days in operating days contributed by jack-up drilling rigs compared with the same period of last year were an increase of 286 operating days as a result of COSLSeeker and COSLConfidence's full operation, and an increase of 484 operating days by COSL921, COSL922, COSL923 and COSL924. There were a decrease of 156 operating days for drilling rig BH8 due to its preparation for overseas operations, as well as a decrease of 165 days in operating days contributed by BH9, BH12, COSL931, COSL936, NH1 and COSLStrike and COSLBoss due to repair and maintenance and an increase of 142 days in operating days contributed by other drilling rigs due to less repair and maintenance.

The operating days of semi-submersible drilling rigs increased by 280 days compared with the same period of last year was due to COSLPioneer and HYSY981, which have commenced operation and increased the operating days by 173 days and 133 days respectively, while the operating days of other drilling rigs decreased by 26 days due to repair and maintenance.

Due to the increased operation of COSL923, COSL924, COSLSeeker and COSLConfidence and the commencement of operation of COSLPioneer and HYSY981, the calendar day utilization rate of the Group's drilling rigs in the first half of 2012 reached 92.8%, representing an increase of 2.2 basic points as compared with the same period of last year.

The two accommodation rigs continued to serve in the North Sea and operated for 364 days in the first half of 2012, with available day utilization rate and calendar day utilization rate both reached 100.0%. While the operating days of 4 module rigs working in the Mexican Bay decreased due to repair and maintenance last year, they resumed operation in the first half of this year and accumulated operating rate of 723 days and a calendar day utilization rate of 99.3%.

With the addition of new semi-submersible drilling rigs, the average day income of the drilling rigs of the Group for the first half of 2012 increased by 13.8% compared with the same period of last year, and the details are as follows:

Average day income* (ten thousand US$/day)	For the six months ended 30 June 2012	2011	Increase/ (Decrease)	Increase/ (Decrease)
Jack-up drilling rigs	**10.9**	10.7	0.2	1.9%
Semi-submersible drilling rigs	**28.8**	19.5	9.3	47.7%
Drilling rigs sub-total	**13.7**	11.7	2.0	17.1%
Accommodation rigs	**20.2**	21.5	(1.3)	(6.0%)
Total	**14.0**	12.3	1.7	13.8%

Note 1: US$/RMB exchange rate was 1:6.3249 on 30 June 2012 and 1:6.4716 on 30 June 2011, respectively.

Note 2: The average day income of drilling rigs includes COSLPioneer and HYSY981. After excluding them, the average day income in sub-total of semi-submersible drilling rigs and drilling rigs and that in total are US$211,000/day, US$119,000/day and US$124,000/day respectively.

* Average day income = Revenue / operating days

Management Discussion and Analysis (continued)

Well Services Segment

In the first half of 2012, efforts were put in enhancing technical service capability and solidifying and developing domestic and international markets of the well services segment, which recorded a rebound in operation volume and an increase in the operating income by RMB1,690.7 million or 24.4% to RMB2,103.8 million as compared with the same period last year.

The Group endeavored to enhance quality of the technical services of this segment by research and development of technology with a view to increasing income. The first application of the proprietary logging-while-drilling system ELIS-II at Western South China Sea was a success, which changed the future of the ELIS system which has only been applied to development of production well as a marine downhole instrument in the past. In addition, the Group for the first time completed a fracing work for Sinopec in the first half of 2012.

As for the international markets, other than consolidation of its share in conventional well services market, the Group has completed its first cable perforation, pressure test on blowout preventers and other well services at Maysan oilfield, Iraq.

Marine Support and Transportation Services Segment

In the first half of 2012, the Group's marine support and transportation services segment faced intense market competition. The Group utilized its own advantages and reasonably selected social resources to support innovation and return, as a result the segment recorded a growth of RMB189.7 million or 15.7% in operating income to RMB1,401.3 million in the first half of 2012 as compared to RMB1,211.6 million in the same period last year.

As at 30 June 2012, the Group owned an aggregate of 72 oilfield utility vessels. In addition, it also owned 3 oil tankers and 5 chemical carriers.

The operation of self-owned oilfield utility vessels in the first half of 2012 is as follows:

Operating days (day)	For the six months ended 30 June 2012	2011	Increase/ (Decrease)	Increase/ (Decrease)
Standby vessels	**7,053**	7,922	(869)	(11.0%)
AHTS vessels	**2,714**	2,942	(228)	(7.7%)
Platform supply vessels	**865**	905	(40)	(4.4%)
Multi-purpose vessels	**690**	659	31	4.7%
Workover support barges	**645**	628	17	2.7%
Total	**11,967**	13,056	(1,089)	(8.3%)

The operating days of self-owned vessels decreased by 1,089 days compared with the same period of last year, mainly because there were 3 vessels scrapped, which resulted in a decrease of operating days of 357 days; 2 vessels were upgraded to geophysical and surveying vessels, which resulted in a decrease of operating days of 362 days; NH216 underwent repair, which resulted in a decrease of operating days by 181 days. HYSY683 increased operating days by 151 days, BH285, BH268, New Century I, NH210 and COSL222 increased operating days by 184 days due to less repair and maintenance and other vessels in aggregate decreased operating days by 524 days.

During the first half of 2012, calendar day utilization rate of self-owned vessels was 90.9%, decreased by 5.6 basic points from 96.5% for the same period last year due to scrapping and repair and maintenance.

The transportation volume of oil tankers was 932,000 tons during the period, representing an increase of 18.8% compared with 784,000 tons for the same period of last year. The transportation volume of chemical carriers increased by 3.8% from 1,098,000 tons for the same period of last year to 1,140,000 tons.

Management Discussion and Analysis (continued)

Geophysical and Surveying Services Segment

During the first half of 2012, 3D operation entered its prime, when the Group recorded operating income of RMB1,240.5 million with its rational arrangement of vessels and new equipment, increased by RMB214.5 million or 20.9% as compared to RMB1,026.0 million of the same period last year.

Geophysical Services

During the first half of 2012, the Group increased its 3D collection operation by rational deployment of operation vessels responsive to market demand which scientifically and effectively enhanced collecting capability of the business segment. HYSY720, a large 12-streamer geophysical vessel, completed its 3D seismic collection operation in the East China Sea smoothly in the early 2012 in spite of the disadvantageous winter condition. HYSY719, a 3D collection vessel, retuned to waters of South China Sea to commence its 3D seismic collection operation after having completed its 3D collection operation under a service contract in Myanmar.

In the first half of 2012, the details of the Group's collection and processing workload are as follows:

Services	For the six months ended 30 June 2012	2011	Increase/ (Decrease)	Increase (Decrease)
2D collection (km)	**10,946**	16,202	(5,256)	(32.4%)
2D processing (km)	**11,216**	12,423	(1,207)	(9.7%)
3D collection (km^2)	**13,659**	9,938	3,721	37.4%
Including submarine cable (km^2)	**446**	322	124	38.5%
3D processing (km^2)	**6,351**	3,366	2,985	88.7%

With the shrinking of the 2D collection service market, the operation volume of 2D collection services reduced by 5,256 km compared with the same period of last year, mainly because BH517, originally a 2D collection vessel, was modified as a deep-water cable vessel, which reduced the operation volume by 7,410 km. At the same time, through reasonable arrangements of equipment resources, the operation volume of BH511 increased by 3,564 km compared with the same period of last year, while that of other vessels decreased by 1,410 km in total. The operation volume of 3D collection services increased by 3,721 km^2 compared with the same period of last year, mainly because HYSY720, the 12-streamer geophysical vessel commenced operation last year and brought with it 4,188 km^2 of operation volume, HYSY719 was fully operated in the first half of 2012, resulted in an increase in operation volume by 1,273 km^2; with the commencement of operation of BH517, operation volume of submarine cable business increased by 124 km^2; operation volume of other vessels decreased by 1,864 km^2 in total as a result of repair and maintenance. For the data processing services business, with addition of processing projects overseas and growth in on-board processing business, operation volume of 3D data processing business increased by 2,985 km^2 or 88.7% as compared to the same period last year, while that of 2D data processing business decreased by 9.7%.

Surveying Services

During the first half of 2012, HYSY708, a surveying vessel of the Group, commenced operation in April. The vessel was equipped with deep-water surveying and supporting capability and is the only one in China capable to operate under the fifth grade sea condition. It contributed greatly to the enhancement of the Group's capability in deep-water services. In the first half of 2012, the Group's surveying services recorded an income of RMB304.2 million, increased by 63.3% or RMB117.9 million from RMB186.3 million for the same period of last year.

Management Discussion and Analysis (continued)

FINANCIAL REVIEW

1. Analysis of interim condensed consolidated income statement

1.1 Revenue

In the first half of 2012, the Group's revenue amounted to RMB10,010.6 million, representing an increase of 23.0% or RMB1,871.4 million from RMB8,139.2 million for the same period of last year, mainly driven by full operation of domestic and foreign business and addition of new equipment by the Group in the first half of 2012.

The table below shows the revenue of each of the business segments in the first half of 2012:

Unit: RMB million Business segments	For the six months ended 30 June 2012	 2011	Change %
Drilling services	**5,265.0**	4,210.9	25.0%
Well services	**2,103.8**	1,690.7	24.4%
Marine support and transportation services	**1,401.3**	1,211.6	15.7%
Geophysical and surveying services	**1,240.5**	1,026.0	20.9%
Total	**10,010.6**	8,139.2	23.0%

1.2 Operating expenses

The table below shows the breakdown of operating expenses for the Group in the first half of 2012:

Unit: RMB million	For the six months ended 30 June 2012	 2011	Change %
Depreciation of property, plant and equipment and amortization of intangible assets	**1,663.2**	1,540.7	8.0%
Employee compensation costs	**1,569.0**	1,319.1	18.9%
Repair and maintenance costs	**286.1**	251.8	13.6%
Consumption of supplies, materials, fuel, services and others	**1,633.8**	1,288.5	26.8%
Subcontracting expenses	**1,063.4**	465.6	128.4%
Operating lease expenses	**298.5**	210.2	42.0%
Impairment losses of property, plant and equipment	**27.4**	41.8	(34.4%)
Other selling, general and administrative expenses	**89.5**	62.9	42.3%
Other operating expenses	**446.0**	414.9	7.5%
Total operating expenses	**7,076.9**	5,595.5	26.5%

In the first half of 2012, the operating expenses of the Group amounted to RMB7,076.9 million, representing an increase of RMB1,481.4 million or 26.5% from RMB5,595.5 million for the same period of last year, mainly due to an increase in staff cost of RMB 249.9 million as a result of staff for new equipment and rise in staff salary, an increase in depreciation of RMB122.5 million for new equipment, an increase in supplies and materials expenses of RMB345.3 with increase in workload; an increase in sub-contracting expenses of RMB597.8 million as a result of full operation and new equipment in both domestic and overseas business, an increase in rental expenses of RMB88.3 million due to charter of HYSY981 and an aggregated increase in other costs and expenses of RMB77.6 million.

Management Discussion and Analysis (continued)

Consumption of supplies, materials, fuel, services and others increased by RMB345.3 million or 26.8% compared with the same period of last year, mainly due to the increase of consumption of supplies and materials as a result of higher operation volume and new equipment.

Sub-contracting expenses increased by RMB597.8 million or 128.4% compared with the same period of last year, of which RMB212.0 million was for addition of semi-submersible drilling rigs for overseas business expansion in the drilling business, RMB115.5 million was used in projects sub-contracted of the seismic service business to cater for domestic market demand, RMB77.3 million and RMB29.5 million in domestic and overseas projects sub-contracted of the well service business respectively to cater for market demand, and RMB163.5 million in marine support and transportation services as a result of a growth in chartering business.

Operating lease expenses increased by RMB88.3 million or 42.0% as compared to the same period last year, mainly due to operating lease payments of HYSY981.

Impairment losses of property, plant and equipment decreased by RMB14.4 million or 34.4%, as compared to RMB41.8 million provided in the same period of last year, which were all in relation to certain land drilling equipment located in Libya.

Other selling, general and administrative expenses increased by RMB26.6 million or 42.3%, mainly due to provision for management fee of semi-submersible drilling rigs and consultation fee accrual.

The table below shows the operating expenses of each of the business segments in the first half of 2012:

Unit: RMB million	**For the six months ended 30 June**		
Business segments	**2012**	**2011**	**Change %**
Drilling services	**3,262.2**	2,707.2	20.5%
Well services	**1,795.8**	1,414.8	26.9%
Marine support and transportation services	**1,115.2**	844.2	32.1%
Geophysical and surveying services	**903.7**	629.3	43.6%
Total	**7,076.9**	5,595.5	26.5%

During the first half of 2012, operating expenses of the drilling services business increased by RMB555.0 million or 20.5% compared with the same period of last year; that of the well services business increased by RMB381.0 million or 26.9% compared with the same period of last year; that of marine support and transportation services business increased by RMB271.0 million or 32.1% compared with the same period of last year; and that of the geophysical and surveying services business increased by RMB274.4 million or 43.6% compared with the same period of last year.

Management Discussion and Analysis (continued)

1.3 Profit from operations

The profit from operations of the Group during the first half of 2012 amounted to RMB2,949.3 million, representing an increase of RMB342.1 million or 13.1% from RMB2,607.2 million for the same period of last year, mainly due to growth in income by 23.0% while operating expenses increased by 26.5% in the first half of 2012.

Unit: RMB million	For the six months ended 30 June		
Business segments	**2012**	**2011**	**Change %**
Drilling services	**2,000.5**	1,521.9	31.4%
Well services	**326.9**	291.7	12.1%
Marine support and transportation services	**286.9**	380.4	(24.6%)
Geophysical and surveying services	**335.0**	413.2	(18.9%)
Total	**2,949.3**	2,607.2	13.1%

1.4 Financial expenses, net

In the first half of 2012, the net financial expenses of the Group was RMB193.6 million, representing an increase of RMB7.4 million or 4.0% from RMB186.2 million for the same period of last year, of which interest income, and finance costs and exchange loss increased by RMB30.0 million and RMB37.4 million respectively.

1.5 Share of profits of jointly-controlled entities

In the first half of 2012, the Group's share of profits of jointly-controlled entities amounted to RMB133.7 million, representing an increase of RMB43.7 million compared to RMB90.0 million for the same period of last year. This was mainly due to an increase in investment income recognized in 3 joint ventures, namely COSL-Expro Testing Services (Tianjin), China France Bohai Geoservices CO., Ltd. and China Offshore Fugro Geo Solution, of RMB47.0 million, while that in other joint ventures decreased by RMB3.3 million in total.

1.6 Income tax expense

In the first half of 2012, the income tax expense was RMB486.6 million, representing an increase of 11.5% compared to RMB436.4 million for the same period of last year.

1.7 Profit for the period

In the first half of 2012, the net profit of the Group was RMB2,402.8 million, including the net profit attributable to owners of the Company amounted to RMB2,397.7 million, which increased by RMB326.5 million or 15.8% as compared with RMB2,071.2 million for the same period of last year.

1.8 Basic earnings per share

In the first half of 2012, the Group's basic earnings per share were RMB0.53, representing an increase of RMB0.07 or 15.8% as compared with RMB0.46 for the same period of last year.

Management Discussion and Analysis (continued)

2. Analysis of interim condensed consolidated statement of financial position

As of 30 June 2012, the total assets of the Group amounted to RMB65,979.5 million, representing an increase of RMB1,128.4 million or 1.7% compared with RMB64,851.1 million at the end of 2011. The total liabilities were RMB35,897.5 million, representing a decrease of RMB494.4 million or 1.4% compared with RMB36,391.9 million at the end of 2011. The shareholders' equity was RMB30,082.0 million, representing an increase of RMB1,622.8 million or 5.7% compared with RMB28,459.2 million at the end of 2011. 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 2012, other non-current assets of the Group amounted to RMB188.6 million, representing an increase of 253.8% or RMB135.3 million compared with RMB53.3 million at the beginning of the year. This was mainly resulting from the increase in non-current portion of mobilization cost incurred by drilling rigs of the Group.

2.2 Notes receivable

As of 30 June 2012, the notes receivable of the Group amounted to RMB507.5 million, representing an decrease of 58.4% compared with RMB1,219.4 million at the beginning of the year, mainly due to RMB711.9 million of cash received in the period.

2.3 Accounts receivable

As of 30 June 2012, the Group's accounts receivable amounted to RMB5,209.7 million, increased by RMB1,229.7 million or 30.9% compared with RMB3,980.0 million at the beginning of the year, which was mainly due to a growth in revenue.

2.4 Pledged time deposits (current portion)

As of 30 June 2012, the pledged time deposits of the Group was RMB18.1 million, representing an increase of RMB7.3 million or 67.6% compared with RMB10.8 million as of the beginning of the year. This was mainly due to a deposit for bank guarantee for drilling operations incurred by an Indonesian subsidiary of RMB10.5 million and recovery of a guarantee deposit of RMB3.2 million previously paid.

2.5 Cash and cash equivalents

As of 30 June 2012, cash and cash equivalents of the Group was RMB7,520.5 million, representing an increase of RMB1,874.3 million or 33.2% compared with RMB5,646.2 million as of the beginning of the year. The details were provided in "Analysis of interim condensed consolidated statement of cash flows" below.

2.6 Time deposits with original maturity over three months

As of 30 June 2012, there was no time deposit with original maturity over three months.

2.7 Other current assets

As of 30 June 2012, other current assets of the Group were RMB14.7 million, representing a decrease of RMB6.6 million or 31.0% compared with RMB21.3 million as of the beginning of the year. The decrease was mainly due to the amortization of current portion of mobilization cost of drilling rig operations.

2.8 Salary and bonus payables

As of 30 June 2012, the salary and bonus payable by the Group were RMB528.9 million, representing a decrease of 34.5% or RMB278.4 million compared with RMB807.3 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 2011, 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.

2.9 Tax payable

As of 30 June 2012, the tax payable of the Group amounted to RMB127.3 million, representing an increase of RMB65.7 million or 106.7% compared with RMB61.6 million at the beginning of the year. The balance at the end of the period represented tax payment provided by the Group but not yet paid.

2.10 Defined benefit scheme

As at 30 June 2012, the Group's defined benefit scheme amounted to RMB27.4 million, representing an increase of RMB27.6 million over that negative balance of RMB0.2 million as at the beginning of the year, mainly due to increase in the Group's defined benefit pension scheme liabilities borne by COSL Drilling Europe AS, the Group's subsidiary in Norway.

2.11 Non-controlling interests

During the first half of 2012, interests attributable to minority holders of ordinary shares of the Group amounted to RMB5.6 million, representing an increase of RMB5.0 million or 833.3% over that of RMB0.6 million as at the beginning of the year, mainly due to an increase in the profit of PT.SAMUDAR TIMUR SANTOSA, a non-wholly owned subsidiary of the Group, which increased as equity attributable to the owners.

3. Analysis of consolidated statement of cash flows

3.1 Net cash flows from operating activities

In the first half of 2012, net cash inflows from operating activities of the Group reached RMB3,412.9 million, of which RMB9,846.1 million was received from the sales of goods and the provision of services, while RMB3,510.0 million was paid for the purchase of goods and receipt of services, RMB1,929.3 million was paid to or for employees, and RMB525.0 million was used to pay for various taxes. Cash outflow related to other operating activities amounted to RMB468.9 million.

3.2 Net cash flows from investing activities

In the first half of 2012, net cash outflows used in investing activities of the Group amounted to RMB387.8 million, of which RMB1,389.5 million was paid for the purchase of property, plant and equipment, intangible assets and other long-term assets during the period. In addition, the investment income and interest income received during the period amounted to RMB55.8 million and RMB58.8 million, respectively, while RMB5.0 million was received from the disposal of fixed assets during the period. A total cash inflows received from disposal of investments amounted to RMB882.1 million.

3.3 Net cash flows from financing activities

In the first half of 2012, net cash outflows used in financing activities amounted to RMB1,192.4 million, of which RMB17.0 million was received from government grants and RMB750.6 million was received from borrowings during the period. RMB834.7 million was paid for repayment of debts, RMB810.7 million was paid for dividends distribution, and RMB314.6 million was paid for the repayment of interests in cash.

3.4 The net impact of foreign exchange fluctuations on cash during the period was the increase in cash for RMB41.6 million.

Management Discussion and Analysis (continued)

4. Capital expenditure analysis

Affected by arrangements and progress of projects, in the first half of 2012, the total capital expenditure of the Group amounted to RMB911.3 million, representing a decrease of RMB888.5 million.

The capital expenditure of each of business segments in the first half of 2012 is shown in the table below:

Unit: RMB million	For the six months ended 30 June		
Business Segments	2012	2011	Change %
Drilling services	**821.0**	828.0	(0.8%)
Well services	**98.9**	124.5	(20.6%)
Marine support and transportation services	**11.9**	105.2	(88.7%)
Geophysical and surveying services	**(20.5)**	742.1	(102.8%)
Total	**911.3**	1,799.8	(49.4%)

The capital expenditure of the drilling services segment was mainly used for construction of 3 CDE semi-submersible drilling rigs, namely COSLInnovator, COSLPromoter and COSLProspector. The capital expenditure of the well services segment was mainly used for construction and purchase of various well services equipment. The capital expenditure of the marine support and transportation services segment was mainly used for the construction of 2 deep water AHTS vessels and 14 oilfield utility vessels. The geophysical services segment had no large sum of capital expenditure, which was negative due to reversal of tax allowance in the first half of 2012.

OUTLOOK

On top of the weakening growth in developed and major emerging economies, the European debt crisis and suspense of the launch of the QE3 in the United States have laid even more uncertainties on global economies. IMF anticipated in its World Economic Outlook Reports that growth rate of the global economy will reduce to 3.5% in 2012. Under the slowdown faced by major economies in the world, oil price will fluctuate with the macro uncertainties.

Spears Association expects that total turnover of global oilfield services industry will rise 11% from 2011 to US$349.0 billion. China's dependence on external oil is beyond 54%. High production targets of major clients will bring market opportunities to COSL.

In the second half of 2012, large equipment coming on stream and new market contracts to be obtained will contribute greatly to growth in revenue of the Company. Apart from the 2,500 feet semi-submersible drilling rig COSLInnovator delivered in November last year, COSLPromoter, another 2,500 feet semi-submersible drilling rig, completed its delivery in April this year. It is expected that these two rigs will commence operation in the North Sea of Norway in the second half of 2012. HYSY981 and the deep-water surveying vessel 708 will also contribute to the increase in revenue for the second half of 2012.

COSL will continue to stress technological development and development of high-end equipment to enhance quality and capability of its well services. It will also continue to strengthen safety management and emphasis on operational safety. Efforts on expansion in domestic and overseas market will be doubled to meet market demands; establishment of deep-water capability will be accelerated to build comprehensive deep-water service competence; problem-solving and application of technology of thick oil and low-permeability oilfield development will not slacken; and enhancement of capability and technological level of non-conventional oil and gas services will be upheld.

The Company will also aim at some of preceding risk factors, as well as future ones, to review and adopt corresponding measures. For example, the Company performs specific offshore drilling services and other related services in countries which are under U.S. sanctions such as Iran. Although such businesses at present are under normal operation, and the overall businesses and activities of such countries only represent a small portion of comprehensive income and net income. Management and the Board of the Company fully understand the related risks, and has been seeking for corresponding strategy proactively.

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 2012 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", issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim financial report for the six months ended 30 June 2012 has been reviewed by the audit committee.

CORPORATE GOVERNANCE PRACTICES

During the period from 1 January 2012 till 31 March 2012, the Company has applied the principles of and has complied with all code provisions of the Code on Corporate Governance Practices (the "**Old Code**") as set forth in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). For the period from 1 April 2012 till 30 June 2012, save for Code Provision A.6.7, the Company has complied with the code provisions included in the amendments to the Old Code which took effect since 1 April 2012 (the "**New Code**").

According to Code Provision A.6.7, independent non-executive directors and other non-executive directors are required to attend general meetings. Mr. Wu Mengfei, a non-executive director of the Company, and Mr. Chen Quansheng, an independent non-executive director of the Company, failed to attend the Annual General Meeting of the Company held on 5 June 2012 due to some other urgent issues that required their immediate attention.

Save as disclosed, there has been no deviation from the code provisions as set forth and on the Old Code and the New Code for the six months ended 30 June 2012.

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

Specific enquiry have been made with all directors of the Company, the directors have confirmed that they have, for the six months ended 30 June 2012, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

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 2012.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2012, 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.

Supplementary Information (continued)

DIRECTORS' SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURE

As at 30 June 2012, 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 (the "Model Code") 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 2012, 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 2012, 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	291,192,954(L) 0(S) 114,515,416(P)	18.97(L) 0.00(S) 7.46(P)
Commonwealth Bank of Australia	Interest in controlled corporation	215,614,000(L)	14.05(L)
T. Rowe Price Associates, Inc. and Its Affiliates	Directly beneficially owned	92,322,000(L)	6.01(L)
BlackRock, Inc.	Interest in controlled corporation	83,043,196(L) 10,985,071(S)	5.41(L) 0.71(S)

Notes:

(a) "L" means long position.

(b) "S" means short position.

(c) "P" means lending pool.

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

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

At no time during the six months ended 30 June 2012 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 2012, the Group has 9,868 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.

SHARE APPRECIATION RIGHTS PLAN

On 22 November 2006, the share appreciation rights plan for senior management of COSL (the "SAR Plan") was approved by the shareholders by the way of a resolution passed in the second Extraordinary General Meeting of 2006 which is a middle to long term incentive program for 7 senior management. On 6 June 2007, the targeted senior management signed individual performance contracts with the Board, and all necessary legal processes in relation to the grant of share appreciation rights was completed, with an exercise price of HK$4.09. The SAR Plan became effective on 22 November 2006 with a term of ten years. 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 period of two years, and the senior management can exercise their rights in four equal batches in year 3, 4, 5 and 6 from the approval date of the SAR Plan.

The total exercisable gains as a result of exercising the SAR shall not exceed 10% of the Company's net profit for the year. The settlement in cash from exercising share appreciation rights must be processed by deposit into the related dedicated accounts, with no less than 20% of such cash payments shall only be withdrawn after qualified upon expiry of employment term with the Company.

The SAR Plan further provides that if the 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 at 30 June 2012, the first tranche of SAR was forfeited in 2009, the second tranche of SAR has been approved and exercised and the third tranche of SAR exercising proposal has not been submitted for approval. Exercise gains of the second tranche of SAR, the third tranche of SAR and the fourth tranche of SAR are measured at HK$1.82, HK$2.27 and HK$2.43 per share respectively. The weighted average closing price of the second tranche of SAR for the day preceding the exercise was HK$9.11 per share.

As at 30 June 2012, there were in aggregate 1,173,075 outstanding share appreciation rights under the SAR plan (31 December 2011: 1,173,075).

Supplementary Information (continued)

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) The Company convened the 2011 Annual General Meeting on 5 June 2012. Mr. Liu Jian, Mr. Li Yong and Mr. Tsui Yiu Wa were re-elected as directors of the Company (in which, Mr. Tsui Yiu Wa was re-elected as an independent non-executive director) by cumulative voting in the meeting, with a term of office for three years starting from the date the resolutions were passed at the Annual General Meeting.

(2) The Company convened the 2011 Annual General Meeting on 5 June 2012. Mr. Wang Zhile was re-elected as an independent supervisor of the Company in the meeting, with a term of office for three years starting from the date the resolutions were passed at the Annual General Meeting.

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, an independent non-executive director of the Company, was no longer an independent non-executive director of China BlueChemical Ltd. (stock code: 03983), a company listed on the main board of the Stock Exchange, on 5 June 2012.

Mr. Fong Wo, an independent non-executive director of the Company, was appointed as an independent non-executive director of Sheen Tai Holdings Group Company Limited (stock code: 01335), a company listed on the main board of the Stock Exchange, on 22 June 2012.

GEARING RATIO

As at 30 June 2012, the net current assets of the Group increased to RMB8,622.5 million compared with 31 December 2011, while the current ratio rose to 2.33 times, compared with 1.89 times on 31 December 2011.

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

Group	30 June 2012 RMB'000	31 December 2011 RMB'000
Interest-bearing bank borrowings	**26,640,440**	26,610,093
Trade and other payable	**4,082,577**	4,530,740
Long term bonds	**1,500,000**	1,500,000
Less: Cash and cash equivalents and time deposits with maturity over three months	**7,520,450**	6,528,285
Net debt	**24,702,567**	26,112,548
Equity attributable to owners of the parent	**30,076,419**	28,458,565
Non-controlling interests	**5,621**	589
Total Capital	**30,082,040**	28,459,154
Capital and net debt	**54,784,607**	54,571,702
Gearing ratio	**45%**	48%

Supplementary Information (continued)

FOREIGN CURRENCY RISK

The Company's senior management has closely monitored the Group's exposure on foreign currency risk. The depreciation of US dollars may have certain impact on the Group. On one hand, the Group's overseas revenue which is denominated in US dollars, may decrease when translating into RMB as a result of the depreciation of US dollars. On the other hand, the Group's overseas operating expenses may decrease and the costs of imported materials and equipment may be reduced as a result of the depreciation of US dollars. Besides, the Group has not entered into any hedging transactions in order to reduce its exposure to foreign currency risk, which is mainly derived from the Company's debts denominated in US dollars.

CHARGES ON ASSETS

As at 30 June 2012, the Group has no charges on assets.

CONTINGENT LIABILITIES

As at 30 June 2012, the Group had contingent liabilities as set out in note 21 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 Appendix16 of the Listing Rules will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn) in due course.

By Order of the Board
China Oilfield Services Limited
Yang Haijiang
Company Secretary

21 August 2012

Report on Review of Unaudited Interim Condensed Consolidated Financial Statements

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 21 to 44, 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 2012 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
22nd Floor CITIC Tower
1 Tim Mei Avenue, Central
Hong Kong
21 August 2012

Interim Condensed Consolidated Income Statement

For the six months ended 30 June 2012

	Note	Six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
REVENUE	*3*	**10,010,601**	8,139,160
Other revenues		**15,626**	63,613
		10,026,227	8,202,773
Depreciation of property, plant and equipment and amortisation of intangible assets		**(1,663,214)**	(1,540,730)
Employee compensation costs		**(1,568,956)**	(1,319,094)
Repair and maintenance costs		**(286,061)**	(251,814)
Consumption of supplies, materials, fuel, services and others		**(1,633,846)**	(1,288,491)
Subcontracting expenses		**(1,063,427)**	(465,612)
Operating lease expenses		**(298,453)**	(210,191)
Other operating expenses		**(446,035)**	(414,859)
Other selling, general and administrative expenses		**(89,533)**	(62,940)
Impairment of property, plant and equipment	*7*	**(27,420)**	(41,807)
Total operating expenses		**(7,076,945)**	(5,595,538)
PROFIT FROM OPERATIONS		**2,949,282**	2,607,235
Financial expenses			
Exchange (loss)/gains, net		**(32,593)**	29,507
Finance costs		**(229,380)**	(254,193)
Interest income		**68,390**	38,443
Financial expenses, net		**(193,583)**	(186,243)
Share of profits of jointly-controlled entities, net of tax		**133,673**	89,964
PROFIT BEFORE TAX		**2,889,372**	2,510,956
Income tax expense	*4*	**(486,596)**	(436,409)
PROFIT FOR THE PERIOD		**2,402,776**	2,074,547
Attributable to:			
Owners of the parent		**2,397,746**	2,071,230
Non-controlling interests		**5,030**	3,317
		2,402,776	2,074,547
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*6*	**53.34 cents**	46.08 cents

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2012

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
PROFIT FOR THE PERIOD	**2,402,776**	2,074,547
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	**29,268**	(163,483)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF TAX	**29,268**	(163,483)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**2,432,044**	1,911,064
Attributable to:		
Owners of the parent	**2,427,012**	1,907,755
Non-controlling interests	**5,032**	3,309
	2,432,044	1,911,064

Interim Condensed Consolidated Statement of Financial Position

30 June 2012

	Note	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*7*	**45,591,840**	46,285,323
Goodwill	*8*	**4,261,377**	4,245,207
Other intangible assets		**364,523**	371,656
Investments in jointly-controlled entities		**471,793**	444,767
Defined benefit assets		**–**	174
Other non-current assets	*9*	**188,636**	53,342
Total non-current assets		**50,878,169**	51,400,469
CURRENT ASSETS			
Inventories		**1,032,750**	894,553
Prepayments, deposits and other receivables		**798,020**	796,295
Accounts receivable	*10*	**5,209,743**	3,980,041
Notes receivable		**507,522**	1,219,384
Other current assets	*11*	**14,693**	21,310
Pledged time deposits		**18,111**	10,805
Time deposits with original maturity over three months		**–**	882,126
Cash and cash equivalents		**7,520,450**	5,646,159
Total current assets		**15,101,289**	13,450,673
CURRENT LIABILITIES			
Trade and other payables	*12*	**4,082,577**	4,530,740
Salary and bonus payables		**528,867**	807,337
Tax payable		**127,204**	61,553
Interest-bearing bank borrowings	*14*	**1,670,311**	1,626,325
Other current liabilities	*11*	**69,873**	79,197
Total current liabilities		**6,478,832**	7,105,152
NET CURRENT ASSETS		**8,622,457**	6,345,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**59,500,626**	57,745,990

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2012

	Note	**30 June 2012 (Unaudited) RMB'000**	**31 December 2011 (Audited) RMB'000**
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,960,441**	1,817,000
Interest-bearing bank borrowings	*14*	**24,970,129**	24,983,768
Long-term bonds	*15*	**1,500,000**	1,500,000
Deferred revenue	*16*	**960,570**	986,068
Employee benefit liability		**27,446**	–
Total non-current liabilities		**29,418,586**	29,286,836
NET ASSETS		**30,082,040**	28,459,154
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*17*	**4,495,320**	4,495,320
Reserves		**25,581,099**	23,154,087
Proposed final dividend		**–**	809,158
		30,076,419	28,458,565
Non-controlling interests		**5,621**	589
Total equity		**30,082,040**	28,459,154

Li Yong
Director

Li Fei Long
Director

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2012

	Attributable to owners of the parent								
(Unaudited)	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	4,495,320	8,074,565	2,070,837	(554,642)	13,563,327	809,158	28,458,565	589	28,459,154
Profit for the period	–	–	–	–	2,397,746	–	2,397,746	5,030	2,402,776
Other comprehensive income for the period:									
Exchange differences on translation of foreign operations	–	–	–	29,266	–	–	29,266	2	29,268
Total comprehensive income for the period	–	–	–	29,266	2,397,746	–	2,427,012	5,032	2,432,044
Final 2011 dividend paid (note 5)	–	–	–	–	–	(809,158)	(809,158)	–	(809,158)
At 30 June 2012	4,495,320	8,074,565	2,070,837	(525,376)	15,961,073	–	30,076,419	5,621	30,082,040
(Unaudited)									
At 1 January 2011	4,495,320	8,074,565	1,687,453	(193,511)	10,716,592	809,158	25,589,577	348	25,589,925
Profit for the period	–	–	–	–	2,071,230	–	2,071,230	3,317	2,074,547
Other comprehensive loss for the period:									
Exchange differences on translation of foreign operations	–	–	–	(163,475)	–	–	(163,475)	(8)	(163,483)
Total comprehensive income for the period	–	–	–	(163,475)	2,071,230	–	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	(356,986)	12,787,822	–	26,688,174	3,657	26,691,831

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2012

	Six months ended 30 June 2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Net cash flows from operating activities	**3,412,891**	2,875,923
Net cash flows used in investing activities	**(387,817)**	(2,192,456)
Net cash flows used in financing activities	**(1,192,373)**	(2,491,076)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**1,832,701**	(1,807,609)
Cash and cash equivalents at beginning of period	**5,646,159**	5,847,164
Effect of foreign exchange rate changes, net	**41,590**	(63,507)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**7,520,450**	3,976,048

Notes to Interim Condensed Consolidated Financial Statements

30 June 2012

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 and surveying 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 2012, particulars of the principal subsidiaries of the Company are as follows:

Name of entity	Place and date of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity directly/ indirectly attributable to the Group	Principal activities
COSL America Inc.	United States of America 2 November 1994	US$100,000	100%	Sale of logging equipment
China Oilfield Services (BVI) Limited	British Virgin Islands 19 March 2003	US$1	100%	Investment holding
COSL Chemicals (Tianjin) Limited	Tianjin, PRC 7 September 1993	RMB20,000,000	100%	Provision of drilling fluids services
COSL (Labuan) Company Limited	Malaysia 11 April 2003	US$1	100%	Provision of drilling services in Indonesia
China Oilfield Services Southeast Asia (BVI) Limited	British Virgin Islands 29 May 2003	US$1	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	AU$10,000	100%	Provision of drilling services in Australia
COSL Hong Kong International Limited	Hong Kong 3 December 2007	HK$2,743,035,822	100%	Investment holding
COSL Norwegian AS	Norway 23 June 2008	NOK1,541,328,656	100%	Investment holding
COSL Drilling Europe AS ("CDE")	Norway 21 January 2005	NOK1,494,415,487	100%	Investment holding
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	US$1	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	US$1	100%	Management of jack-up drilling rigs
PT Samudra Timur Santosa ("PT STS")	Indonesia 27 July 2010	US$250,000	49%*	Provision of marine support and transportation services
COSL Oil Tech (Singapore) Ltd.	Singapore 31 January 2011	US$1	100%	Provision of marine support and transportation services

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

1. Corporate information and principal activities (continued)

* *In the opinion of the directors, the Company has control over PT STS's financial and operating policies, and accordingly, the financial statements of PT STS have been incorporated into the Group's interim condensed consolidated financial statements and PT STS had been accounted for as a subsidiary. Therefore, non-controlling interests were 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 2012, particulars of the jointly-controlled entities of the Group are as follows:

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

(a) In the opinion of the directors, the Group does not have control over the financial and operating policies of Magcobar, PT Tritunggal Sinergi Company Ltd. ("**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 and these companies have not been accounted for 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. As at 30 June 2012, PTTS was liquidated and the investment was written off by the Group.

(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.

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

2. Basis of preparation and accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2012 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 2011.

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 2011, except for the adoption of new standards, interpretations and amendments as of 1 January 2012, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-Time Adoption of HKFRSs – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

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

The amendments to HKFRS 1 define when an entity's date of transition to HKFRS is on or after the functional currency normalisation date, the entity may elect to measure all assets and liabilities held before the functional currency normalisation date, at fair value on the date of transition to HKFRS. This fair value may be used as the deemed cost of those assets and liabilities in the opening HKFRS statement of financial position. However, this exemption may only be applied to assets and liabilities that were subject to severe hyperinflation. The adoption of HKFRS 1 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

The amendments to HKFRS 7 enhance disclosures for financial assets. These disclosures relate to assets transferred (as defined under HKAS 39). If the assets transferred are not derecognised entirely in the financial statements, an entity has to disclose information that enables users of financial statements to understand the relationship between those assets which are not derecognised and their associated liabilities. If those assets are derecognised entirely, but the entity retains a continuing involvement, disclosures have to be provided that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's continuing involvement in those derecognised assets. The adoption of HKFRS 7 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

The amendments to HKAS 12 include a rebuttable presumption that the carrying amount of investment property measured using the fair value model in HKAS 40 will be recovered through sale and, accordingly, that any related deferred tax should be measured on a sale basis. The presumption is rebutted if the investment property is depreciable and it is held within a business model whose objective is to consume substantially all of the economic benefits in the investment property over time, rather than through sale. Specifically, HKAS 12 will require that deferred tax arising from a non-depreciable asset measured using the revaluation model in HKAS 16 should always reflect the tax consequences of recovering the carrying amount of the underlying asset through sale. The adoption of HKAS 12 Amendments does not have significant impact on the Group's interim condensed consolidated financial statements.

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 (continued)

30 June 2012

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax 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 2012 (Unaudited)	**Drilling services RMB'000**	**Well services RMB'000**	**Marine support and transportation services RMB'000**	**Geophysical and surveying services RMB'000**	**Total RMB'000**
Segment revenue:					
Sales to external customers	**5,265,071**	**2,103,776**	**1,401,276**	**1,240,478**	**10,010,601**
Intersegment sales	**752,155**	**222,637**	**88,101**	**69,777**	**1,132,670**
	6,017,226	**2,326,413**	**1,489,377**	**1,310,255**	**11,143,271**
Reconciliation:					
Elimination of intersegment sales					**(1,132,670)**
Revenue					**10,010,601**
Segment result	**2,002,520**	**439,067**	**284,205**	**357,162**	**3,082,954**
Reconciliation:					
Exchange loss, net					**(32,592)**
Finance costs					**(229,380)**
Interest income					**68,390**
Profit before tax					**2,889,372**

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

3. Operating segment information (continued)

Six months ended 30 June 2011 (Unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation services RMB'000	Geophysical and surveying 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

Geographical Information

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

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 2011: Less than 10%), and approximately 68% (six months ended June 30 2011: Approximately 72%) 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 2012 and 2011:

Six months ended 30 June 2012 (Unaudited)	Mainland China RMB'000	Others RMB'000	Total RMB'000
Segment revenue:			
Sales to external customers	**6,846,370**	**3,164,231**	**10,010,601**

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

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

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 Corporate Income Tax Law of the PRC (the "CIT") effective from 1 January 2008 introduces the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25% in China. The Company's statutory tax rate is 25%.

On 30 October 2008, the Company was certified as an High-New Technology Enterprise ("HNTE") by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT"), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the 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 years 2009 and 2010. The Company has applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was re-certified as an HNTE on 8 October 2011, which is effective for three years commencing 1 January 2011. Consequently, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the six months ended 30 June 2012 (six months ended 30 June 2011: 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 2011: 3.75%) of service income generated from drilling activities in the PRC. The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (six months ended 30 June 2011: 25%). The Group's activities in Australia are subject to income tax of 30% (six months ended 30 June 2011: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to income tax of 3.5% (six months ended 30 June 2011: 3.5%). The Group's 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 2011: 30% and 17.5%, respectively). The Group's activities in Norway are mainly subject to corporate income tax of 28% (six months ended 30 June 2011: 28%). The Group's activities in the U.K. are subject to income tax of 28% (six months ended 30 June 2011: 28%). The Group's activities in the Philippine are subject to income tax of 30% (six months ended 30 June 2011: 12%). The Group's activities in the Cambodia are subject to income tax of 14% (six months ended 30 June 2011: 10%). The Group's activities in Iraq are subject to income tax of 35% (six months ended 30 June 2011: Not applicable). The Group's activities in Dubai are not subject to any income tax. The Group's taxes pertaining to drilling activities in Iran and Libya are borne by the customers. The Group's taxes pertaining to drilling activities in Papua New Guinea are borne by the customers. The Group's taxes pertaining to activities in Saudi Arabia are borne by the customer unless otherwise provided in the drilling contracts.

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

	Six months ended 30 June	
	2012	**2011**
	(Unaudited)	**(Unaudited)**
	RMB'000	**RMB'000**
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**83,762**	54,213
Deferred	**(40,216)**	(46,526)
PRC corporate income taxes:		
Current	**263,442**	244,581
Deferred	**179,608**	184,141
Total tax charge for the period	**486,596**	436,409

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

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			
	2012 (Unaudited)		2011 (Unaudited)	
	RMB'000	%	RMB'000	%
Profit before tax	**2,889,372**		2,510,956	
Tax at the statutory tax rate of 25% (six months ended 30 June 2011: 25%)	**722,343**	**25.0**	627,739	25.0
Tax reduction as an HNTE	**(165,647)**	**(5.7)**	(170,947)	(6.8)
Income not subject to tax	**(35,988)**	**(1.3)**	(23,464)	(0.9)
Expense not deductible for tax	**16,794**	**0.6**	15,967	0.6
Tax benefit for qualifying research and development expense	**(15,123)**	**(0.6)**	(11,867)	(0.5)
Effect of different tax rates for overseas subsidiaries	**(136,603)**	**(4.7)**	(80,069)	(3.2)
Unrecognised tax losses	**89,646**	**3.1**	–	–
Utilisation of previous unrecognised tax losses	**–**	**–**	(462,082)	(18.4)
Translation adjustment difference*	**6,075**	**0.2**	530,033	21.1
Adjustment in respect of current tax of previous periods	**10,539**	**0.4**	(21,218)	(0.8)
Others	**(5,440)**	**(0.2)**	32,317	1.3
Total tax charge at the Group's effective rate	**486,596**	**16.8**	436,409	17.4

* *Translation adjustment difference mainly represents the tax effect of differences arising from foreign exchange effects to Norwegian Kroner ("NOK"), which is the basis for taxation for some group companies. The translation adjustment mainly relates to the difference between the profit before tax determined on the tax basis in NOK and that determined on the accounting basis of such group companies in US dollars, the functional currency.*

The share of tax attributable to jointly-controlled entities amounting to approximately RMB45,768,437 (six months ended 30 June 2011: RMB 34,317,190) was included in "Share of profits of jointly-controlled entities, net of tax" 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	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Final dividend for 2011: RMB0.18 per ordinary share (2010: RMB0.18 per ordinary share)	**809,158**	809,158

The board of directors of the Company did not propose the interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

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 RMB2,397,746,000 (six months ended 30 June 2011: RMB2,071,230,000), and the weighted average number of ordinary shares of 4,495,320,000 (six months ended 30 June 2011: 4,495,320,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the periods ended 30 June 2012 and 2011 in respect of a dilution, as the Group had no potential ordinary shares in issue during those periods.

7. Property, plant and equipment

During the period, the Group acquired certain machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB906.4 million (six months ended 30 June 2011: RMB1,799.4 million). Vessels, machines and equipment with a net carrying amount amounting to RMB69.1 million (six months ended 30 June 2011: RMB32.6 million) were disposed of in 2012, resulting in a loss on disposal of RMB29.1 million (six months ended 30 June 2011: RMB2.1 million).

Out of the total interest costs, as part of the finance costs in interim condensed consolidated income statement, for the current period of RMB290.5 million (six months ended 30 June 2011: RMB291.4 million), an amount of approximately RMB72.4 million (six months ended 30 June 2011: RMB45.4 million) was capitalised in property, plant and equipment, with a capitalisation rate varying from 1.39% to 1.87% per annum (six months ended 30 June 2011: 1.19% to 3.76% per annum).

An impairment loss of approximately RMB27.4 million was recognised in the interim condensed consolidated income statements for the six months ended 30 June 2012 (six months ended 30 June 2011: RMB41.8 million) in relation to certain land drilling equipment located in Libya, as a result of the civil unrest in the country.

8. Goodwill

	30 June 2012 (Unaudited) RMB'000	**31 December 2011 (Audited) RMB'000**
Cost	**4,245,207**	4,462,018
Exchange realignment	**16,170**	(216,811)
Net carrying value	**4,261,377**	4,245,207

Impairment of goodwill

There was no impairment of goodwill recognised for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

9. Other non-current assets

As at 30 June 2012 and 31 December 2011, other non-current assets were substantially deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs. The current portion of deferred expenses was recorded as other current assets (note 11). The deferred expenses are amortised over their respective drilling contract periods.

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

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 invoice date, is as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Outstanding balances aged:		
Within one year	**5,244,584**	4,182,218
One to two years	**156,298**	84,582
Two to three years	**91,617**	1,747
Over three years	**25,210**	24,655
	5,517,709	4,293,202
Less: Provision for impairment of accounts receivable	**(307,966)**	(313,161)
	5,209,743	3,980,041

11. Other current assets/liabilities

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current portion of deferred expenses*	**14,693**	21,310
Other current assets	**14,693**	21,310
Share of net liabilities of jointly-controlled entities **	**124,742**	126,322
Due to a jointly-controlled entity	**17,211**	17,145
Due from jointly-controlled entities	**(89,707)**	(89,367)
	52,246	54,100
Current portion of deferred revenue	**17,627**	25,097
Other current liabilities	**69,873**	79,197

* *Deferred expenses represent mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, which are amortised over their respective drilling contract periods. As at 30 June 2012 and 31 December 2011, the current portion of deferred expenses was included in other current assets while the non-current portion of deferred expenses was included in non-current assets.*

** *The share of net liabilities of Premium Drilling and Atlantis Deepwater with amounts of RMB89,609,000 (31 December 2011: RMB89,269,000) and RMB35,133,000 (31 December 2011: RMB37,053,000), respectively, were recognised since the management of the Company is of the opinion that the Group has obligations to meet the liabilities of Premium Drilling and Atlantis Deepwater. The liquidation process for Premium Drilling and Atlantis Deepwater have commenced since 2009 and 2010 respectively. During current period, the liquidation process for Atlantis Deepwater entered into a final stage. On 14 August 2012, the liquidation and cancellation of Atlantis Deepwater were completed.*

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

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 2012 (Unaudited) RMB'000	**31 December 2011 (Audited) RMB'000**
Outstanding balances aged:		
Within one year	**3,971,186**	4,351,926
One to two years	**22,924**	79,990
Two to three years	**22,681**	34,673
Over three years	**65,786**	64,151
	4,082,577	4,530,740

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

The first batch of share appreciation rights has been forfeited in 2009, the second batch has been approved and exercised in 2011. As at 30 June 2012, the third batch has not been submitted for approval. The exercise gains of the second, the third and the fourth batch share appreciation rights were measured at HK$1.82, HK$2.27 and HK$2.43 per share, respectively. The weighted average closing price of the shares immediately before the date on which the second batch of share appreciation rights was exercised was HK$9.11 per share.

The SAR is recorded as a finance liability at fair value through profit and loss and included in the salary and bonus payable account. The fair value change of the SAR is charged to income statement over the period until the finalisation of exercise gain. The liability is remeasured at the end of the reporting period and the settlement date with changes in fair value recognised in profit or loss. At 30 June 2012, the salary and bonus payable balance arising from the share appreciation rights was RMB1.4 million (31 December 2011: RMB1.4 million).

There is no change in the number of share appreciation rights during the period. (30 June 2011 and 30 June 2012: 1,173,075 shares).

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

14. Interest-bearing bank borrowings

Current:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Current portion of long term bank loan	**1,670,311**	1,626,325

Non-current:

	Contractual interest rate (%)	Year of maturity	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Export-Import Bank of China – unsecured (a)	LIBOR+170pts	2020	**4,516,969**	4,710,921
Bank of China – unsecured (b)	LIBOR+138pts	2017	**13,489,983**	13,077,912
Bank of China – unsecured (c)	LIBOR+90pts	2017	**4,933,422**	5,040,720
Industrial and Commercial Bank of China – unsecured (c)	LIBOR+90pts	2017	**3,700,066**	3,780,540
			26,640,440	26,610,093
Less: Current portion of long term bank loan			**(1,670,311)**	(1,626,325)
			24,970,129	24,983,768

(a) The Group borrowed a US$800.0 million loan for the purpose of funding the acquisition of a subsidiary. The repayment started on 2 September 2011 over 19 instalments amounting to US$42.1 million bi-annually. The Group repaid US$42.1 million during the first half of the year.

(b) The Group entered into a US$2,200.0 million credit facility agreement with Bank of China dated 30 April 2009, of which US$1,700.0 million was to replace CDE's loans and bonds and US$500.0 million was for the purpose of CDE's daily operations. The repayment started on 14 May 2012 over 11 instalments bi-annually. During the first half of the year, the Group withdrew a principal of US$119.5 million and repaid US$54.9 million respectively.

(c) The Group borrowed US$800.0 million from Bank of China and US$600.0 million from Industrial and Commercial Bank of China in May 2009 to replace CDE's syndicated bank loan. The repayment both started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually. The Group repaid US$20.0 million and US$15.0 million respectively during the first half of the year.

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

15. Long term bonds

	Year of maturity	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Non-Current:			
Corporate bonds	2022	**1,500,000**	1,500,000

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 each year, and the redemption or maturity date is 14 May 2022.

16. Deferred revenue

	30 June 2012 (Unaudited) RMB'000
Balance at beginning of the period	**986,068**
Additions	**108,365**
Credited to the consolidated income statement during the period	**(128,907)**
Exchange realignment	**(4,956)**
Balance at end of the period	**960,570**

Deferred revenue balance as at 30 June 2012 and 31 December 2011 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 are recognised to the consolidated income statement according to the related assets depreciation periods on related costs incurred periods.

17. Issued capital

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (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).

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

18. 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 2012 and 31 December 2011, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**251,346**	226,974
In the second to fifth year, inclusive	**20,948**	21,680
After five years	**12,209**	16,094
	284,503	264,748

(b) Group as lessor

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

As at 30 June 2012 and 31 December 2011, the Group had total future minimum lease receivables under a non-cancellable operating lease falling due as follows:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**65,513**	161,835

19. 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 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for	**2,806,259**	3,700,568
Authorised, but not contracted for	**7,342,064**	7,312,720
	10,148,323	11,013,288

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

20. Related party transactions

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is a State-owned enterprise ("SOE") subject to the control of the State Council of the PRC Government. The State Council of the PRC Government directly and indirectly controls a significant number of entities through its government authorities and other SOEs.

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties. The directors of the Company are of the opinion that the transactions with related parties were conducted in the usual course of business.

(A) Related party transactions with the members of CNOOC

In addition to the transactions and balances detailed elsewhere in these interim condensed consolidation financial statements, the following is a summary of significant transactions carried out between the Group and (i) the CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"); (ii) the CNOOC and its subsidiaries and affiliates excluding CNOOC Limited Group (the "CNOOC Group"); and (iii) the Group's jointly-controlled entities.

a Included in revenue gross revenue earned from provision of services to the following related parties

		Six months ended 30 June	
		2012	**2011**
		(Unaudited)	**(Unaudited)**
		RMB'000	**RMB'000**
i	CNOOC Limited Group		
	Provision of drilling services	**2,832,454**	2,102,683
	Provision of well services	**1,696,283**	1,197,165
	Provision of marine support and transportation services	**1,092,308**	891,985
	Provision of geophysical and surveying services	**881,543**	614,527
		6,502,588	4,806,360
ii	CNOOC Group		
	Provision of drilling services	**4,306**	132,479
	Provision of well services	**9,387**	59,839
	Provision of marine support and transportation services	**208,092**	165,640
	Provision of geophysical and surveying services	**91,946**	68,198
		313,731	426,156
iii	Jointly-controlled entities		
	Provision of drilling services	**413**	730
	Provision of well services	**8,626**	2,267
	Provision of marine support and transportation services	**–**	–
	Provision of geophysical and surveying services	**1,496**	3,207
		10,535	6,204

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

20. Related party transactions (continued)

(A) Related party transactions with the members of CNOOC (continued)

b Included in operating expenses

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Services provided by CNOOC Group and the Group's jointly-controlled entities:		
Labour services	**20,088**	10,892
Materials and utilities services	**284,592**	254,096
Transportation services	**1,520**	1,741
Leasing of offices, warehouses and berths	**57,835**	53,696
Leasing of equipment	**101,085**	–
Repair and maintenance services	**171**	1,064
Management services and other services	**40,589**	45,337
	505,880	366,826

c Included in interest income/(expenses)

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
CNOOC Finance Co., Ltd. (a subsidiary of CNOOC)		
Interest income	**11,987**	8,532
Interest expenses	**–**	(1,448)

d Loans repayment during the period

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
CNOOC Finance Co., Ltd.	**–**	1,000,000

e Construction progress billing

	Six months ended 30 June	
	2012 (Unaudited) RMB'000	2011 (Unaudited) RMB'000
Drilling rigs construction service provided by CNOOC Group	**–**	135,987

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

20. Related party transactions (continued)

(A) Related party transactions with the members of CNOOC (continued)

f Deposits

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Deposits placed with CNOOC Finance Co., Ltd.	**1,009,293**	1,073,852

g Commitments with the members of CNOOC

i Operating lease commitments

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.

The Group has the following significant operating lease commitments with the members of CNOOC principally for properties and equipment, which have been included in note 18:

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Within one year	**202,339**	87,646
In the second to fifth years, inclusive	**–**	–
After five years	**–**	–
	202,339	87,646

ii Capital commitments

As at 30 June 2012, the Group has no significant capital commitments with the members of CNOOC.

h Other transactions with the members of CNOOC

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 2011: RMB0.3 million) were borne by CNOOC.

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

20. Related party transactions (continued)

(B) Transactions and commitments with other SOEs in the PRC

a Transactions

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services of vessels and drilling rigs, purchases of goods, services or property, plant and equipment and making deposits and borrowings with state-owned banks in the PRC, other than the CNOOC Group, in the normal course of business at terms comparable to those with other non-SOEs. The sales of goods and rendering of services to these SOEs are individually not significant. The individually significant construction services provided by the SOE vendor is from a subsidiary controlled by an SOE, namely China International Marine Containers (Group) Co., Ltd. ("CIMC"), in relation to the construction of the Group's semi-submersible rigs. For the six months ended 30 June 2012, the Group has recorded in the additions to its property, plant and equipment for the purchases of construction services of three semi-submersible rigs, with an aggregate amount of RMB191.5 million (six months ended 30 June 2011: RMB267.1 million).

In addition, the Group has certain of its cash and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 30 June 2012, as summarised below:

	30 June 2012 (Unaudited) RMB'000	**31 December 2011 (Audited) RMB'000**
Cash and cash equivalents	**2,146,313**	1,377,524
Time deposits with financial institutions	**1,340,000**	1,016,018
	3,486,313	2,393,542
Long-term bank loans (note 14)	**24,970,129**	24,983,768
Current portion of long term bank loans (note 14)	**1,670,311**	1,626,325
	26,640,440	26,610,093

Deposit interest rates and loan interest rates are at the market rates.

b Commitments

i Operating lease commitments

The Group has no significant operating lease commitments with other SOEs in the PRC as at 30 June 2012.

ii Capital commitments

The Group has the following commitments with other SOEs principally for construction and purchases of property, plant and equipment at the end of the reporting period, which have been included in note 19.

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Contracted, but not provided for	**963,118**	1,039,187
Authorised, but not contracted for	**–**	–
	963,118	1,039,187

Notes to Interim Condensed Consolidated Financial Statements (continued)

30 June 2012

20. Related party transactions (continued)

(C) Compensation of key management personnel of the Group

	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
Short-term employee benefits	**2,964**	2,615
Post-employment benefits	**198**	254
Share appreciation rights	**–**	(1,200)
Total compensation paid to key management personnel	**3,162**	1,669

21. Contingency

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. Management has been discussing and negotiating with the Norwegian tax authorities on the aforesaid tax disputes. Presently, the Norwegian tax authorities still hold the view on taxable position and are to assess the related taxable amounts. Management of the Company continues to carry out active negotiation with Norwegian tax authorities. As at the approval date of the consolidated financial statements, the Company has not received any formal decision from the Norwegian tax authorities. Considering that the above tax disputes are still under negotiation, and the final outcome of the assessment amount by the tax authorities and the timing of cash outflows, if any, is uncertain, the directors have not made any provision for the above-mentioned tax disputes in the consolidated financial statements.

22. Events after the report period

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

23. 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 21 August 2012.

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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

Chen Quansheng
Chairman

Li Yong

Fong Wo, Felix

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 & Chief Legal Officer

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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