COSL
中海油田服務股份有限公司
China Oilfield Services Limited

(Incorporated in the People's Republic of China as a joint stock limited liability company)

(Stock Code: 2883)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

FINANCIAL HIGHLIGHTS

1. Revenue was RMB22,104.7 million.
2. Profit from operations was RMB5,618.6 million.
3. Profit of the year was RMB4,569.8 million.
4. Basic earnings per share were RMB101.42 cents.
5. Total assets were RMB74,648.5 million.
6. Shareholders' interest was RMB32,204.9 million.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2012

	Note	2012 RMB'000	2011 RMB'000
REVENUE	4	**22,104,699**	18,426,133
Other revenues	4	**174,043**	112,710
		22,278,742	18,538,843
Depreciation of property, plant and equipment and amortisation of intangible assets	5	**(3,173,463)**	(3,069,595)
Employee compensation costs	5	**(3,671,357)**	(3,311,579)
Repair and maintenance costs	5	**(793,854)**	(538,646)
Consumption of supplies, materials, fuel, services and others		**(4,071,683)**	(3,447,908)
Subcontracting expenses		**(2,825,522)**	(1,514,062)
Operating lease expenses	5	**(709,645)**	(433,126)
Other operating expenses		**(1,133,153)**	(1,009,239)
Other selling, general and administrative expenses		**(185,028)**	(156,118)
Impairment of property, plant and equipment	5	**(96,420)**	(75,796)
Total operating expenses		**(16,660,125)**	(13,556,069)
PROFIT FROM OPERATIONS		**5,618,617**	4,982,774
Financial income/(expenses)			
Exchange (loss)/gains, net		**(41,913)**	60,521
Finance costs		**(512,718)**	(469,743)
Interest income		**127,460**	63,804
Financial expenses, net		**(427,171)**	(345,418)
Investment income		**2,169**	–
Share of profits of jointly-controlled entities		**243,193**	174,273
PROFIT BEFORE TAX	5	**5,436,808**	4,811,629
Income tax expense	6	**(867,038)**	(772,094)
PROFIT FOR THE YEAR		**4,569,770**	4,039,535
Attributable to:			
Owners of the parent		**4,559,354**	4,039,277
Non-controlling interests		**10,416**	258
		4,569,770	4,039,535
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**101.42 cents**	89.86 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2012

	Note	**31 December 2012 RMB'000**	31 December 2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**47,075,676**	46,285,323
Goodwill	*10*	**4,234,831**	4,245,207
Other intangible assets		**371,178**	371,656
Investments in jointly-controlled entities		**508,845**	444,767
Available-for-sale investments		**–**	–
Employee benefit assets		**14,864**	174
Other non-current assets		**219,690**	53,342
Total non-current assets		**52,425,084**	51,400,469
CURRENT ASSETS			
Inventories		**948,850**	894,553
Prepayments, deposits and other receivables		**650,588**	796,295
Accounts receivable	*11*	**4,145,236**	3,980,041
Notes receivable	*12*	**619,940**	1,219,384
Other current assets		**2,058,997**	21,310
Pledged deposits	*13*	**30,755**	10,805
Time deposits with original maturity over three months	*13*	**3,954,185**	882,126
Cash and cash equivalents	*13*	**9,814,893**	5,646,159
Total current assets		**22,223,444**	13,450,673
CURRENT LIABILITIES			
Trade and other payables	*14*	**5,021,791**	4,530,740
Salary and bonus payables		**914,435**	807,337
Tax payable		**266,693**	61,553
Interest-bearing bank borrowings	*15*	**1,659,906**	1,626,325
Other current liabilities		**60,219**	79,197
Total current liabilities		**7,923,044**	7,105,152
NET CURRENT ASSETS		**14,300,400**	6,345,521
TOTAL ASSETS LESS CURRENT LIABILITIES		**66,725,484**	57,745,990

	Note	**31 December 2012** *RMB'000*	31 December 2011 *RMB'000*
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,688,281**	1,817,000
Interest-bearing bank borrowings	*15*	**23,992,139**	24,983,768
Long term bonds	*16*	**7,717,913**	1,500,000
Deferred revenue		**1,122,237**	986,068
Total non-current liabilities		**34,520,570**	29,286,836
Net assets		**32,204,914**	28,459,154
EQUITY			
Equity attributable to owners of the parent			
Issued capital	*17*	**4,495,320**	4,495,320
Reserves		**26,305,041**	23,154,087
Proposed final dividend	*7*	**1,393,549**	809,158
		32,193,910	28,458,565
Non-controlling interests		**11,004**	589
Total equity		**32,204,914**	28,459,154

1. CORPORATE INFORMATION

China Oilfield Services Limited (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin, the PRC. As part of the reorganisation (the "Reorganisation") of China National Offshore Oil Corporation ("CNOOC") in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "HKSE") in 2002, and pursuant to an approval document obtained from the relevant government authority dated 26 September 2002, the Company was restructured into a joint stock limited liability company.

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

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

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for available-for-sale investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2012. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if it results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained, and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – 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*

The adoption of the revised HKFRSs has had no significant financial effect on these financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*[2]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*[2]
HKFRS 9	*Financial Instruments*[4]
HKFRS 10	*Consolidated Financial Statements*[2]
HKFRS 11	*Joint Arrangements*[2]
HKFRS 12	*Disclosure of Interests in Other Entities*[2]
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*[2]
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – *Investment Entities*[3]
HKFRS 13	*Fair Value Measurement*[2]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*[1]
HKAS 19 (2011)	*Employee Benefits*[2]
HKAS 27 (2011)	*Separate Financial Statements*[2]
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*[2]
HKAS 32 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*[3]
HK (IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[2]
Annual Improvements 2009-2011 Cycle	*Amendments to a number of HKFRSs issued in June 2012*[2]

1 Effective for annual periods beginning on or after 1 July 2012
2 Effective for annual periods beginning on or after 1 January 2013
3 Effective for annual periods beginning on or after 1 January 2014
4 Effective for annual periods beginning on or after 1 January 2015

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclosure information about rights to self-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analysis performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures* and HK(SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. It describes the accounting for joint arrangements with joint control. It addresses only two forms of joint arrangements, i.e., joint operations and joint ventures, and removes the option to account for joint ventures using proportionate consolidation.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures* and HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

The HKAS 1 Amendments change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

HKAS 19 (2011) includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The revised standard introduces significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt HKAS 19 (2011) from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to setoff” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The Annual Improvements to HKFRSs 2009-2011 Cycle issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

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, and the sale 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, exchange gains/(losses) and investment income are excluded from such measurement.

Segment assets exclude certain cash and cash equivalents (funds managed by the corporate treasury), prepayments, pledged deposits, time deposits with original maturity over three months and other receivables as these assets are managed on a group basis.

Segment liabilities exclude certain other payables, interest-bearing bank borrowings and long term bonds (funds managed by the corporate treasury) as these liabilities are managed on a group basis.

Funds managed by the COSL Norwegian AS group treasury were included in the drilling services segment. As such, the related cash and cash equivalents, interest-bearing bank borrowings and long term bonds were included in the drilling services segment.

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.

	Year ended 31 December 2012				
	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	11,251,584	4,857,936	2,945,215	3,049,964	22,104,699
Intersegment sales	1,872,129	536,923	151,404	153,088	2,713,544
	13,123,713	5,394,859	3,096,619	3,203,052	24,818,243
Reconciliation:					
Elimination of intersegment sales					(2,713,544)
Revenue					22,104,699
Segment results	3,713,951	766,478	545,494	835,887	5,861,810
Reconciliation:					
Exchange loss, net					(41,913)
Finance costs					(512,718)
Interest income					127,460
Investment income					2,169
Profit before tax					5,436,808
Income tax					867,038
Segment assets	83,366,864	4,608,695	4,578,640	3,789,213	96,343,412
Reconciliation:					
Elimination of intersegment assets					(32,039,085)
Unallocated assets					10,344,201
Total assets					74,648,528
Segment liabilities	42,036,015	2,130,516	1,134,702	784,453	46,085,686
Reconciliation:					
Elimination of intersegment liabilities					(32,039,085)
Unallocated liabilities					28,397,013
Total liabilities					42,443,614
Other segment information:					
Capital expenditure	3,295 ,617	574,709	54,776	265,004	4,190 ,106
Depreciation of property, plant and equipment and amortisation of intangible assets	1,954,738	553,012	329,930	335,783	3,173,463
Provision for impairment of accounts receivable	14,007	(1,051)	(637)	(664)	11,655
Provision for impairment of other receivables	729	317	192	200	1,438
Provision for impairment of inventories	(237)	(103)	(62)	(65)	(467)
Provision for impairment of property, plant and equipment	77,420	19,000	–	–	96,420
Share of profits of jointly-controlled entities	–	204,330	(1,634)	40,497	243,193
Investments in jointly-controlled entities	–	370,773	20,872	117,200	508,845

	Year ended 31 December 2011				
	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	9,514,660	3,950,350	2,533,772	2,427,351	18,426,133
Intersegment sales	1,958,421	940,246	399,796	376,685	3,675,148
	11,473,081	4,890,596	2,933,568	2,804,036	22,101,281
Reconciliation:					
Elimination of intersegment sales					(3,675,148)
Revenue					18,426,133
Segment results	3,431,367	590,280	517,602	617,798	5,157,047
Reconciliation:					
Exchange gains, net					60,521
Finance costs					(469,743)
Interest income					63,804
Profit before tax					4,811,629
Income tax					772,094
Segment assets	70,388,183	3,735,359	4,911,878	3,988,722	83,024,142
Reconciliation:					
Elimination of intersegment assets					(24,536,312)
Unallocated assets					6,363,312
Total assets					64,851,142
Segment liabilities	28,461,966	1,625,337	888,450	869,678	31,845,431
Reconciliation:					
Elimination of intersegment liabilities					(24,536,312)
Unallocated liabilities					29,082,869
Total liabilities					36,391,988
Other segment information:					
Capital expenditure	2,605,033	452,893	292,502	946,898	4,297,326
Depreciation of property, plant and equipment and amortisation of intangible assets	1,941,785	540,122	304,814	282,874	3,069,595
Provision for impairment of accounts receivable	37,821	520	333	320	38,994
Provision for impairment of other receivables	(1,080)	(453)	(290)	(279)	(2,102)
Provision for impairment of inventories	267	112	72	69	520
Provision for impairment of property, plant and equipment	71,200	–	4,596	–	75,796
Share of profits of jointly-controlled entities	1,889	141,596	(728)	31,516	174,273
Investments in jointly-controlled entities (a)	(54,100)	322,795	22,554	99,418	390,667

(a) As at 31 December 2011, the investments in jointly-controlled entities included investments in Premium Drilling AS ("Premium Drilling") and Atlantis Deepwater Orient Ltd. ("Atlantis Deepwater") which were classified as other current liabilities with an aggregated amount of RMB54.1 million.

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, Vietnam, 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 during the year were individually less than 10% of the Group's revenues (2011: Less than 10%), and approximately 68.9% (2011: 71.9%) of the Group's revenues were generated from customers in Mainland China.

The following table presents revenue information for the Group's geographical segments for the years ended 31 December 2012 and 2011.

	Year ended 31 December 2012		
	Mainland China	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Segment revenue:			
Sales to external customers	**15,225,311**	**6,879,388**	**22,104,699**

	Year ended 31 December 2011		
	Mainland China	Others	Total
	RMB'000	*RMB'000*	*RMB'000*
Segment revenue:			
Sales to external customers	13,252,556	5,173,577	18,426,133

A significant portion of the non-current assets is property, plant and equipment with high mobility which may have moved from Mainland China to foreign countries during the year and vice versa. As such, the necessary information is not available for the analysis of geographical information for non-current assets.

4. REVENUE AND OTHER REVENUES

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

An analysis of revenue and other revenues is as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
Revenue:		
Rendering of services (a)	**21,910,140**	18,238,631
Gross rental income	**194,559**	187,502
Total revenue	**22,104,699**	18,426,133
Other revenues:		
Gain on disposal of equipment	**3,862**	451
Insurance claims received	**28,059**	25,613
Government grants (a)	**133,775**	81,609
Others	**8,347**	5,037
Total other revenues	**174,043**	112,710

(a) Included in the amount recognised as revenue is deferred revenue of RMB201,417,000 (2011: RMB218,299,000).

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Group	
	2012	2011
	RMB'000	*RMB'000*
Auditors' remuneration:		
Audit	**18,300**	17,069
Non-audit	**5,265**	5,329
Employee compensation costs (including directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**2,892,129**	2,715,550
Social security costs	**484,855**	415,194
Retirement benefits and pensions	**294,373**	185,495
Share appreciation rights	**–**	(4,660)
	3,671,357	3,311,579

The Group's profit before tax is arrived at after charging/(crediting) (continued):

		Group	
		2012	2011
	Note	***RMB'000***	*RMB'000*
Depreciation of property, plant and equipment and amortisation of intangible assets	*9*	**3,173,463**	3,069,595
Loss on disposal of property, plant and equipment, net		**49,366**	34,024
Lease payments under operating leases in respect of land and buildings, berths and equipment		**709,645**	433,126
Impairment of property, plant and equipment	*9*	**96,420**	75,796
Impairment of accounts receivable, net	*11*	**11,655**	38,994
Impairment of other receivables, net		**1,438**	(2,102)
Impairment of inventories		**(467)**	520
Repair and maintenance costs		**793,854**	538,646
Gain/(loss) on disposal of jointly-controlled entities		**24,440**	(93)
Investment income from available-for-sale		**2,169**	–
Research and development costs, included in:		**458,113**	334,120
Depreciation of property, plant and equipment		**50,659**	13,330
Employee compensation costs		**76,754**	35,399
Consumption of supplies, materials, fuel, services and others		**320,877**	277,438
Other operating expenses		**9,823**	7,953

6. 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 profits 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 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 had applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was received an HNTE certificate on February 2012, 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 year ended 31 December 2012 (2011: 15%).

The Group's activities in Indonesia are subject to corporate income tax of 25% (2011: 25%) based on its taxable profit generated. The Group's drilling activities in Australia are subject to income tax of 30% (2011: 30%) based on its taxable profit generated. The Group's subsidiary in Mexico is subject to the higher of the income tax rate of 30% or the business flat tax of 17.5% (2011: 30% and 17.5%, respectively). The Group's activities in Norway are mainly subject to corporate income tax of 28% (2011: 28%). The Group's activities in the United Kingdom are subject to income tax of 28% (2011: 28%). The Group's activities in the Philippine are subject to income tax of 30% (2011: 30%). The Group's activities in Iraq are subject to income tax of 35% (2011: 35%).

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

	Group	
	2012	2011
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**379,635**	72,669
Deferred	**(399,457)**	(100,626)
PRC corporate income taxes:		
Current	**615,104**	540,016
Deferred	**271,756**	260,035
Total tax charge for the year	**867,038**	772,094

A reconciliation of the tax expense applicable to profit before tax at 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:

	2012		2011	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**5,436,808**		4,811,629	
Tax at the statutory tax rate of 25% (2011: 25%)	**1,359,202**	**25.0**	1,202,907	25.0
Tax reduction as an HNTE	**(390,755)**	**(7.2)**	(369,141)	(7.7)
Income not subject to tax	**(71,785)**	**(1.3)**	(43,251)	(0.9)
Expense not deductible for tax	**33,356**	**0.6**	31,146	0.6
Tax benefit for qualifying research and development expense	**(48,605)**	**(0.9)**	(28,422)	(0.6)
Effect of different tax rates for overseas subsidiaries	**(193,891)**	**(3.6)**	(186,040)	(3.9)
Effect on change in tax rates	**(290,791)**	**(5.3)**	–	–
Tax losses (utilised)/unrecognised tax losses	**(197,127)**	**(3.6)**	259,644	5.4
Deductible translation adjustment (a)	**420,180**	**7.7**	(125,017)	(2.6)
Adjustments in respect of current tax of previous year	**10,539**	**0.2**	(21,218)	(0.4)
Others (b)	**236,715**	**4.4**	51,486	1.1
Total tax charge at the Group's effective rate	**867,038**	**16.0**	772,094	16.0

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

(b) Included in others were provisions for taxes related to certain Norwegian subsidiaries. In 2009 and 2010, certain overseas subsidiaries received notifications from the Norwegian tax authorities challenging 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. The Group has been communicating with the Norwegian tax authorities relating to the aforesaid tax contingencies. Although the Group has not received any written decision from the Norwegian tax authorities as at the approval date of the consolidated financial statements, based on the latest negotiations and the estimation made by the Group, a provision of approximately NOK170 million (RMB190 million) has been provided in the consolidated financial statements.

The share of tax attributable to jointly-controlled entities amounting to approximately RMB84,159,000 (2011: RMB59,114,000) is included in "Share of profits of jointly-controlled entities" in the consolidated income statement.

7. DIVIDENDS

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.31 per ordinary share (2011: RMB0.18 per ordinary share)	**1,393,549**	809,158

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Cash dividends to shareholders in Hong Kong will be paid in Hong Kong dollars.

Under the PRC Company Law and the Company's articles of association, net profit after tax as reported in the PRC statutory financial statements can only be distributed as dividends after allowance has been made for the following:

(i) making up prior years' cumulative losses, if any;

(ii) allocations to the statutory common reserve fund of at least 10% of after-tax profit, until the fund aggregates 50% of the Company's registered capital. For the purpose of calculating the transfer to the reserves, the profit after tax shall be the amount determined under the PRC accounting principles and financial regulations in the PRC. Transfer to this reserve must be made before any distribution of dividends to shareholders.

The statutory common reserve can be used to offset previous years' losses, if any, and part of the statutory common reserve can be capitalised as the Company's share capital provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the registered capital of the Company;

(iii) allocations to the discretionary common reserve if approved by the shareholders. The discretionary common reserve can be used to offset prior years' losses, if any, and can be capitalised as the Company's share capital.

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

Pursuant to the State Administration of Taxation Circular Guoshuihan [2008] No. 897, the Company is required to withhold a 10% enterprise income tax when it distributes dividends to its non-resident enterprise shareholders out of profit earned in 2008 and beyond. In respect of all shareholders whose names appear on the Company's register of members who are not individuals, which are considered as non-resident enterprise shareholders, the Company will distribute the dividend after deducting enterprise income tax of 10%.

8. 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 year attributable to ordinary equity holders of the parent of approximately RMB4,559,354,000 (2011: RMB4,039,277,000), and the weighted average number of ordinary shares of 4,495,320,000 (2011: 4,495,320,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2012 and 2011 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

9. PROPERTY, PLANT AND EQUIPMENT

Group

	31 December 2012						
	Tankers and vessels *RMB'000*	Drilling rigs *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress (Note 1) *RMB'000*	Total *RMB'000*
At 31 December 2011 and at 1 January 2012							
Cost	9,394,825	35,678,125	10,108,958	84,528	66,276	11,786,982	67,119,694
Accumulated depreciation and impairment	(4,346,031)	(9,826,996)	(5,697,534)	(57,168)	(11,914)	(894,728)	(20,834,371)
Net carrying amount	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
At 1 January 2012, net of accumulated depreciation and impairment	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
Additions	1,300	257,944	510,055	4,493	237	3,386,100	4,160,129
Depreciation provided during the year	(472,893)	(1,578,701)	(1,065,124)	(10,195)	(3,604)	–	(3,130,517)
Disposals/write-offs	(39,418)	(8,102)	(35,952)	(71)	–	–	(83,543)
Transfers from/(to) construction in progress ("CIP")	1,596,182	4,748,450	882,203	4,875	55	(7,231,765)	–
CIP transfers to intangible assets	–	–	–	–	–	(12,629)	(12,629)
Impairment (a)	–	(77,420)	(19,000)	–	–	–	(96,420)
Impairment write-off (b)	29,888	–	–	–	–	–	29,888
Impairment transfer from CIP (c)	–	(408,558)	–	–	–	408,558	–
Exchange realignment	904	(66,306)	(1,647)	–	–	(9,506)	(76,555)
At 31 December 2012, net of accumulated depreciation and impairment	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
At 31 December 2012							
Cost	10,732,480	40,509,677	11,319 ,669	93,184	66,463	7,916,996	70,638,469
Accumulated depreciation and impairment	(4,567,723)	(11,791,241)	(6,637,710)	(66,722)	(15,413)	(483,984)	(23,562,793)
Net carrying amount	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676

Group

	31 December 2011						
	Tankers and vessels *RMB'000*	Drilling rigs *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress (note 1) *RMB'000*	Total *RMB'000*
At 31 December 2010 and at 1 January 2011							
Cost	8,642,379	31,147,110	9,229,326	69,090	65,124	15,360,505	64,513,534
Accumulated depreciation and impairment	(4,052,879)	(8,460,314)	(4,633,096)	(47,042)	(8,671)	(940,423)	(18,142,425)
Net carrying amount	4,589,500	22,686,796	4,596,230	22,048	56,453	14,420,082	46,371,109
At 1 January 2011, net of accumulated depreciation and impairment	4,589,500	22,686,796	4,596,230	22,048	56,453	14,420,082	46,371,109
Additions	19,532	76,414	395,053	3,908	577	3,791,517	4,287,001
Depreciation provided during the year	(403,713)	(1,454,300)	(1,145,961)	(10,317)	(3,243)	–	(3,017,534)
Disposals/write-offs	(17,645)	(5,795)	(29,851)	(102)	–	–	(53,393)
Transfers from/(to) construction in progress ("CIP")	944,001	5,258,589	606,587	11,823	575	(6,821,575)	–
CIP transfers to intangible assets	–	–	–	–	–	(9,845)	(9,845)
Impairment	(4,596)	(71,200)	–	–	–	–	(75,796)
Exchange realignment	(78,285)	(639,375)	(10,634)	–	–	(487,925)	(1,216,219)
At 31 December 2011, net of accumulated depreciation and impairment	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
At 31 December 2011							
Cost	9,394,825	35,678,125	10,108,958	84,528	66,276	11,786,982	67,119,694
Accumulated depreciation and impairment	(4,346,031)	(9,826,996)	(5,697,534)	(57,168)	(11,914)	(894,728)	(20,834,371)
Net carrying amount	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323

As at 31 December 2012, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,689,721,000 (2011: RMB7,434,605,000).

Included in the current year's additions was an amount of approximately RMB123,059,000 (2011: RMB85,479,000) in respect of interest capitalised in property, plant and equipment, with a capitalisation rate of 0.52% (2011: 0.95%).

Impairment of property, plant and equipment

(a) An impairment loss of approximately RMB77,420,000 was recognised in 2012 to reduce the carrying amount of certain land drilling equipment in Libya, as a direct result of the civil unrest there.

In addition, an impairment loss of approximately RMB19,000,000 was recognised in 2012 to reduce the carrying amount of certain oil field service related machinery and equipment due to the deterioration of the equipment's condition.

(b) A write-off of impairment of approximately RMB29,888,000 was also recognised in 2012, arising from the disposal of the related vessels.

(c) An impairment loss of US$65,000,000 (approximately RMB408,558,000) was recognised in June 2009 to reduce the carrying amount of certain semi-submersible rigs under construction, primarily arising from the adverse change in the economic environment since late 2008 and the delay in the delivery of the semi-submersible rigs under construction. Since construction of the related semi-submersible rigs was completed and they were transferred from construction in progress to the drilling rigs in 2012, the impairment loss was transferred accordingly.

Note 1: On 14 January 2012, HYSY682, a deep water Anchor Handling Tug Supply vessel of the Company being constructed by a shipyard included in the construction in progress as at 31 December 2012 and 2011, was grounded at the wharf of the shipyard as a result of a leak of the vessel. No impairment loss was recognised to HYSY682 for the year ended 31 December 2012 based on the impairment testing result.

10. GOODWILL

Goodwill was generated in the acquisition of COSL Drilling Europe AS in 2008.

	2012
Group	***RMB'000***
Cost at 1 January 2012, net of accumulated impairment	**4,245,207**
Exchange realignment	**(10,376)**
Cost and net carrying value at 31 December 2012	**4,234,831**
Cost	**4,245,207**
Exchange realignment	**(10,376)**
Net carrying amount	**4,234,831**

	2011
Group	*RMB'000*
Cost at 1 January 2011, net of accumulated impairment	4,462,018
Exchange realignment	(216,811)
Cost and net carrying value at 31 December 2011	4,245,207
Cost	4,462,018
Exchange realignment	(216,811)
Net carrying amount	4,245,207

Impairment testing of goodwill

Goodwill acquired through a business combination has been allocated to a group of the drilling services cash-generating units, which is reportable in the "drilling services" segment as disclosed in note 3, for impairment testing.

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The pre-tax discount rate applied to the cash flow projections is 9.5% (2011: 9.5%).

Assumptions were used in the value in use calculation of the group of the drilling services cash-generating units as of 31 December 2012 and 2011. The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

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

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

11. ACCOUNTS RECEIVABLE

The general credit terms of the Group range from 30 to 45 days upon the issuance of invoices. The Group's accounts receivable relate to a large number of diversified customers. Other than the accounts receivable related to CNOOC and its subsidiaries, excluding CNOOC Limited Group (the "CNOOC Group") and the CNOOC Limited Group, there was no significant concentration of credit risk of the Group's accounts receivable during the reporting period. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. All accounts receivable are non-interest-bearing.

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

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within one year	**4,187,222**	4,182,218
One to two years	**82,605**	84,582
Two to three years	**55,354**	1,747
Over three years	**23,658**	24,655
	4,348,839	4,293,202
Less: Provision for impairment of accounts receivable	**(203,603)**	(313,161)
	4,145,236	3,980,041

The movements in provision for impairment of accounts receivable are as follows:

	Group	
	2012	2011
	RMB'000	*RMB'000*
At 1 January	**313,161**	281,480
Impairment losses recognised *(note 5)*	**40,021**	49,282
Impairment losses reversed *(note 5)*	**(28,366)**	(10,288)
Impairment losses written-off	**(120,034)**	–
Exchange realignment	**(1,179)**	(7,313)
At 31 December	**203,603**	313,161

Included in the above provision for impairment of accounts receivable are a provision for individually impaired accounts receivable of RMB37,686,000 (2011: RMB32,947,000) with a carrying amount before provision of RMB663,762,000 (2011: RMB909,857,000) and a provision for accounts receivable collectively, which share similar credit risk characteristics, of RMB2,335,000 (2011: RMB16,335,000) with an aggregate carrying amount before provision of RMB31,482,000 (2011: RMB48,545,000).

As at 31 December 2012, since Atlantis Deepwater was liquidated, and the investment was written off by the Group, the impairment losses of RMB120,034,000 (2011: Nil) was written off accordingly.

As at 31 December 2012 and 2011, the Group did not have any significant accounts receivable past due but not impaired. Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

12. NOTES RECEIVABLE

	Group	
	31 December	31 December
	2012	2011
	RMB'000	*RMB'000*
Trade acceptances	**616,740**	1,217,384
Bank acceptances	**3,200**	2,000
	619,940	1,219,384

Notes receivable are non-interest-bearing and have an average term of 30 days.

13. CASH AND CASH EQUIVALENTS, PLEDGED DEPOSITS AND TIME DEPOSITS

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Cash and balances with banks	**4,674,399**	1,770,986
Deposit with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,097,835**	1,073,852
Time deposits at banks	**8,027,599**	3,694,252
Cash and balances with banks and financial institutions	**13,799,833**	6,539,090
Less:		
Pledged deposits – current	**(30,755)**	(10,805)
Time deposit with original maturity over three months	**(3,954,185)**	(882,126)
Cash and cash equivalents	**9,814,893**	5,646,159

At the end of the reporting period, the cash and bank balances and time deposits at banks of the Group denominated in RMB amounted to approximately RMB5,044,943,000 (2011: RMB3,121,464,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2012, included in the time deposits at banks of the Group were non-pledged time deposits with original maturity of more than three months when acquired of approximately RMB3,954,185,000 (2011: RMB882,126,000).

Cash at banks earns interest based on daily bank deposit rates. Time deposits are made for varying periods of between seven days and three months depending on the immediate cash requirements of the Group, and earn interest at the respective time deposit rates.

14. TRADE AND OTHER PAYABLES

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

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Outstanding balances aged:		
Within one year	**4,862,798**	4,351,926
One to two years	**74,262**	79,990
Two to three years	**27,595**	34,673
Over three years	**57,136**	64,151
	5,021,791	4,530,740

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

15. INTEREST-BEARING BANK BORROWINGS

Current:

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Current portion of long term bank loans	**1,659,906**	1,626,325

Non-current:

	Contractual interest rate	**Year of maturity**	**31 December 2012**	31 December 2011
	(%)		*RMB'000*	*RMB'000*
Export-Import Bank of China – unsecured (a)	LIBOR+170pts	2020	**4,182,422**	4,710,921
Bank of China – unsecured (b)	LIBOR+138pts	2017	**13,109,908**	13,077,912
Bank of China – unsecured (c)	LIBOR+90pts	2017	**4,776,980**	5,040,720
Industrial and Commercial Bank of China – unsecured (c)	LIBOR+90pts	2017	**3,582,735**	3,780,540
			25,652,045	26,610,093
Less: Current portion of long term bank loans			**(1,659,906)**	(1,626,325)
			23,992,139	24,983,768

(a) The Group borrowed a US$800 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$84.2 million during the year.

(b) The Group entered into a US$2,200 million credit facility agreement with Bank of China on 30 April 2009, of which US$1,700 million was assigned to replace CDE's loans and bonds and US$500 million was assigned to finance CDE's daily operations. The repayment started on 14 May 2012 over 11 instalments bi-annually. During the year, the Group withdrew principal of US$119.5 million and repaid US$109.9 million respectively.

(c) The Group borrowed US$800 million from Bank of China and US$600 million from Industrial and Commercial Bank of China in May 2009 to replace CDE's syndicated bank loan. The repayments started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually. The Group repaid US$40.0 million and US$30.0 million, respectively during the year.

	Group	
	31 December 2012	31 December 2011
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**1,659,906**	1,626,325
In the second year	**3,856,068**	1,545,176
In the third to fifth years, inclusive	**18,547,725**	14,741,082
Beyond five years	**1,588,346**	8,697,510
	25,652,045	26,610,093

There were no assets pledged for any of the above bank borrowings as at 31 December 2012 (2011: Nil).

16. LONG TERM BONDS

		Group	
	Year of maturity	**31 December 2012**	31 December 2011
		RMB'000	*RMB'000*
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,217,913**	–
		7,717,913	1,500,000

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

(b) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a US$1,000 million principal amount. The bonds carry interest at a fixed coupon rate of 3.25% per annum, which is payable semi-annually in arrears on March 6 and September 6 of each year, and the redemption or maturity date is 6 September 2022.

17. ISSUED CAPITAL

	Group	
	31 December 2012	31 December 2011
	RMB'000	*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

There were no movements in the Company's issued ordinary share capital during the year.

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

18. CONTINGENCY

In 2009 and 2010, certain overseas subsidiaries received notifications from the Norwegian tax authorities requesting them to provide related data used for 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. The Group has been communicating with the Norwegian tax authorities relating to the aforesaid tax contingencies following the "Announcement about the Update on the Tax Dispute with the Norwegian Tax Authority" disclosed on 18 December 2012. Although the Group has not received any written decision from the Norwegian tax authorities as at the approval date of the consolidated financial statements, based on the latest negotiations and the estimation made by the Group, a provision of approximately NOK170 million (RMB190 million) has been provided for the income tax in relation to the above issue.

19. EVENTS SUBSEQUENT TO THE REPORTING PERIOD

As of the approval date of these consolidated financial statements, there was no subsequent event after the balance sheet date that needs to be disclosed or adjusted.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2012, under the influence of various complicated factors, including the Europe and US economic environment, monetary policies around the world, energy demand of emerging countries, the production capacity deployment in OPEC and the political environment of the Middle East, the oil price moved in a V-shaped trend in the first three quarters and remained fluctuating at high level in the fourth quarter. According to the statistics of IEA, the average prices of Brent Crude Futures and WTI Crude Futures were US$110 and US$92/barrel, which were essentially at the same level as last year. According to the report of Barclays, under the backdrop and influence of economic recovery, remaining high oil price and the increase in demand for oil and natural gas of developing countries, investment in survey and development by oil companies world-wide totaled over US$600.0 billion in 2012, an increase of 11% compared with last year, which led to continuous market expansion in oilfield services. According to the latest statistics data of Spears, the income of global oilfield service market reached US$359.3 billion in 2012, increased by 10% compared with last year. According to IHS statistics, the utilization rate of jack-up rigs reached 81.3% over 2012, increased by 7.1% compared with 2011, and that of semi-submersible drilling rigs (including deep-water drilling rigs) reached 89.8%, increased by 1.6% compared with 2011. Geophysics companies entered into a new growing cycle in 2012 following a downturn period from 2009-2011. According to the statistics of Spear, the global geophysical service market amounted to US$15.4 billion, an increase of 8% compared with last year. In 2012, the onshore survey and development activities in China remained active and offshore drilling market was broadly the same as 2011. Given the increasing customer demand on deep water drilling, market for deep water exploration and development was apparently extending, particularly the demand for 3D operation in geophysical service market. Well services segment fully recovered and recorded a growth while marine support and transportation services market experienced the largest increase.

BUSINESS REVIEW

Drilling Services Segment

COSL is the major supplier of China off shore drilling services, and is also an important participant of the international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2012, the Group operated and managed a total of 35 drilling rigs (of which 27 are jack-up drilling rigs, and 8 are semi-submersible drilling rigs), 2 accommodation rigs, 4 module rigs and 8 land drilling equipment.

The drilling service business has been the core business of the Group. In 2012, relying on new production capacity and operational efficiency of the previous equipment, the annual revenue of drilling service business exceeded RMB10 billion and reached RMB11,251.6 million, representing an increase of 18.3% compared to RMB9,514.6 million of the same period last year.

In 2012, although the drilling services business still faced intense market competition situation, COSL made the entire business segment create good economic efficiency for the year through the expansion of equipment and the efficient allocation of resources.

For production capacity, the sixth generation of deep-water semi-submersible drilling rig, HYSY981, designed and built by China formally commenced drilling in the first half of 2012, which marked that the "deep-water strategy" of the Group had taken a substantive step; it also marked the comprehensive opening of "the year for deep-water" of the Group. In order to continuously satisfy the market demand, the Group newly purchased a second-hand semi-submersible drilling rig, NH8, which operated in South China Sea at the end of the year. The drilling rigs is in sound production and operation condition, which further promotes the ability of deep-water drilling service of the Group. In addition, another semi-submersible drilling rig, COSLInnovator, invested and built by the Group prepared to operate in the sea area of Norway in the fourth quarter of this year to execute the operation contract for Statoil for a term of 8 years. Another semi-submersible drilling rig COSLPromoter had arrived Norway for adaptive transformation in the second half of 2012 and had obtained AOC certificate from the Petroleum Safety Authority of Norway. Meanwhile, in order to continue to ensure the driving force for the drilling services of the Group, the fourth semi-submersible drilling rigs, COSLProspector, invested and built by the Group, formally commenced construction in Yantai, China. Following ex-factory, COSLProspector shall meet the requirements of Petroleum Safety Authority (PSA) and NORSOK, and obtain the certification issued by Det Norske Veritas (DNV). It will be delivered in the second half of 2014.

In terms of market, the Group grasped domestic market, implemented different market strategies for different regions, and effectively ensured the leading position of the Company in China's offshore drilling service market. In the meantime, the Group deployed HYSY936 to carry on long-term operation in Mexico. Besides, the other two jack-up rigs won the bid and got the drilling contract of operating in Indonesia.

At the end of 2012, the Group had 11 drilling rigs operating in Bohai of China, 8 in South China Sea, 1 in East China Sea, 13 in overseas countries such as Indonesia, Australia, Norway and Mexico etc.. In addition, there was 1 drilling rig under repair and another 1 was in pre-operation stage. 2 accommodation rigs were providing services to customers in the North Sea. On top of that, 4 module rigs were working in Mexican waters, 3 land drilling rigs services were conducted in Iraq and 5 land drilling rigs services had stopped operation due to the civil war in Liberia. In 2012, the number of operating days of the Group's drilling rigs amounted to 10,956 days, representing an increase of 1,086 days, and the calendar day utilization rate reached 93.2%, representing a slight decrease of 0.5 basic point compared with last year.

2012 operation details of the Group's jack-up and semi-submersible drilling rigs are as follows:

	2012	2011	Increase/ (Decrease)	Percentage change
Operating days (day)	**10,956**	9,870	**1,086**	**11.0%**
Jack-up drilling rigs	**9,244**	8,692	**552**	**6.3%**
Semi-submersible drilling rigs	**1,712**	1,178	**534**	**45.3%**
Available day utilization rate	**100.0%**	96.5%	**up 3.5 bps**	
Jack-up drilling rigs	**100.0%**	96.0%	**up 4.0 bps**	
Semi-submersible drilling rigs	**100.0%**	100.0%	**–**	
Calendar day utilization rate	**93.2%**	93.7%	**down 0.5 bps**	
Jack-up drilling rigs	**93.5%**	93.4%	**up 0.1 bps**	
Semi-submersible drilling rigs	**91.6%**	95.5%	**down 3.9 bps**	

The reasons for the increase by 552 days in operating days contributed by jack-up drilling rigs compared with last year were an increase of 363 operating days as a result of COSLConfidence and COSLSeeker's full operation, and an increase of 555 operating days by four 200-feet drilling rigs, a decrease of 302 days for BH8 and HYSY936 due to their preparation for overseas operations, a decrease of 95 days in operating days contributed by COSLBoss due to repair and maintenance and an increase of a total of 31 days in operating days contributed by other drilling rigs.

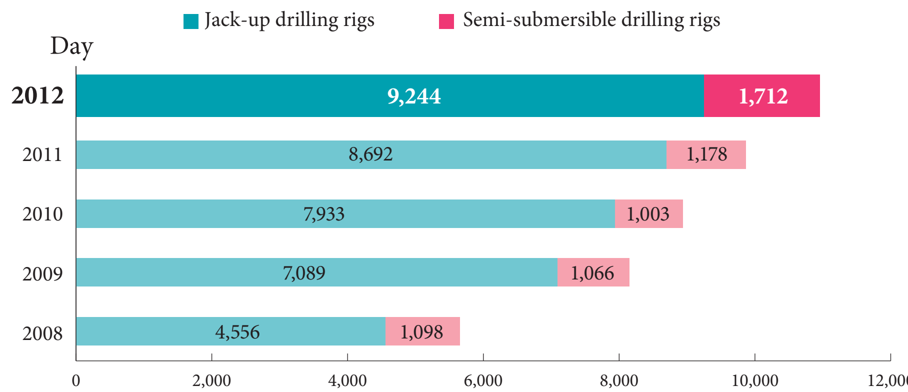
The operating days of semi-submersible drilling rigs increased by 534 days compared with last year was due to an increase of 348 days in operating days contributed by three new drilling rigs (An increase of 309 days for HYSY981, an increase of 23 days for NH8 and an increase of 16 days for COSLInnovator), an increase of 212 operating days as a result of COSLPioneer's full operation, a decrease of 49 days in operating days contributed by NH2 due to repair and maintenance and an increase of a total of 23 days in operating days contributed by other drilling rigs.

Due to the increased repair and maintenance for the drilling rigs for the period, the calendar day utilization rate of the Group's drilling rigs in 2012 reached 93.2%, representing a decrease of 0.5 basic point as compared with last year.

The two accommodation rigs continued to operate in the North Sea for 732 days, with available day utilization rate and calendar day utilization rate both reached 100.0%.

Following the upgrade and modification last year, 4 module rigs working in the Mexican Bay operated for 1,456 days during the year, representing an increase of 392 days compared with last year, and a calendar day utilization rate was 99.5%, representing an increase of 26.6 bps compared with last year

Number of Operating Days For Drilling Rigs In Recent Years



With the addition of new semi-submersible drilling rigs, the average day income of the drilling rigs of the Group in 2012 increased compared with last year, and the details are as follows:

Average day income (ten thousand US$/day)	**2012**	2011	**Increase/ (Decrease)**	**Percentage change**
Jack-up drilling rigs	**10.8**	10.7	**0.1**	**0.9%**
Semi-submersible drilling rigs	**29.8**	26.1	**3.7**	**14.2%**
Drilling rigs sub-total	**14.7**	12.7	**2.0**	**15.7%**
Accommodation rigs	**20.9**	21.5	**(0.6)**	**(2.8%)**
Group average	**15.1**	13.2	**1.9**	**14.4%**

Note: (1) Average day income = Revenue/operating days.
(2) US$/RMBexchange rate was 1 : 6.2855 on 31 December 2012 and 1 : 6.3009 on 31 December 2011, respectively.

Well Services Segment

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

Well services segment have been insisted on market-focused strategy and the combination of research and development with application in recent years for the strengthening of technological innovation and enhancing of ability of technical service. In 2012, the effect of scientific research and development achievements transformation of the Group was apparent. ELIS, a self-developed logging system, has fully entered into marine self-support exploratory well service, and completed the overseas operation in Indonesia and Iraq; the electric imaging logging instrument was exported to Canada; the ownership rate of the cable logging equipment continued to increase. The SPOTE drilling and logging system and COTAS rotation directional drilling system completed on-site test and were successfully mounted. Besides, actual tests were carried out for the function and technical indicators of two major systems, which met the design requirements and achieved an important milestone result. The Electron Magnetic Resonance Logs Tools (EMRT) completed its offshore operation for the first time, stepping into the stage of industrialization. The self-developed cement slurries system for deep-water cementing of "frequency conversion constant flow" and cement slurries system for deep-water cementing of "low temperature early strength for oil cement", "low hydration heat" filled the gaps of slurry and cementing technology in deep-water area.

The Group made good progress in unconventional oil and gas (such as coalbed methane gas, shale gas) development service market in 2012. The Group successfully completed the first cable logging operation of shale gas project in Anhui, and conducted the first fracturing operation for Sinopec and achieved complete success.

The operation volume of such line of business as logging, directional drilling and well workover of well service segment increased through market development, while the complex well condition of cementing and slurry resulted in higher fees, revenue of this whole segment in 2012 reached RMB4,857.9 million, compared to RMB3,950.4 million of same period of last year, representing an increase of RMB907.5 million or 23.0%.

Marine Support and Transportation Services Segment

The Group possesses and operates the largest and most comprehensive off shore utility transportation fleet in China. As of 31 December 2012, the Group owned an aggregate of 72 utility vessels of various types, 3 oil tankers and 5 chemical carriers, which were mainly operating in off shore China. The off shore utility vessels provide services for off shore oil and natural gas fields exploration, development and production, and are responsible for supplies, cargoes and crew transportation and standby services at sea, and provide moving and positioning services for drilling platforms, towing and anchoring services for off shore vessels. The oil tankers are used for transporting crude oil, refined oil and gas product. The chemical carriers are used for carrying chemical products such as methanol.

With the increasingly intense competition of the utility vessels in offshore China in 2012, the Group is facing great market pressure. By grasping the operation safety, constantly improving the safety management system, the Group strived to provide safe and high quality ship service for customers. In 2012, marine support and transportation services segment made great efforts to give full play to ship service business's advantage to consolidate and develop its market, and actively chartered external vessels and reasonably allocated resources. The chartered vessels operated for a total of 11,524 days for the year, generating revenue of RMB861.4 million. In addition, four workover support barges operating in the sea area of Indonesia operated safety throughout the year, which generated revenue of RMB134.0 million. During 2012, calendar day utilization rate of self-owned vessels was 91.7%, decreased by 2.9 bps compared to the same period last year due to repair and maintenance.

The operation of the Group-owned utility vessels in 2012 was as follows:

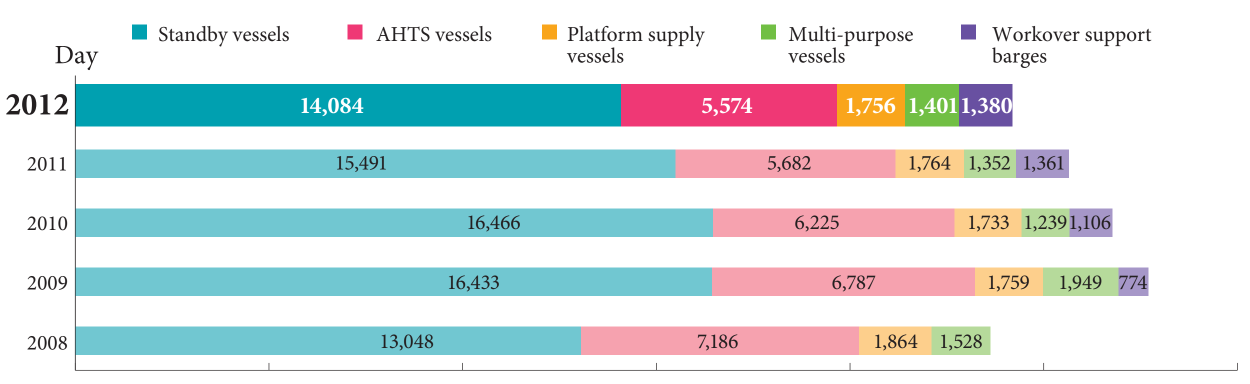
Operating days (day)	2012	2011	Increase/ (Decrease)	Percentage change
Standby vessels	**14,084**	15,491	**(1,407)**	**(9.1%)**
AHTS vessels	**5,574**	5,682	**(108)**	**(1.9%)**
Platform supply vessels	**1,756**	1,764	**(8)**	**(0.5%)**
Multi-purpose vessels	**1,401**	1,352	**49**	**3.6%**
Workover support barges	**1,380**	1,361	**19**	**1.4%**
Total	**24,195**	25,650	**(1,455)**	**(5.7%)**

The operating days of self-owned vessels decreased by 1,455 days compared with last year, mainly because 1) there were 2 standby vessels scrapped and another 2 vessels were upgraded to geophysical and surveying vessels, which resulted in a decrease of operating days of 1,407 days compared with last year. 2) As for AHTS vessels, although the addition of HYSY683 brought operating days of 335 days, the NH205 being scrapped and the repair and maintenance of some vessels resulted in the overall operation volume decreased by 108 days as compared with last year. 3) Other three kinds of vessels in aggregate increased the operating days of 60 days.

The total transportation volume of oil tankers and chemical carriers was stable with increase, of which, the transportation volume of oil tankers was 2,017 thousand tonnes, representing an increase of 4.1% compared with 1,938 thousand tonnes of the same period of last year. The transportation volume of chemical carriers was 2,302 thousand tonnes, representing an increase of 23.9% compared with 1,858 thousand tonnes of the same period last year.

In 2012, through the redeployment of the external resources, marine support and transportation services business realized revenue of RMB2,945.2 million for the year, representing an increase of RMB411.4 million or 16.2% compared with RMB2,533.8 million of the same period last year.

Number of Operating Days for Self-owned Utility Vessels In Recent Years



Geophysical and Surveying Segment

The Group is a major supplier of China off shore geophysical and surveying services. At the same time the Group also provides services in other off shore regions, including South and North America, the Middle East, Africa and Europe. The Group's geophysical and surveying services are divided into two main categories: geophysical and surveying services. At present, the Group owns 9 seismic vessels and 7 integrated marine surveying vessels.

In 2012, through meticulous organization and detailed arrangement, active exploration of the market driven by the operation of new equipment and reasonable redeployment of vessels, the revenue of the geophysical and surveying services segment of the Group reached a historical high record of RMB3,050.0 million, with an increase of RMB622.7 million compared with RMB2,427.3 million of last year, representing an increase of 25.7%.

Geophysical Services

In 2012, the geophysical and surveying services's operation was full and the market developing was rewarding. The 3D seismic collection of a 12-streamer deep-water geophysical vessel, HYSY720, exceeded 10,000 km^2 for the year, creating a new record for geophysical vessels operating in Chinese waters. Through active communication with clients, the Group obtained the 3D joint collection contract with a collection area of 6,150.4 km^2 of single collection in the South China Sea, and this is the first joint collection operation with several clients in the history of the Group's geophysical services. At the same time HYSY720, HYSY718 and HYSY719 won the biddings for winter overseas projects in Myanmar, Pakistan and Thailand, effectively avoiding the time window of Winter, when the operation is not suitable in China.

The details of operation volume for the data collection and data processing businesses of the Group for 2012 are as follows:

Services	**2012**	2011	**Increase/ (Decrease)**	**Percentage change**
2D collection (km)	**17,894**	27,808	**(9,914)**	**(35.7%)**
2D processing (km)	**23,600**	22,132	**1,468**	**6.6%**
3D collection (km^2)	**29,498**	23,174	**6,324**	**27.3%**
of which: submarine cable (km^2)	**1,297**	719	**578**	**80.4%**
3D processing (km^2)	**16,000**	9,972	**6,028**	**60.4%**

In 2012, the Group's 3D collection and processing business increased remarkably, of which, the 3D collection operation increased 6,324 km² over the same period last year mainly because a 12-streamer geophysical vessel, HYSY720, which commenced operation in 2011, brought another 4,175 km² operation volume; HYSY719 won overseas winter projects and increased operation efficiency by 1,708 km²; due to the addition of a new submarine cable team, the submarine cable collection business increased by 578 km² and there were a total of decrease of 137 km² by other vessels. Benefited from the full operation of 3D collection business and winning of overseas data processing contracts, 3D processing business increased substantially and reached 16,000 km² for the year.

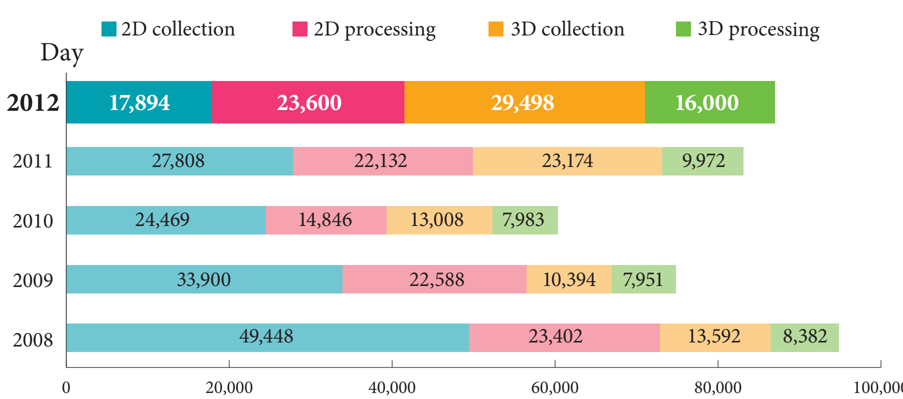
Operation volume of 2D collection services decreased by 35.7% compared to the same period last year because BH517, originally a 2D collection vessel, was modified into a submarine cable vessel. 2D data processing business increased slightly over the same period last year.

Surveying Services

In 2012, the Group's HYSY708, a deep-water surveying vessel, commenced operation which contributed greatly to the enhancement of the Group's capability in deep-water service. The Group won a contract worth over RMB100 million which was the biggest single contract so far for surveying service segment.

In 2012, as a result of full operation, the surveying services of the Group recorded a revenue of RMB606.8 million, representing an increase of RMB183.2 million or 43.2% compared with RMB423.6 million in last year.

The Operating Volume of Geophysical Service Fleet In Recent Years

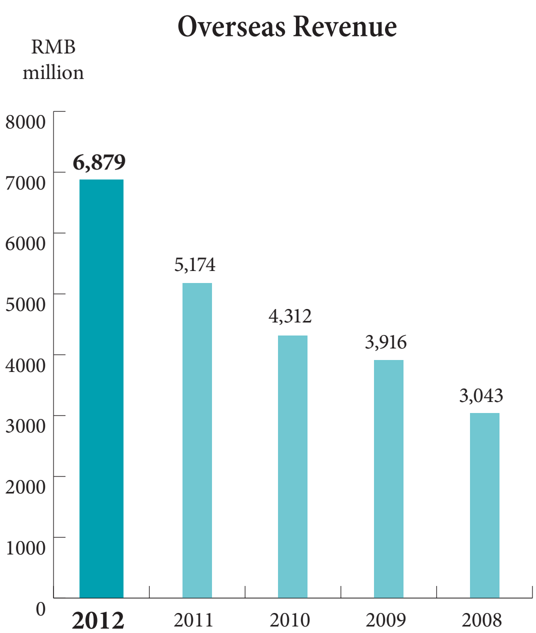


Overseas Business

In 2012, the Group continued to unswervingly implement the internationalisation strategy, kept optimising overseas market layout based on the safe and quality operation, strengthened operational risks control, with overseas business achieving new breakthrough once again. As the international business volume expanded, the operating revenue reached RMB6,879.4 million, accounting for 31.1% of the operating revenue for the year, representing an increase of RMB1,705.9 million or 33.0% compared with RMB5,173.5 million of the same period of last year.

In 2012, leveraging on the quality service, the Group successfully developed markets in the North Sea, South-East Asia and Mexico. Following COSLPioneer's operation receiving recognition from clients, another semi-submersible drilling rig, COSLInnovator, started to carry out an eight-year contract with Statoil in the fourth quarter this year. COSLPromoter, the sister vessel of COSLInnovator, received AOC certificate issued by Norway Petroleum Safety Authority. COSLBoss and BH8 won overseas contracts from Indonesia, and HYSY936 won long-term service contracts from PetroleosMexicanos. HYSY921's drilling operation for the turnkey services were well completed, accumulating experience for the Group for the international offshore turnkey services. NH6 continued to focus on Australia market and provide drilling services to clients.

In addition, geophysical vessels, HYSY718, HYSY719 and HYSY720 won overseas projects in Pakistan, Thailand and Myanmar. Oil base mud services made a breakthrough in the South-East Asia market. At the same time, well services made significant progress symbolized by "successfully drilling salt-gypsum layer and performing acidizing operation efficiently" in Iraq.



Note: The overseas revenue for 2009 deducted the deferred gains of RMB1,073.1 million recognised for the year.

MAJOR SUBSIDIARY

COSL Norwegian AS ("CNA") is a major subsidiary of the Group which engaged in drilling operations. COSL Drilling Europe AS ("CDE") is a major subsidiary of CNA. For the year ended 31 December 2012, the total assets of CNA amounted to RMB38,912.6 million and shareholders' equity amounted to RMB6,798.0 million. In 2012, CNA realised operating income of RMB4,035.1 million and the net profit amounted to RMB159.3 million. Please refer to the "Investments in subsidiaries" of note 17 to the financial report of this year's annual report for other information about the subsidiary.

FINANCIAL REVIEW

1. Analysis on Consolidated Income Statement

1.1 Revenue

In 2012, the Group's operating revenue reached another high record of RMB22,104.7 million, representing an increase of RMB3,678.6 million or 20.0% compared with last year, mainly driven by the operation of new equipment and the increase in business volume of each of the business segments. The details are analyzed below:

Analysis by business segment

Unit: RMB million

Business segment	2012	2011	Increase/ (Decrease)	Percentage change
Drilling services	**11,251.6**	9,514.6	**1,737.0**	**18.3%**
Well services	**4,857.9**	3,950.4	**907.5**	**23.0%**
Marine support and transportation services	**2,945.2**	2,533.8	**411.4**	**16.2%**
Geophysical and surveying services	**3,050.0**	2,427.3	**622.7**	**25.7%**
Total	**22,104.7**	18,426.1	**3,678.6**	**20.0%**

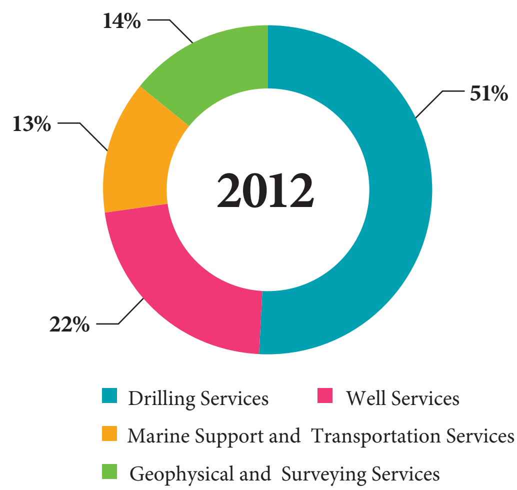
- Drilling services business was the main contributor for the Group's income increase in 2012 and generated revenue of RMB11,251.6 million for the year, representing an increase of RMB1,737.0 million over the same period of last year. The main reasons was 1) increased operation volume from addition of new and high-end equipment and deep water equipment as well as the relatively high day income during the year, which, to a certain extent, was contributable to the increase in operation income; and 2) the highly efficient operation of original equipment.

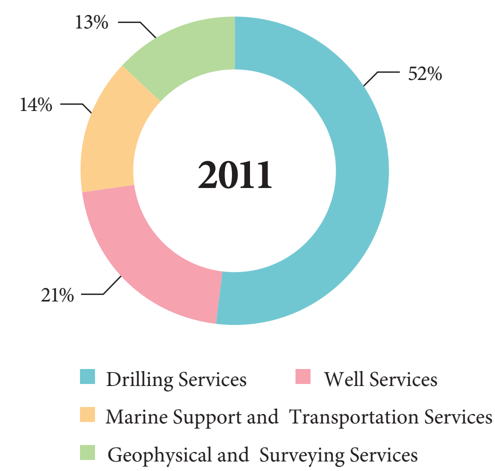
- Driven by market development, the well services operation volume increased in 2012, which drove the income increase of RMB907.5 million.

- Based on Chinese offshore market, the marine support and transportation services segment not only stabilized domestic market share, but also recorded an annual income increase by RMB411.4 million over the same period last year by rationally utilizing external resource.

- Income from geophysical and surveying services increased by RMB622.7 million, mainly due to the commencement of operation of new equipment (deep-water survey vessel HYSY708) and the efficient operation of large geophysical vessels HYSY719 and HYSY720, and combined with good market expansion and operation.

Revenue Analysis——By Business





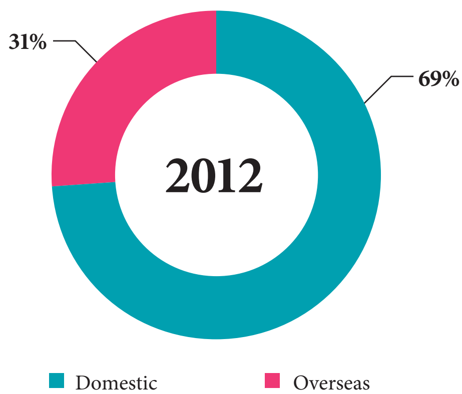
Analysis by operation area

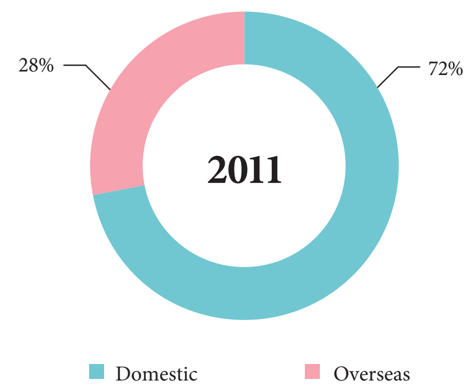
Unit: RMB million

Region	2012	2011	Increase/ (Decrease)	Percentage change
Domestic	**15,225.3**	13,252.6	**1,972.7**	**14.9%**
Overseas	**6,879.4**	5,173.5	**1,705.9**	**33.0%**
Total	**22,104.7**	18,426.1	**3,678.6**	**20.0%**

In terms of operation area, the Group's main revenue still came from Chinese waters. In 2012, revenue from domestic market reached RMB15,225.3 million, representing an increase of 14.9% over the same period last year. In addition, the Group's overseas business made new breakthrough again by adhering to internationalization strategy, optimizing oversea market layout and strengthening risk control of operation. In 2012, revenue from the overseas operation reached RMB6,879.4 million, accounting for 31.1% of the turnover for the year, representing an increase of RMB1,705.9 million or 33.0% as compared to RMB5,173.5 million of the same period last year.

Revenue Analysis——By Region





1.2 Operating expenses

In 2012, operating expenses of the Group amounted to RMB16,660.1 million, representing an increase of RMB3,104.0 million or 22.9% compared with RMB13,556.1 million for last year.

The table below shows the breakdown of operating expenses for the Group in 2012 and 2011:

Unit: RMB million

	2012	2011	**Increase/ (Decrease)**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets	**3,173.5**	3,069.6	**103.9**	**3.4%**
Employee compensation costs	**3,671.4**	3,311.6	**359.8**	**10.9%**
Repair and maintenance costs	**793.9**	538.7	**255.2**	**47.4%**
Consumption of supplies, materials, fuel, services and others	**4,071.7**	3,447.9	**623.8**	**18.1%**
Subcontracting expenses	**2,825.5**	1,514.1	**1,311.4**	**86.6%**
Operating lease expenses	**709.6**	433.1	**276.5**	**63.8%**
Other operating expenses	**1,133.1**	1,009.2	**123.9**	**12.3%**
Other selling, general and administrative expenses	**185.0**	156.1	**28.9**	**18.5%**
Impairment of property, plant and equipment	**96.4**	75.8	**20.6**	**27.2%**
Total operating expenses	**16,660.1**	13,556.1	**3,104.0**	**22.9%**

Employee compensation costs increased as compared with last year, which was mainly due to the operation of new equipment of the Group, expansion in overseas business and the increase in the number of the employees and the increase in their remuneration in 2012.

Repair and maintenance costs increased compared with last year, which was mainly due to the increase in the number of repair days for services such as drilling services during the year.

Consumption of supplies, materials, fuel, services and others increased compared with last year, mainly due to higher operation volume as a result of the operation of new equipment and the operations efficiency of the original equipment together with the business development of the Group.

Sub-contracting expenses increased compared with last year, mainly due to the launch of chartering business by the four business segments, so as to stabilize market and diversify revenue sources.

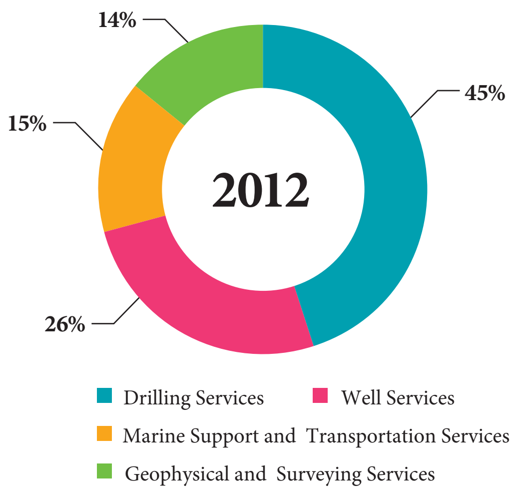
Impairment of property, plant and equipment increased as compared with last year, primarily attributable to an additional asset impairment provisions of RMB77.4 million for the Libya land drilling rigs and the provision for impairment losses of RMB19.0 million for a well services equipment. An asset impairment provision of RMB71.2 million for the related Libya land drilling rigs was recognized and an asset impairment provision of RMB4.6 million for an oilfield utility vessel was recognized last year.

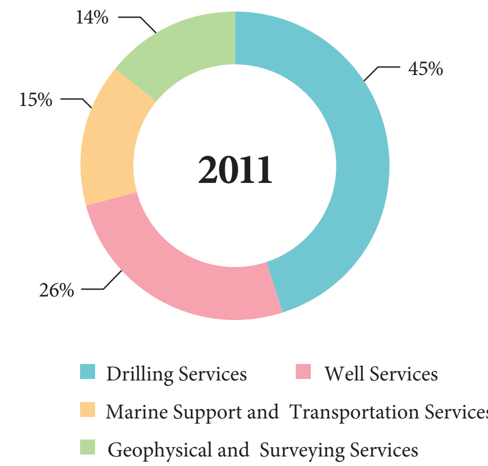
The operating expenses for each segment are as shown in the table below:

Unit: RMB million

Business segment	**2012**	2011	**Increase/ (Decrease)**	**Percentage change**
Drilling services	**7,572.5**	6,105.8	**1,466.7**	**24.0%**
Well services	**4,407.7**	3,541.3	**866.4**	**24.5%**
Marine support and transportation services	**2,413.7**	2,044.7	**369.0**	**18.0%**
Geophysical and surveying services	**2,266.2**	1,864.3	**401.9**	**21.6%**
Total	**16,660.1**	13,556.1	**3,104.0**	**22.9%**

Analysis of Operating Expenses——By Business





1.3 Profit from operations

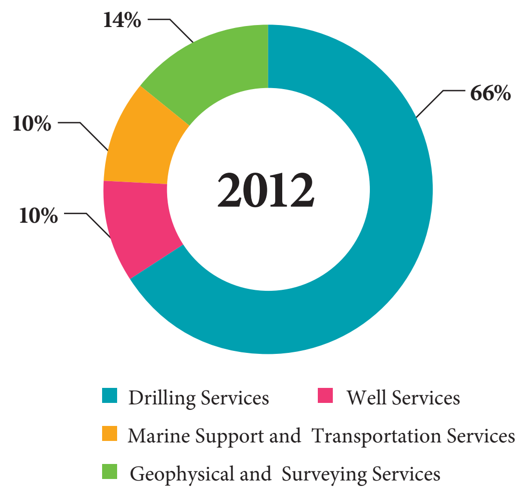
In 2012, the profit from operations of the Group amounted to RMB5,618.6 million, representing an increase of RMB635.8 million or 12.8% compared with RMB4,982.8 million of the same period of last year. This was primary attributable to the Group strengthened cost management and effectively controlled the increase in cost as the revenue expanded with the development of the business.

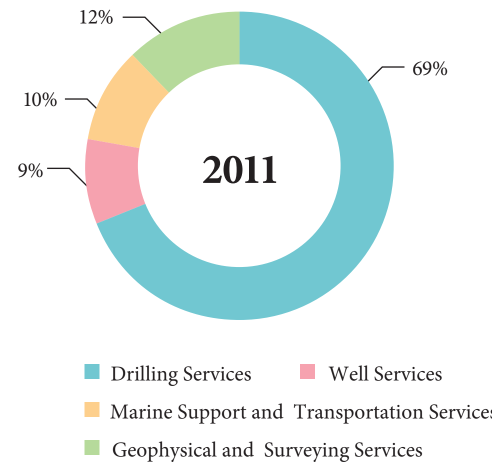
The profit from operations for each segment is shown in the table below:

Unit: RMB million

Business segment	2012	2011	Increase/ (Decrease)	Percentage change
Drilling services	**3,714.0**	3,429.5	**284.5**	**8.3%**
Well services	**562.1**	448.7	**113.4**	**25.3%**
Marine support and transportation services	**547.1**	518.3	**28.8**	**5.6%**
Geophysical and surveying services	**795.4**	586.3	**209.1**	**35.7%**
Total	**5,618.6**	4,982.8	**635.8**	**12.8%**

Analysis of Profit from Operations——By Business





1.4 Financial expenses, net

Unit: RMB million

	2012	2011	**Increase/ (Decrease)**	**Percentage change**	Reasons
Exchange gains and losses, net	**42.0**	(60.5)	**102.5**	**–**	The Group issued long-term bond of US$1 billion in September this year.
Finance cost	**512.7**	469.7	**43.0**	**9.2%**	
Interest income	**(127.5)**	(63.8)	**(63.7)**	**99.8%**	Increase in cash.
Financial expenses, net	**427.2**	345.4	**81.8**	**23.7%**	

1.5 Share of profits of jointly-controlled entities

In 2012, the Group's share of profits of jointly-controlled entities amounted to RMB243.2 million, representing an increase of RMB68.9 million or 39.5% compared with RMB174.3 million of last year. This was primarily attributable to an increase in gains for the period in jointly-controlled entities, namely China France Bohai Geoservices CO., Ltd. and COSL-Expro Testing Services (Tianjin), of RMB26.9 million and RMB26.0 million, respectively, while that in other jointly-controlled entities in aggregate increased by RMB16.0 million as compared with last year in total.

1.6 Profit before tax

The profit before tax attained by the Group was RMB5,436.8 million in 2012, representing an increase of RMB625.2 million or 13.0% compared with RMB4,811.6 million of last year.

1.7 Income tax expense

The income tax expense in 2012 was RMB867.0 million, representing an increase of RMB94.9 million or 12.3% compared with RMB772.1 million in 2011, which is due to the increase in the taxable profits led by the business development of the Group.

1.8 Profit for the year

In 2012, the after-tax profit of the Group was RMB4,569.8 million, representing an increase of RMB530.3 million or 13.1% compared with RMB4,039.5 million of the same period last year.

1.9 Basic earnings per share

For 2012, the Group's basic earnings per share were approximately RMB1.01, representing an increase of approximately RMB0.11 or 12.2% compared with approximately RMB0.90 of last year.

1.10 Dividend

For 2012, the Board of the Company proposed a final dividend of RMB31 cents per share, totaling RMB1,393.5 million.

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2012, the total assets of the Group amounted to RMB74,648.5 million, representing an increase of RMB9,797.4 million or 15.1% compared with RMB64,851.1 million at the end of 2011. The total liabilities amounted to RMB42,443.6 million, representing an increase of RMB6,051.7 million or 16.6% compared with RMB36,391.9 million at the end of 2011. The shareholders' equity amounted to RMB32,204.9 million, representing an increase of RMB3,745.7 million or 13.2% compared with RMB28,459.2 million at the end of 2011.

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

	2012	2011	**Increase/ (Decrease)**	**Percentage change**	Reasons
Employee benefit assets	**14.9**	0.2	**14.7**	**7,350.0%**	The fixed income assets of the pension scheme established for the employees by CDE, a subsidiary, increased by RMB14.7 million.

	2012	2011	**Increase/ (Decrease)**	**Percentage change**	Reasons
Other non-current assets	**219.7**	53.3	**166.4**	**312.2%**	The increase of the non-current portion of the mobilization fee of drilling platform.
Notes receivable	**619.9**	1,219.4	**(599.5)**	**(49.2%)**	Notes receivable balance at the beginning of the year has been received in cash in 2012, and the balance at the end of the current year is the new notes receivable for the current year.
Pledged deposits	**30.8**	10.8	**20.0**	**185.2%**	More bank guarantee business resulted in the increase in bank deposits.
Cash and cash equivalents	**9,814.9**	5,646.2	**4,168.7**	**73.8%**	The issuance of bond of US$1 billion for the year resulted in the increase in cash and cash equivalents and time deposits with original maturity over three months.
Time deposits with original maturity over three months	**3,954.2**	882.1	**3,072.1**	**348.3%**	
Other current assets	**2,059.0**	21.3	**2,037.7**	**9,566.7%**	Invested in monetary fund products and bank wealth management products amounted to RMB2,002.2 million during the year.
Tax payable	**266.7**	61.6	**205.1**	**333.0%**	According to the latest negotiation with Norewegian tax authorities and the estimation of the Company, the Group has provided approximately NOK170 million (approximately RMB190 million) for corporate income tax.
Long-term bonds	**7,717.9**	1,500.0	**6,217.9**	**414.5%**	The Group issued US$1 billion long-term bond in September 2012.

3. Analysis of consolidated statement of cash flows

At the beginning of 2012, the Group held cash and cash equivalents of RMB5,646.2 million, the net cash inflows from operating activities of RMB8,738.8 million, net cash outflows from investing activities of RMB8,415.4 million, net cash inflows from financing activities of RMB3,932.9 million and the impact of foreign exchange fluctuations resulted in a decrease of cash of RMB87.6 million. As at 31 December 2012, the Group's cash and cash equivalents amounted to RMB9,814.9 million,

3.1 Cash flows from operating activities

As of 31 December 2012, net cash inflows from operating activities of the Group reached RMB8,738.8 million, representing an increase of 37.6% compared with the same period of last year. This was mainly attributable to the increase in operating revenue resulting from the business development and market expansion of the Group.

3.2 Cash flows from investing activities

As of 31 December 2012, net cash outflows used in investing activities of the Group amounted to RMB8,415.4 million, which was mainly attributable to the Group's investment in currency fund products and banking and financial products.

3.3 Cash flows from financing activities

As of 31 December 2012, net cash inflows from financing activities amounted to RMB3,932.9 million, compared with a net cash outflow of RMB1,736.6 million of the same period of last year. This was mainly attributable to the receipt of RMB6,216.0 million by issuance of US$1 billion bond while repaying debts, dividends and interest.

3.4 The impact of foreign exchange fluctuations on cash during the year was the decrease in cash for RMB87.6 million.

4. Capital expenditure analysis

In 2012, the capital expenditure of the Group amounted to RMB4,190.1 million, representing a decrease of RMB107.2 million or 2.5% compared with RMB4,297.3 million of the same period last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business Segment	2012	2011	Increase/ (Decrease)	Percentage change
Drilling services	**3,295.6**	2,605.0	**690.6**	**26.5%**
Well services	**574.7**	452.9	**121.8**	**26.9%**
Marine support and transportation services	**54.8**	292.5	**(237.7)**	**(81.3%)**
Geophysical and surveying services	**265.0**	946.9	**(681.9)**	**(72.0%)**
Total	**4,190.1**	4,297.3	**(107.2)**	**(2.5%)**

The capital expenditure of the drilling services segment was mainly used for the construction and purchase of drilling rigs. The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipment. The capital expenditure of the marine support and transportation services segment was mainly used for oilfield utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the modification of two integrated marine surveying vessels.

5. Business plan

We strive to achieve a year-on-year growth not less than 10% in 2013. It is expected that total operation cost (excluding asset impairment) and financial cost will increase to a larger extent. Profit margin will be stabilized and it is planned that capital expenditure will be RMB4 billion to RMB5 billion.

BUSINESS OUTLOOK:

As for international market, in 2013, US economy may be encumbered by the reduction deficit plan and European debt crisis may return, which results in considerable uncertainty as to the recovery of global economy. According to IMF's expectation, the global economic growth rate for the year 2013 is 3.6%, representing an increase of 0.3% as compared to last year.

According to Barclays, the exploration and development cost for 2013 is approximately US$650 billion, representing an increase of approximately 8%. It is expected that the market for international offshore drilling activities will keep expending in 2013 in a slower pace. According to the anticipation of IHS, there will be approximately 4,470 offshore wells in 2013, representing an increase of approximately 8%. The market scale of international offshore drilling contracting and service will exceed US$50 billion, representing an increase of 6%-9%. Given the longer exploration cycle of domestic and overseas oilfields and the year-on-year increase in the volume of deep-water exploration and operation, corporation, whose business focus on increase in operation volume and high-end and mid-end technological equipment and oilfield service, will enjoy the advantage from this long-term trend.

As for domestic market, according to the data disclosed by CNOOC, our major client, the targeted compound annual growth rate for its production volume is between 6%-10% from 2011 to 2015. In 2013, it is planned to drill about 140 exploratory wells and to collect approximately 15,400 km of 2D seismic data and approximately 24,800 km 3D seismic data, involving expected capital expenditure of US$12-14 billion of which exploration, development and production of capitalized investment account for approximately 19%, 70% and 11% respectively. Thus, it is expected that the market for domestic off shore oilfield service will be stabilized at a higher level.

To conclude, the growing and expanding domestic oilfield market provides room for the Company's development. The Company will seize the opportunity to achieve a stable growth and to create higher value for shareholders.

OTHER 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 annual results of the Group for the year ended 31 December 2012 have been reviewed by the audit committee. The preliminary announcement has been based on the Group's financial statements for the year ended 31 December 2012 which have been agreed with the auditors.

Corporate Governance Practices

Throughout the 12 months ended 31 December 2012, the Company has complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Listing Rules.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, throughout the year ended 31 December 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 year ended 31 December 2012.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

A copy of this announcement will be found on the Company's website (www.cosl.com.cn) and the Stock Exchange's website (www.hkexnews.hk). The full annual report will be mailed to the shareholders of the Company and made available on the websites of the Company and the Stock Exchange in due course.

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

22 March 2013

As at the date of this announcement, the executive directors of the Company are Messrs. Li Yong and Li Feilong; the non-executive directors of the Company are Messrs. Liu Jian (Chairman) and Wu Mengfei; and the independent non-executive directors of the Company are Messrs. Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng.