CHINA OILFIELD SERVICES LIMITED

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

ANNUAL REPORT 2013

Company Profile

COMPANY OVERVIEW

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

COMPANY BUSINESS

Its four core business segments are geophysical and surveying services, drilling services, well services, marine support and transportation services. COSL not only provides services of single operations for the customers, but also offers integrated package and turnkey services; COSL’s business activities are conducted not only in offshore China, but also in South East Asia, Middle East, Europe, Australia, North and South America and Africa. During the course of business, the Company is committed to minimizing the impact to the environment and to sustainable development, so as to achieve a win-win situation for shareholders, clients, and staff and business partners.

BUSINESS PERFORMANCE

In 2013, the Company maintained a strong operation and financial performance. Besides, COSL performed well in a more extensive operation aspect, including social and environment aspect, with performance fulfilling our targets. Details are set out in the financial report and Social Responsibility Report.

STRATEGIC TARGET

COSL aims at becoming an international first-class oilfield services company, insists on sustainable operation model and creates short-term to long-term economic, social and environmental value for stakeholders.

CORPORATE GOVERNANCE

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

PROSPECT

The sea is an important reserve for oil and gas resources. The global offshore oil and gas exploration, development and production remain active. The Company has laid a solid foundation in offshore China, South East Asia, North sea, Middle East, Gulf of Mexico, Australia and other regions, which provides a sturdy platform for continuous business development.

Challenges and risks we are exposing vary with regions, mostly related to the nature of the oilfield service industry, including uncertain political and legal environment as well as the risks coming from deep-water and overseas operation. However, by virtue of the considerable experience in offshore oilfield services, the knowledge of China’s offshore markets, initially established international market layout and growing business reputation, together with the strict risk management strategy, COSL is confident in seizing market opportunities to cope with future business challenges and to reward our shareholders with continuous and stable growth.

Business Overview

DOMESTIC BUSINESS

Maintaining the market leader position in offshore oilfield service and providing geophysical and surveying services, drilling services, well services and marine support and transportation services, revenue sourced from China in 2013 amounted to RMB18.47 billion, representing 67.5% of the total revenue.

INTERNATIONAL BUSINESS

In 2013, the international business of the Company continues its growth and it has been rooted in four major regional international markets. Revenue sourced from the international business in 2013 amounted to RMB8.9 billion, representing 32.5% of the total revenue.

Asia-pacific region: including Indonesia, Pakistan, Thailand, Singapore and Australia etc.

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

Middle East region: including Iraq and United Arab Emirates etc.

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

America region: including Mexico and USA etc.

Business involve drilling services.

Europe region: including Norway and UK etc.

Businesses involve drilling services and accommodation rigs.

CONTENT

Milestones of 2013

January

Emilio Lozoya Austin, the president of Petróleos Mexicanos ("PEMEX"), visited COSLConfidence and highly appreciated the quality management in safety production and equipment management of the rig.

February

COSLBoss rig passed the strict assessment under the latest standard implemented by BP in 2013 and provided drilling services to BP in the sea area of Indonesia.

March

At the work meetings of Sanya Maritime Rescue Centre of Hainan province, the Zhanjiang operating company of the Company was awarded the "advanced unit in marine salvage 2012".

NH7 officially commenced drilling activities which was the first operation of such rig since it joined the drilling segment. It symbolized that such rig was moving forward to the drilling operation stages after dry leasing.

COSLPromoter commenced drilling activities and executed the operation contract with Statoil for a term of 8 years.

May

CDE (COSL Drilling Europe AS) took the first place in Statoil's comprehensive rating of all drilling contractors during the period from September 2012 to March 2013.

June

The construction of HYSY721, a 12-streamer deep-water geophysical vessel, was officially commenced in Shanghai Shipyard Co., Ltd. by the Company.

Our multiple thermal fluid for offshore viscous oil recovery technology gained success in the testing of very viscous oil in Bohai which provided efficient means of development and technical direction for the application and development of offshore viscous oil.

July

Electro Magnetic Resonance Logs Tools (EMRT), which was researched and developed independently by the Company, successfully completed its first operation in the eastern area of South China Sea, providing a solid foundation for the comprehensive promotion and application of ELIS high-end logging equipment.

The construction of 3000HP module rigs project was officially commenced in Wison Heavy Industry.

August

The operation base of Shanxi Gas was officially launched which further enhanced the support for the technical services of coalbed methane business.

The list of outstanding talents (6 people) and leading talents in scientific and technical innovation (72 people) in the "Ten Thousand Talent Plan" of China is first announced. Feng Yongren, the Chief Mechanical Engineer of the Institute of Oil-Field Technology, which belongs to the Company, is honorably selected, being one of first twelve "leading talents in scientific and technical innovation" of the state.

October

The Company entered into an agreement regarding the establishment of a joint-venture with PB SERVICES SDN BHD of Brunei.

NH9, a 5,000-feet-deep-water semi-submersible drilling rig purchased by the Company, officially commenced operation.

November

The domestic high-end products including EFDT, ERMI and the long distance detection acoustic instruments researched and developed independently by the Company were permitted to provide services in Tarim which further enhanced the influence of COSL in onshore well services operation.

The Company entered into a long-term operation contract with PEMEX for COSL1 module rig with a term of 1,741 days, whereby the day rates substantially increased as compared with that of the previous contracts.

HYSY611, the new oilfield supply vessel purchased by the Company successfully completed the first operation upon new vessel delivery.

November (Continued)

HYSY936, operating in the Gulf of Mexico, received a letter of appreciation from PEMEX, which gives highly of all the work that has been done recently by the rig.

DRILOG, the logging system researched and developed by the Company independently was successfully operated for the first on-site operation, which represented that the basic logging system was qualified for the industrialization.

Four rigs of the Company received the award of the “safety track record without accidents” issued by IADC (International association drilling contractor) in 2012.

The Company entered into the second round of contract of Missan oilfield project contract, including 5 horizontal wells which required higher technical level and 1 vertical assessment well.

Electro Magnetic Resonance Logs Tools (EMRT) successfully completed the first operation in HCMIL area of Indonesia which represented that ELIS high-end logging equipment successfully entered into the Southeast Asia market.

December

The Company completed the first shale gas well fracturing of turkig operation in Shanxi.

COSLHunter, the 375-feet jack-up drilling rig purchased by the Company, finished construction and delivery and journeyed to the Gulf of Mexico.

December (Continued)

HYSY612, a 6,000 HP deep-water vessel of the Company, commenced operation.

The kick-off ceremony of two 9000HP deep-water supply vessels' construction was held in Zhongyuan Shipyard in Dalian.

The delivery ceremony of COSLGift was held in Yiu Lian Dockyards in Shenzhen.

2013 Highlights

Total annual revenue: RMB27,363.8 million

Operation profit: RMB7,648.3 million

Profit for the year: RMB6,726.4 million

Basic earnings per share: RMB1.49/share

Total assets: RMB79,262.3 million

Total equity: RMB37,259.8 million

Credit rating

Standard & Poor's: A- (stable)

Moody's: A3 (stable)

Fitch: A (stable)

Financial Highlights

Unit: million yuan Currency: RMB

	2013	2012	Increase/ (Decrease) %
Revenue			
Domestic revenue	18,465.5	15,225.3	21.3
International revenue	8,898.3	6,879.4	29.3
Total	27,363.8	22,104.7	23.8
Operating expenses	19,878.9	16,660.1	19.3
Profit from operations	7,648.3	5,618.6	36.1
Profit before tax	7,519.6	5,436.8	38.3
Income tax	793.2	867.0	(8.5)
Profit for the year	6,726.4	4,569.8	47.2
Basic earnings per share (RMB/share)	1.49	1.01	47.3
Net assets per share (RMB/share)	8.3	7.2	15.3
Ratio			
Return on equity (%)	19.4	15.1	
Return on asset (%)	8.7	6.6	
Gearing ratio (%)	53.0	56.9	
Price/Earnings	16.1	15.8	
Dividend yield (%)	1.8	1.9	
Dividend payout ratio (%)	30.6	30.6	

Notes:

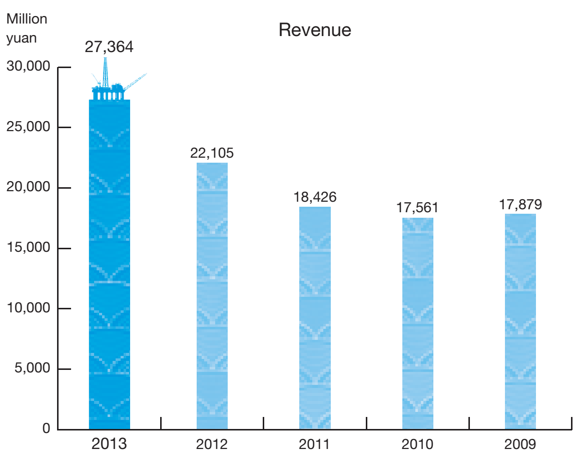
1. *Return on equity = Net profit for the year/(shareholders' interest in the beginning of the period+ shareholders' interest at the end of the period)/2*
2. *Return on asset = Net profit for the year/Average total assets*
3. *Gearing ratio = Total liabilities at the end of the period/total assets at the end of the period*
4. *Price/Earnings = Closing share price of H shares on the last trading day of the year/Earnings per share*
5. *Dividend yield = Dividends per share/Closing share price of H shares on the last trading day of the year*

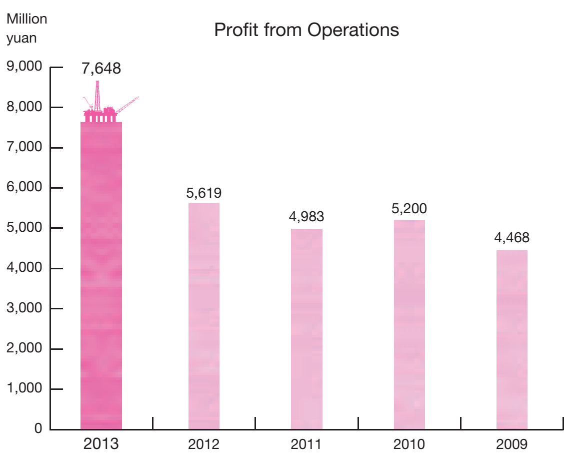
FIVE-YEAR FINANCIAL POSITION REVIEW

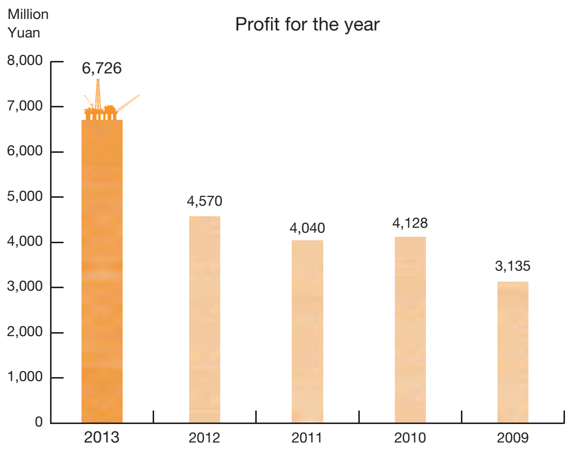
Unit: million yuan   Currency: RMB

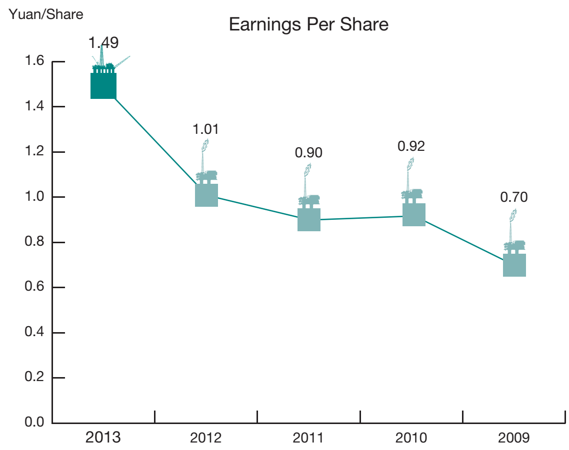
Major financial data and indicators	2013	2012	Increase/ decrease over the same period last year (%)	2011	2010	2009
Revenue	27,363.8	22,104.7	23.8%	18,426.1	17,561.0	17,878.7
Profit from operations	7,648.3	5,618.6	36.1%	4,982.8	5,200.1	4,468.1
Profit for the year	6,726.4	4,569.8	47.2%	4,039.5	4,128.0	3,135.3
Earnings per share (RMB/share)	1.49	1.01	47.3%	0.90	0.92	0.70

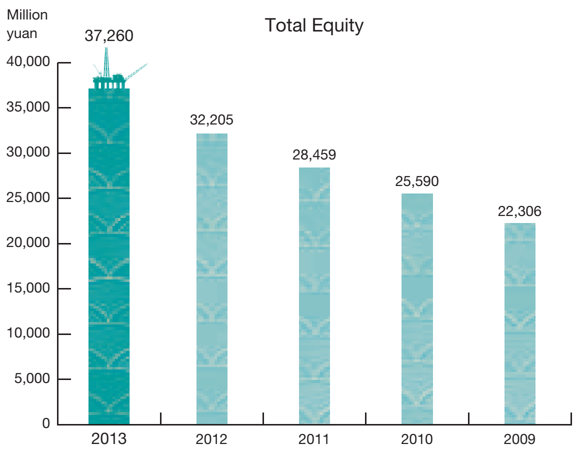
	As at the end of 2013	As at the end of 2012	Increase/ decrease over the end of the same period last year (%)	As at the end of 2011	As at the end of 2010	As at the end of 2009
Total equity	37,259.8	32,204.9	15.7%	28,459.2	25,589.9	22,305.6
Total assets	79,262.3	74,648.5	6.2%	64,851.1	63,497.4	60,776.5

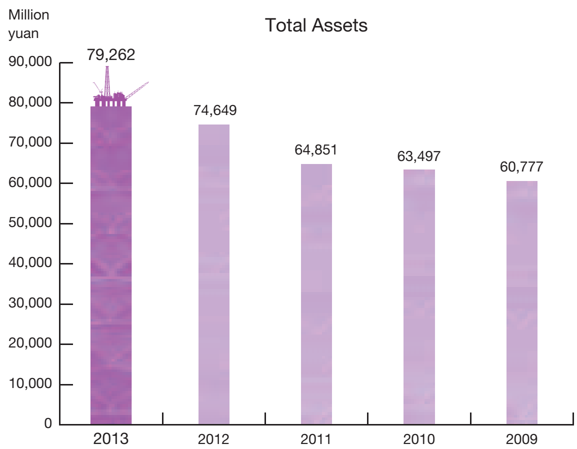





Million
Yuan
Profit for the year
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
6,726
4,570
4,040
4,128
3,135
2013
2012
2011
2010
2009


Yuan/Share
Earnings Per Share
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
1.49
1.01
0.90
0.92
0.70
2013
2012
2011
2010
2009


Million
yuan
Total Equity
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
37,260
32,205
28,459
25,590
22,306
2013
2012
2011
2010
2009


Million
yuan
Total Assets
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
79,262
74,649
64,851
63,497
60,777
2013
2012
2011
2010
2009

Chairman's Statement

Dear shareholders and friends,

2013 was another year that the Company achieved a remarkable increase in results, which was also a critical year to lay a solid foundation for future development. I will focus on the following aspects and introduce to shareholders of the Company:

1. BUSINESS PERFORMANCE

Under the leadership of the Board and the management, and the collaborative endeavor of the entire staff, the Company accomplished and exceeded its annual target, realized revenue of RMB27,363.8 million, representing an increase of 23.8% over last year. Profit for the year amounted to RMB6,726.4 million, representing an increase of 47.2% over last year. Basic earnings per share amounted to RMB1.49. The Company proposed to distribute RMB0.43 per share as the final dividend for 2013, which will be submitted to the Annual General Meeting of 2013 for approval.

In 2013, the Company accomplished capital investment of RMB8,700 million, which represented the best completion rate in recent years, and this mainly contributed to the fact that the Company conscientiously implemented the decisions and arrangements of the Board, caught the market opportunities, accelerated the construction and development of equipment, through the ways of "procurement, lease and construction" together, and achieved remarkable results in equipment construction.

In 2013, the Company made significant improvement in all aspects and maintained healthy and sustainable development and achieved stable returns to our shareholders.

Liu Jian *Chairman*

2. BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

Board of Directors conscientiously perform all duties to ensure that the major decisions of the Company were made cautiously by collective discussion. In 2013, the Board further optimized the Company's cash dividend system and connected transactions audit system, and focused on information disclosure of the Company's significant events, to take effective measures in order to better protect shareholders' interests. The Board made serious analysis and discussion with regard to the business risk of the Company, so that clear mindset was maintained during the process of rapid development to avoid significant risks and enhance management level. The Board focused on the culture of consultation and discussion, for instance, independent directors and chairman had timely communication with regard to matters concerned before the regular Board meeting, and the sufficient discussion was made between directors in regards to decision on major investments before voting.

In 2013, Mr. Wu Mengfei ceased to be the Director upon expiry of his employment tenure, the Board highly appreciated Mr. Wu for his contribution to the Company during his term of directorship. Mr. Zeng Quan succeeded Mr. Wu Mengfei to join the Board. Mr. Zeng also has extensive experience in finance and professional background, and he will contribute to the Board in reviewing the financial information. I especially would like to express my gratitude to the three independent non-executive directors. In 2013, they provided many valuable comments and recommendations to the Board and the management in the aspects of reviewing financial information, internal control and risk management, connected transactions management and information disclosure, which made an important contribution and played a unique role in protecting shareholders' interests and enhancing the corporate governance as well as management level.

3. SOCIAL RESPONSIBILITY

The Company maintained an excellent record of safety operation during the sustained and rapid development, no serious accidents regarding safety happened for many years. The Company achieved significant results in the aspects of energy saving and emission reduction, particularly energy consumption per unit of output declined continuously. In 2013, the major highlights of the Company in the aspect of social welfare included maritime rescue, community building and volunteers' activities. In 2013, the Company saved 18 vessels in distress and 52 people's lives. In addition, international business accounted for almost one-third of the of the Company's business, and the Company had over a thousand overseas employees. The company paid more attention to the contribution to local economy, environment and social development in the process of business internationalization. In 2013, the Company continued to strengthen its cooperation with overseas local governments and communities, actively participated in donation to improve the livelihood of local people, participated in disaster relief and various rescue activities, and focused on environmental protection and ecological balance of the work area.

4. THE BOARD'S MAJOR CONCERNS IN 2014

Effective implementation of the Company's development strategy. The development strategy of the Company for the foreseeable future was clear, that the Company will become an international oilfield service provider with strong competitiveness by 2020. With years of rapid development, especially with rapid expanding our operation fleet, focused on uncertainties of the economic environment, on the basis of clear development direction, the Company is required to face up with the problems of how to control the rhythm of development, further optimize internal resource allocation and use of external resources more effectively to achieve sustainable development of the Company.

The Company's competitiveness building. In 2014, the Board will continue to focus on the improvement of work standard, to enhance the management level to higher level. The Board considered the building of innovative capacity based on construction of talent team, which was not only the most important factor of technological innovation, but also the primary factor of the Company's overall competitiveness.

Risk management of the Company's international business. The Company resolved the tax dispute of subsidiaries in Norway last year, based on that experience, the Company further improved risk management of its international business. The Board will focus on and promote the implementation of such work in 2014.

At last, I would like to express my gratitude to all our staff for their relentless dedication to the development of the Company, the senior management for their continuous efforts on the Company's development, and shareholders and friends for their support and help.

Liu Jian
Chairman

18 March 2014

Chief Executive Officer's Report

Dear shareholders,

2013 was a year of steady development for the Company. Under the decisions and guidelines of Board of Directors, the management of the Company led all staff members to grasp opportunities, overcome difficulties, and attained satisfactory results for maintaining a healthy and stable development trend. Here I am pleased to present the 2013 results and operating highlights of the Company.

Overview of operation

International oil price maintained a volatile upward trend in 2013, the overall demand in the oilfield service market was robust, the capital expenditure of the key clients of the Company increased, and their exploration and development operational activities intensified. The Company grasped the opportunities in the market in time, the work load of the four business segments was full, the utilization rate of equipments remained at a high level. The revenue of the Company made the best historic record, amounting to RMB27.36 billion, representing an increase of 23.8% over the corresponding period; net profit reached RMB6.73 billion, representing an increase of 47.2% over the corresponding period.

During the period, the scale of the equipments of the drilling services segment of the Company increased, the calendar date utilization rate raised, achieving revenue of RMB14.67 billion, representing an increase of 30.3% over the corresponding period; the technical service capability of the well services segment continued to be enhanced, the industrialization of research and development achievements was launched in a steady process, achieving revenue of RMB6.48 billion, representing an increase of 33.3% over the corresponding period; the marine support and transportation services segment closely followed the growth in market demand, expanding high end equipments and utilizing external resources in a reasonable fashion, achieving revenue of RMB3.25 billion, representing an increase of 10.4% over the corresponding period; the geophysical and surveying services segment was affected by the weather, sea conditions and repair of some vessels, it achieved revenue of RMB2.97 billion, and was similar to that of last year.

In 2013, we had encouraging results in the areas of production operations, market development and technology research and development to keep our Company moving forward.

Li Yong *Chief Executive Officer and President*

I also would like to mention that in January 2014, the Company completed the placing of H shares with success, 276,000,000 H shares were newly issued and raised HK$5,885 million. The total assets of the Company and the shareholders' equity increased accordingly while the gearing ratio was further decreased and the capital structure became more reasonable. The placement strengthened the flexibility of the finance of the Company, and would play a positive role in the healthy development of the Company in the future.

Market exploration

In 2013 the domestic market was still the main area of development for the Company, revenue from the domestic market accounted for 67.5% of the total revenue. The domestic market continued to grow so that the utilization rate of the existing drilling rigs of the Company maintained at a higher level, at the same time this provided an opportunity to promote the operating performance of the Company. The newly added facilities such as NH7, NH8, NH9 and Kantan II served as a driving force for the growth of domestic business, while they led to the corresponding rise in domestic business of the well service segment. The marine support and transportation services segment and geophysical and surveying services segment both realized steady development. The Company continued to maintain a stable position in the domestic market and the revenue from the domestic market achieved an increase of 21.3%.

Regarding the international market, the Company has been providing high quality and efficient services to clients, with the accumulation of good reputation of the Company, the Company obtained more and more opportunities in the international market. We further expanded the market regions while maintaining the original market scale, and the well services business was driven by the drilling business. The work load of the international drilling business was full, achieving a certain amount of increase of average income per day. Other businesses also maintained a stable operation. Revenue of RMB8.90 billion from the international market was achieved, or an increase of 29.3% over the last period, the percentage of revenue reached 32.5%.

In 2013, the Company continued to make efforts to develop its four core markets, namely the Southeast Asia, the Middle East, America and North sea while at the same time we expanded our business scale and scope. In the Southeast Asia market, the jack-up drilling rig COSLPower of the Company started to execute the 3-year marine drilling service project with PTT Exploration and Production Public Company Limited (PTTEP), this was the first time the Company entered into the drilling market in Thai Bay. The newly purchased jack-up drilling rig COSLGift also obtained a marine drilling service contract in southeast Asia; besides the drilling business, the business scale of the well services segment also maintained steady growth, which mainly included the services of cementing, drilling fluid, logging, perforating, oilfield production optimization etc.

Regarding the Middle East market, the Company continued to maintain operation at full capacity of the 4 jack-up drilling rigs, and expanded the market scale. One jack-up drilling rig won the tender of the drilling service contract of Qatar. The Company was still operating 3 land drilling rigs and the related well services business, and the overall situations were stable.

In America, the business scale of the Mexican offshore market of the Company was further expanded, long term contracts of the existing 4 module rigs COSL1-4 were renewed respectively and the rates were increased; the two jack-up drilling rigs which had entered into the market earlier were in good operation conditions. A drilling operation contract of PEMEX was granted for the new jack-up drilling rig COSLHunter.

In the North sea market, with the launching of services of COSLPromotor in April 2013, three semi-submersible drilling rigs and two accommodation rigs of COSL Drilling Europe AS ("CDE") were all put into services. In the operation of these rigs, CDE has showed its excellent capacity in management, COSLPioneer was awarded as the "Rig of the Month" by Statoil several times, CDE itself was ranked number one in the comprehensive performance evaluation of all international drilling contractors of Statoil during the period from September 2012 to March 2013, its brand influence continued to be enhanced.

Optimization of equipment structure

Year 2013 was an important year for the growth of deep-water business capability. The deep-water fleet of the Company made highly efficient and quality operation in South China Sea and East Sea. Among them the operational efficiency of HYSY981 reached 96.4%, the operational water depth reached 2,400 metres, this accumulated experience for the super deep-water operation enhanced our confidence; once again HYSY720 broke the records of dragging length and number of times of coverage of marine 3D exploration seismic data collection operation; HYSY708 made a precedent of completing the recovery and installation project of deep-water christmas tree by one vessel; the advantages of the vessel HYSY681 in deep-water was gradually shown, it had remarkable performance in its operation in the rough sea conditions in the South China Sea.

Year 2013 was also a year of continuous expansion of scale of equipments and continuous optimization of structure of equipments of the Company. The Company effectively adjusted the structure of equipments to enhance the operation capacity by means of a combination of procurement, leasing and construction of equipments. The use of purchase method was to quickly meet market demand and raise the efficiency of fund. Given the long term contracts obtained this year, the Company bought a 5,000 feet submersible drilling rig, NH9, the 375 feet jack-up drilling rigs, COSLHunter, COSLGift and two deep-water supply vessels. The use of leasing method to obtain equipment capability was to rapidly increase operation capacity, at the same time this effectively controlled the scale of equipment of the Company, avoided market risks. In this respect, the Company rented NH7 and Kantan II and some marine operation vessels. The building of equipments is for realizing update of equipments to satisfy the long term needs of the market. In this regard, this year the Company started the construction of 29 large equipments such as 5,000 feet semi-submersible drilling rig, 400 feet jack-up drilling rigs, 12-streamer seismic data collection vessel and 15 utility vessels etc, some of the projects had started already. I believe that the achievement of the above production capacity can serve as an important dynamic for the optimization and upgrade of the equipments of the Company.

Risk control and safety and environmental protection

During the year, the Company continued to enhance its safety management standards, enhanced the evaluation of sources of major dangers and potential risks, worked hard to control the sources of incidents, identified and prevented potential incidents. Besides, by targeting the actual situations of overseas operation, we continued to optimize the emergency response management, specify the responsibilities of emergency response management at all levels, further simplify the contingency procedures, enhance the management of overseas emergency, improving ability of response and actions. During the period the recordable event probability of the Company was 0.18, there was a decrease to a certain extent as compared with the same period in 2012, and no serious accident happened during the whole year. The Company always paid attention to the matter of the energy saving and emission reduction, we set up control indicators covering all energy consumption domains, make special control proposals for different business segments and has obtained good results. For the year we achieved the total energy consumption as 0.2183 tonne standard coal per RMB10,000 turnover, achieving an energy saving of 13,718 tonnes standard coal.

Research and development of technology

Technological innovation is the cornerstone of sustainable development of the Company. 2013 was a year with significant improvement in the work in research and development of the Company as the Company obtained 158 patents during the year, of which 45 were invention patents. At present the Company has a total of 621 effective patents, of which 170 were invention patents.

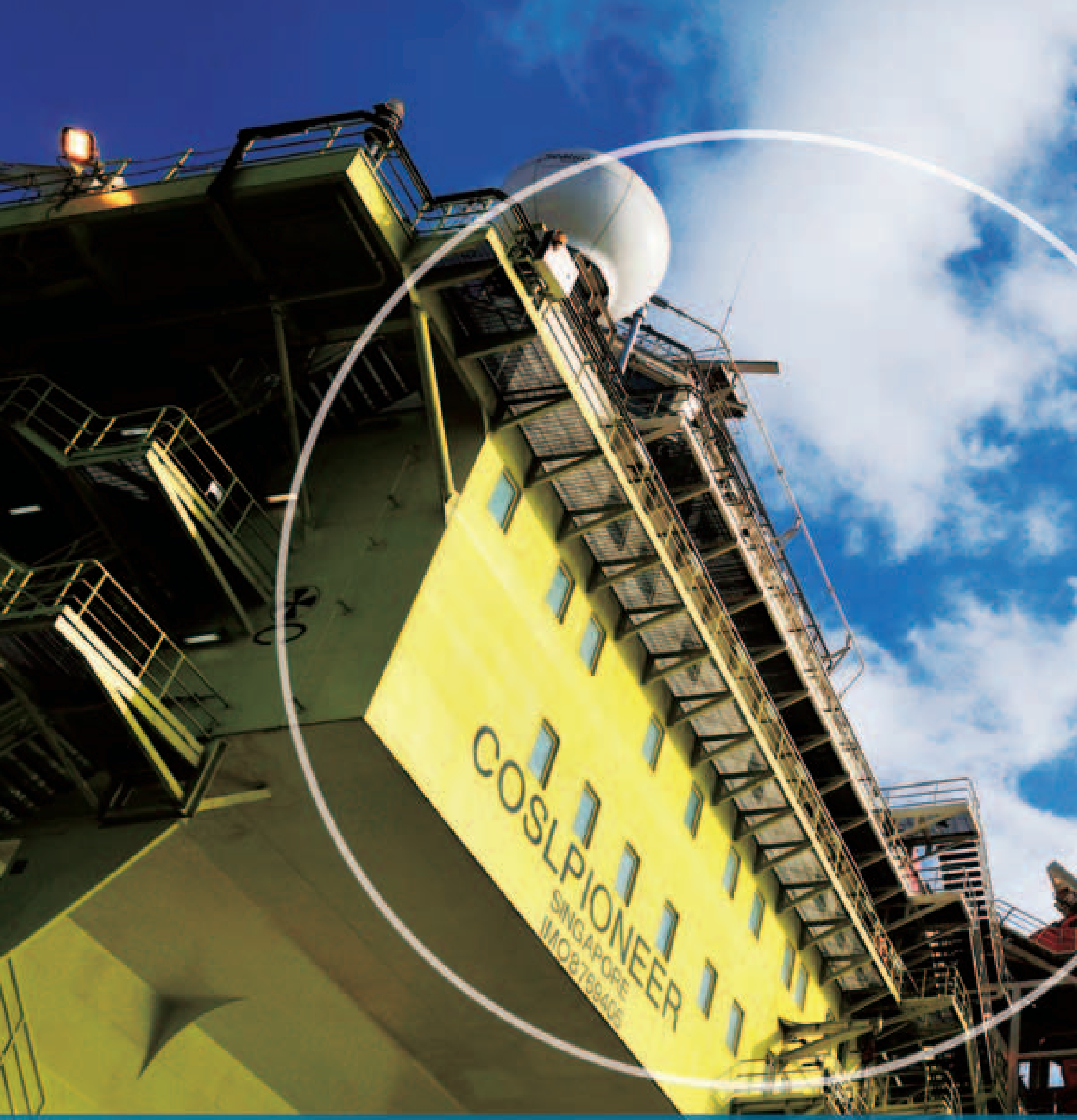
During the period a number of technological results of the Company were launched into business practice, this greatly enhanced the competitiveness of the technological services of the Company. A batch of high end technologies such as the Electron Magnetic Resonance Logs Tool and Electrical Micro Imaging Tool etc has been rolled-out to the market; high precision seismic data collection system completed the operation in many well sites; the new high temperature, high pressure drilling fluid system had good results in its application in the South China Sea; multiple thermal fluid for recovery technology made its breakthrough in Bohai; the results of the actual drilling trial of the drilling and logging system were good.

In the aspect of talents development in R&D, with the input made by the Company over the years, a mature research and development system and a team of talents have fostered. In 2013, Feng Yongren, chief engineer of the Well Service Institute was honored the Leader in Technological Innovation of China (12 selected persons with company background), this was a recognition of the efforts of the Company in developing the talents, and was a great encouragement for the technological staff. In the future, the Company will continue to make further effort in this work to form the base for technology driven company we seek.

In 2014, the Company is facing some new development opportunities: the overall conditions of the world economic situations tend to be stable, the investment in exploration and production of the world will further growth. Combining the judgment of independent third party organizations such as the IEA and EIA, it is expected that oil prices will fluctuate within the range of USD90-110 for this year, Barclay Capital has forecast that the annual growth of investment in exploration and production of the world will reach 6%. However the challenges are still exist: the international situations will be more complex and variable, factors like geopolitics, trade protection etc will bring new problems for the international business expansion of the Company, the uncertainties for the global market of deep water semi-submersible drilling rig will increase, meanwhile with the keen interest of oil and gas production in China, more service providers will enter into the market, the competition in the oilfield service market will intensify, some businesses with traditional advantages of the Company will be challenged. How to secure our market position, satisfy the diversified service demands are key issues that we must concerned about in 2014.

The development of the Company over the years shows that we possess the capability to grasp opportunities, the capability of confronting and solving difficulties. Looking ahead for 2014, given the further release of production capacity of the drilling rigs of COSLPromoter, NH7, Kantan II, COSLHunter, COSLGift, NH9, the Company is confident in maintaining a higher utilization rate of all major equipments, the well services segment will also generate growth accordingly, the launching of services of HYSY 721, COSL7 and new oilfield working vessels will further meet market demand, and drive the growth of revenue for the Company. At the same time, we will continue to increase the production capacity of the Company by choosing purchase, lease and construction methods etc in a flexible way to meet market demand, we will take the situations and trend into consideration, master opportunities in the market, pay attention to safety, environmental protection, enhance the efficiency and quality of operation, advance the research and development and promote the development and application of new technologies, implement the concept of "Always do better" of the Company and achieve sustainable growth of results of the Company.

Li Yong
Chief Executive Officer and President
18 March 2014



Drilling Services

2013 Drilling Services revenue amounting to

RMB14,665.2 Million

Water depth can be reached up to

10,000 ft

Oil well drilling depth can be reached up to

30,000 ft

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

Management Discussion and Analysis

INDUSTRY REVIEW

In 2013, the total investment scale of exploration and development of global petroleum companies exceeds US$682 billion (from Barclays), representing a year-on-year (YOY) increase of 13%. The growing amount of investment further drives the development of oil and gas related service industry, and provides a stable external environment for the development of oil and gas equipment and service companies. According to the latest statistics of Spears, the total revenue of global oilfield services market in 2013 amounted to US$386.4 billion, representing a YOY increase of 6%.

In 2013, the global utilization rate of drilling rig is basically stable and the day rate recorded an increase. According to the statistics of ODS, in 2013, the average global utilization rate of jack-up drilling rig was 86.47%; the average global utilization rate of semi-submersible drilling rig (including deep-water drilling ship) in 2013 was 89.9%. The global geophysical market of 2013 continued its growth trend in 2011-2012, and according to the statistics of Spears, the scale of global geophysical market amounted to US$17.1 billion in 2013, representing a YOY increase of 7%.

BUSINESS REVIEW

Drilling Services Segment

COSL is the major supplier of China offshore drilling services and an important participant in international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2013, the Group operated and managed a total of 40 drilling rigs (of which 30 are jack-up drilling rigs, and 10 are semi-submersible drilling rigs), 2 accommodation rigs and 4 module rigs.

COSL achieved outstanding performance in its drilling services segment during 2013 with further expansion in its scale of equipments and increase in calendar day utilization rate of its fleet. During the year, the segment achieved revenue of RMB14,665.2 million, representing an increase of 30.3% compared with RMB11,251.6 million in the same period last year.

In 2013, the drilling services segment kept closely in line with customers' demand with effective resource allocation. The Company strengthened its leading position in the traditional market in China and reached a new level in expansion of international market. The Company for the first time entered the drilling market in Thailand, successfully gained a Qatar marine drilling contract, while also gaining contracts in the Southeast Asian and Mexican markets with its 2 newly procured jack-up drilling rigs. We maintained high utilization for our 3 semi-submersible drilling rigs and 2 accommodation rigs operated in the North sea.

For equipment, the Group kept adjusting and optimizing the structure of our equipment through procurement, leasing and construction to provide a stronger support for our future development. The Group leased NH7 (a semi-submersible drilling rig) and Kantan II (a jack-up drilling rig) to meet the drilling rig demand for different regions in shallow and mid to deep water areas. The Group efficiently completed the procurement of NH9 (a semi-submersible drilling rig), COSLHunter and COSLGift (jack-up drilling rigs), where NH9 and COSLGift started operation in October 2013 and January 2014 respectively. COSLHunter has received a contract and is expected to start operation in Q1 2014. COSLPromoter, the semi-submersible drilling rig produced in 2012, began the performance of an 8-year contract with Statoil of Norway in North sea.

In addition, the Group also commenced the construction project of 3 drilling rigs, namely HYSY982, HYSY943 and HYSY944. The construction of these 3 drilling rigs will enhance our operation in deep-water and special marine regions, representing significant achievements in our equipment in terms of structural adjustment, entrance of deep-water operation and advancement to high-end equipment.

As at the end of 2013, we have 11 drilling rigs operating in Bohai, China; 10 operating in the South China Sea, 2 in the East China Sea and 15 in international markets such as North sea of Norway, Mexico, Indonesia and the Middle East. In addition, 2 rigs are currently being towed.

In 2013, our drilling rigs operated for 12,687 days, representing a YOY increase of 1,731 days. The calendar day utilization rate of the rigs reached 95.6%, 2.4 percentage points up compared to last year.

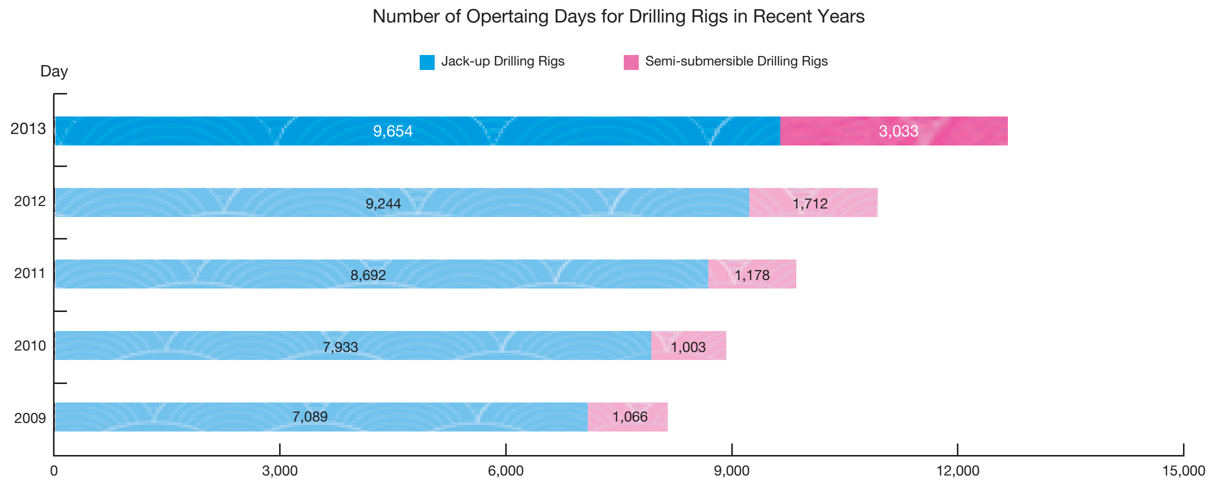
The operation details of the Group's jack-up and semi-submersible drilling rigs in 2013 are as follows:

	2013	2012	Increase	Percentage change
Operating days (day)	12,687	10,956	1,731	15.8%
Jack-up drilling rigs	9,654	9,244	410	4.4%
Semi-submersible drilling rigs	3,033	1,712	1,321	77.2%
Available day utilization rate	99.9%	100.0%	Down 0.1 percentage point	
Jack-up drilling rigs	99.8%	100.0%	Down 0.2 percentage point	
Semi-submersible drilling rigs	100.0%	100.0%	–	
Calendar day utilization rate	95.6%	93.2%	Up 2.4 percentage points	
Jack-up drilling rigs	95.8%	93.5%	Up 2.3 percentage points	
Semi-submersible drilling rigs	95.0%	91.6%	Up 3.4 percentage points	

In 2013, operating days of drilling rigs increased by 1,731 days to 12,687 days compared to previous year driven by the launch of new drilling rigs (Kantan II, NH7 and COSLPromoter) and full-year operation of COSLInnovator and NH8 launched the previous year, where that of jack-up drilling rigs and semi-submersible drilling rigs increased by 410 days and 1,321 days YOY respectively. Owing to the shorter time lags between contracts, the calendar day utilization rate continued to increase by 2.4 percentage points to 95.6%.

Two accommodation rigs continued their operation in the North sea for 730 days with available day utilization rate and calendar day utilization rate both reaching 100.0%.

Four module rigs operating in the Gulf of Mexico had 1,286 days of operation, a decrease of 170 days YOY due to maintenance work, which caused a drop in calendar day utilization rate of 11.4 percentage points to 88.1%.



With the addition of new semi-submersible drilling rigs with relatively high revenue and the impact of the increased revenue of accommodation rigs, the average day income of the drilling rigs of the Group in 2013 increased when compared with last year, with details as follows:

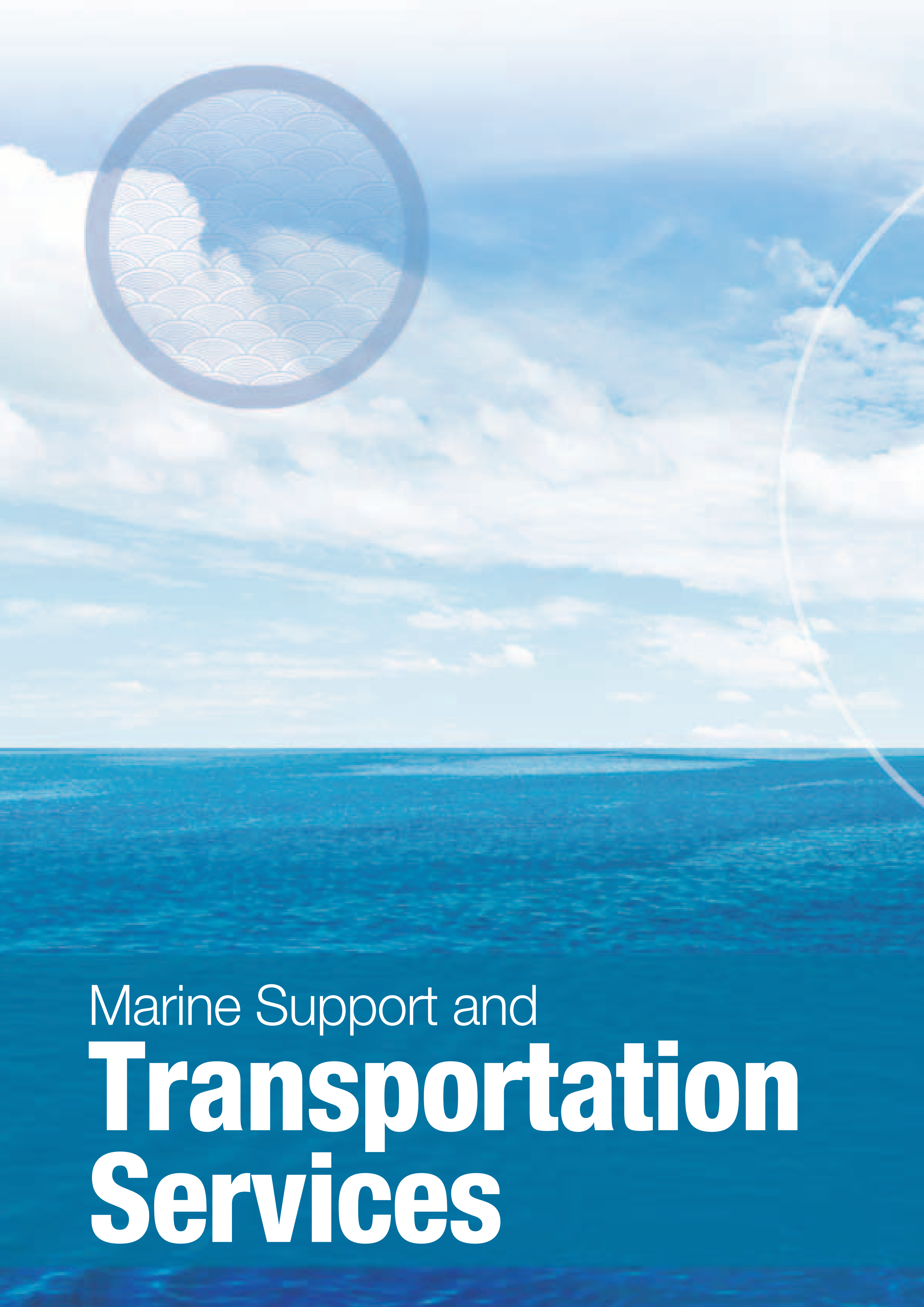
Average day income (ten thousand US$/day)*	2013	2012	Increase	Percentage Change
Jack-up drilling rigs	11.7	10.8	0.9	8.3%
Semi-submersible drilling rigs	32.3	29.8	2.5	8.4%
Drilling rigs sub-total	17.1	14.7	2.4	16.3%
Accommodation rigs	26.3	20.9	5.4	25.8%
Group average	17.6	15.1	2.5	16.6%

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

(2) US$/RMB exchange rate was 1: 6.0969 on 31 December 2013 and 1: 6.2855 on 31 December 2012, respectively.

Well Services

Being the largest and most competent all rounded well services provider in offshore China, COSL can fulfill a chain of well services performances.



Marine Support and Transportation Services

Owning and operating the largest and most comprehensive offshore utility fleet in China and currently has 69 utility vessels, 3 oil tankers and 4 chemical carriers.

Well Services Segment

The Group possesses over 30 years of experiences in offshore well services operation and over 20 years of experiences in onshore well services operation. Also, the Group is the main provider of China offshore well services together with the provision of onshore well services. The Group's major clients for well services include oil and gas companies in China (such as CNOOC Limited and Petrochina etc.) and international oil and gas companies (such as BP, Shell, ConocoPhillips and Chevron etc.). Through the continuous input in technology research and development, advanced technological facilities and an excellent management team, the Group provides comprehensive professional well services to clients, including logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, oilfield production optimization etc.

In 2013, the Company continued to increase input in research and development in oilfield services pursuant to customers' demand. Meanwhile, with consolidation of useful resources and implementation of significant amount of technological research results, the impact of technological support became more obvious which significantly boosted our technical service ability to a new level. Driven by the increase in operating volume under multiple business lines and the implementation of advanced technology, our revenue in this segment increased by 33.3% from RMB4,857.9 million in the same period last year to RMB6,475.0 million.

In 2013, Electron Magnetic Resonance Logs Tools (EMRT), Micro-conductivity Imaging Logging Tool (MCI) and Enhanced Reservoir Characteristic Tester (ERCT) were implemented in different regions with the implementation expanded to onshore and overseas market. The implementation of high-temperature and high-pressure drilling fluid system in South China Sea returned with good performance and continual increase in market share. Multiple thermal fluid for offshore viscous oil recovery technology was successfully applied which provided efficient means of development and technical direction for the development of offshore viscous oil. Testing results of drill-logging, drill-acoustic-logging and drill-density-logging also met expected standard.

Marine Support and Transportation Services Segment

The Group possesses and operates the largest and most comprehensive offshore utility transportation fleet in China. As of 31 December 2013, the Group owned an aggregate of 69 utility vessels of various types, 3 oil tankers and 4 chemical carriers, which were mainly operating in offshore China. The offshore utility vessels provide services for offshore oil and 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 rigs, towing and anchoring services for offshore 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.

In 2013, the marine support and transportation services business continued its operation in the domestic market; it strived to quality service and safety production to achieve customers' satisfaction. In order to consolidate the existing market and develop deep-water market, the Group reasonably allocated resources while entered into construction contracts for 15 vessels, which were expected to be delivered from 2015. The construction contract was another move of adjusting the fleet structure and scale.

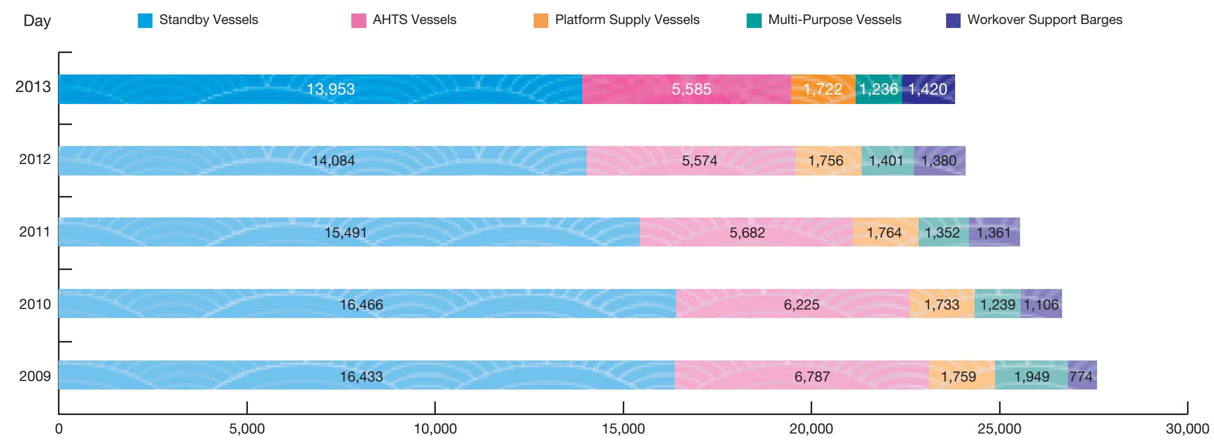
The chartered vessels operated for a total of 14,296 days in 2013, increased by 2,772 days compared with last year, generating revenue of RMB1,171.8 million. Driven by the increased revenue of the chartered vessels, the overall marine support and transportation services business realized revenue of RMB3,251.1 million, representing an increase of RMB305.9 million or 10.4% compared with RMB2,945.2 million of the same period last year. Owing to the impact of the decrease in the number of days of repairs and maintenance, the calendar day utilization rate of self-owned vessels was 93.9%, increased by 2.2 percentage points compared to the same period last year.

There were 5 vessels retired in 2013. However, in order to maintain the market share and adjust the fleet structure, the Group added two more vessels into operation. Meanwhile, HYSY681 that started operation last year was in operation throughout the year, and the number of days of repair and maintenance of other vessels also decreased. These factors, to a certain extent, alleviated the impact on operation owing to the scrapped vessels. The operation of our self-owned utility vessels in 2013 was 23,916 days, decreased by 279 days compared with last year, with details as follows:

Operating days (day)	2013	2012	Increase/ (Decrease)	Percentage Change
Standby vessels	13,953	14,084	(131)	(0.9%)
AHTS vessels	5,585	5,574	11	0.2%
Platform supply vessels	1,722	1,756	(34)	(1.9%)
Multi-purpose vessels	1,236	1,401	(165)	(11.8%)
Workover support barges	1,420	1,380	40	2.9%
Total	23,916	24,195	(279)	(1.2%)

The total transportation volume of oil tankers and chemical carriers of the Group decreased slightly due to market conditions, of which, the transportation volume of oil tankers was 1,858 thousand tonnes, representing a decrease of 7.9% compared with that of the same period of last year. The transportation volume of chemical carriers was 1,898 thousand tonnes, representing a decrease of 17.5% compared with that of the same period last year.

Number of Opertaing Days for Self-Owned Utility Vessels in Recent Years



Geophysical and **Surveying Services**

Being a major provider of geophysical and surveying services in offshore China, as well as an important participant in the global geophysical and surveying market, COSL currently owns 7 seismic vessels, 2 undersea cable teams and 7 integrated marine surveying vessels.

Geophysical and Surveying Segment

The Group is a major supplier for China offshore geophysical and surveying services. At the same time, the Group also provides services in other offshore regions, including the Asia-Pacific region, the South and North Americas, the Middle East, Africa and Europe. The Group's geophysical and surveying services are divided into two main categories: geophysical services and surveying services. At present, the Group owns 7 seismic vessels, 2 undersea cable teams and 7 integrated marine surveying vessels.

In 2013, the geophysical and surveying business realized revenue of RMB2,972.5 million for the year. Affected by the weather, sea conditions and vessel repairs during the year, there was a decrease of RMB77.5 million or 2.5% in revenue, compared with RMB3,050.0 million of the same period last year.

GEOPHYSICAL SERVICES

In 2013, the Group arranged the operating area in a reasonable way with the aim of ensuring safe production, organized resource allocation, reduced the time of vessels recovery and transit among operating areas, maximize the operating ability of vessels resources, as well as completed overseas projects in Pakistan, Myanmar and Thailand. HYSY718 was awarded an honorary medal from United Energy Pakistan (UEP) with its quality services. However, operating efficiency was affected to a certain extent by weather, sea conditions and disruptions by the fishing business.

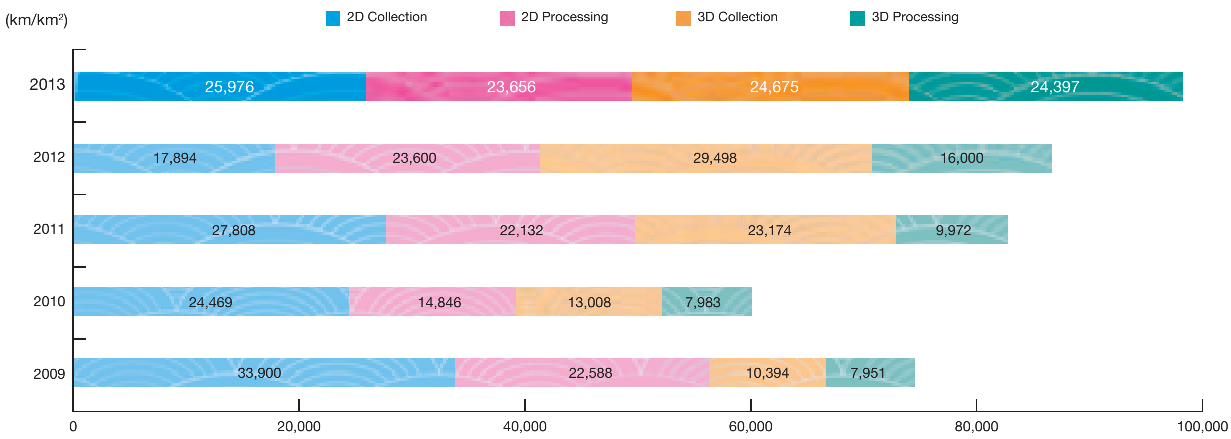
Furthermore, the Company entered into a construction contract for a 12-streamer geophysical vessel, HYSY721, in 2013 for enhancing the deep-water operating ability of geophysical services and further expand our scale of equipment. It is expected that such vessel will be ready for delivery and use in the second half of 2014.

The details of operation volume for the geophysical collection and data processing businesses of the Group for 2013 are as follows:

Services	2013	2012	Increase/ (Decrease)	Percentage Change
2D collection (km)	25,976	17,894	8,082	45.2%
2D processing (km)	23,656	23,600	56	0.2%
3D collection (km^2)	24,675	29,498	(4,823)	(16.4%)
of which: submarine cable (km^2)	1,240	1,297	(57)	(4.4%)
3D processing (km^2)	24,397	16,000	8,397	52.5%

In 2013, the Group's 2D collection business increased remarkably and reached 45.2%, which was mainly due to reasonable market arrangements and appropriate use of external resources. 3D collection operation decreased by 16.4% over the same period last year, mainly due to repairs of vessels, relatively poor sea conditions and disruptions by the fishing business that led to the decrease of operation efficiency. Driven by the increase in processing business in Bohai Sea and enhancement of processing technology, 3D processing business increased by 52.5% over the same period last year.

The Operating Volume of Geophysical Service Fleet in Recent Years



SURVEYING SERVICES

In 2013, our surveying services successfully expanded into a new market with the surveying contract gained from CNPC. The Group's HYSY708, a deep-water surveying vessel, scored the first in completing christmas tree recovery and installation with a single vessel, representing good economic efficiency and branding. Due to the decrease in outsourcing business, surveying services recorded a revenue of RMB541.7 million, representing a decrease of 10.7% (RMB65.1 million) from RMB606.8 million in the same period last year.

INTERNATIONAL BUSINESS

The Group has been unswervingly implementing the internationalization strategy. With the acceleration in our internationalization process, the Group broadened its international business covering America, Europe, Southeast Asia, Middle East and Australia.

We made another significant achievement in expanding into new market in 2013. Drilling services for the first time entered the drilling market in Thailand. The sector also gained offshore drilling contract from Qatar. Benefitted from the drilling service sector, we brought to Southeast Asia offshore market some of our businesses. The Group established a subsidiary in Canada to develop the market in the nation. Progress were seen on the implementation of new technology, where ERCT brought solid results in the Middle East. New drilling fluids technology gained remarkable results in Indonesia and laid a solid foundation for future expansion of the drilling fluid market. For the Missan oilfield project in Iraq undertaken by the Group, we successfully resolved the difficult technical problem. For Mexican market, on top of successful renewal of existing long-term contract for drilling rigs and increase in day rates, the Group also obtained new contracts for drilling services. In the North sea of Norway, we maintained high utilization rate for 3 semi-submersible drilling rigs and 2 accommodation rigs, where, COSLPioneer once again ranked first in the comprehensive performance evaluation by Statoil in February due to outstanding performance and was rated as the "rigs of the month in February". CDE, our subsidiary, ranked the first among drilling contractors according to Statoil.

In addition, we entered into an agreement regarding the establishment of a joint venture with PB SERVICES SDN BHD of Brunei. The joint venture will mainly provide oilfield exploration and development services.

In 2013, the revenue of the international business reached RMB 8,898.3million, accounting for 32.5% of the revenue of the Group for the year, representing an increase of 29.3% (RMB2,018.9 million) compared to RMB6,879.4 million of the same period last year.

Note: The international 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. CDE is a major subsidiary of CNA. As of 31 December 2013, the total assets of CNA amounted to RMB35,767.9 million and equity amounted to RMB7,682.7 million. With the operation of COSLPromoter, a semi-submersible drilling rig, all 3 semi-submersible drilling rigs of CNA were under normal operation in 2013. Combined with the increase in revenue of accommodation rigs this year, CNA realized income of RMB5,451.4 million in 2013, representing an YOY increase of 35.1% or RMB1,416.3 million. Net profit amounted to RMB1,154.6 million, i.e. an YOY increase of 624.8% or RMB995.3 million. Please refer to the "Investments in subsidiaries" of Note 19 to the financial statements in this annual report for other information about the subsidiary.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

In 2013, driven by the operation of new equipment of drilling services segment and the increase in business volume of well services segment, the Group's revenue reached another high record of RMB27,363.8 million, representing an increase of RMB5,259.1 million or 23.8% compared with last year. The details are analyzed below:

Analysis by business segment

Unit: RMB million

Business segment	2013	2012	Increase/ (Decrease)	Percentage change
Drilling services	14,665.2	11,251.6	3,413.6	30.3%
Well services	6,475.0	4,857.9	1,617.1	33.3%
Marine support and transportation services	3,251.1	2,945.2	305.9	10.4%
Geophysical and surveying services	2,972.5	3,050.0	(77.5)	(2.5%)
Total	27,363.8	22,104.7	5,259.1	23.8%

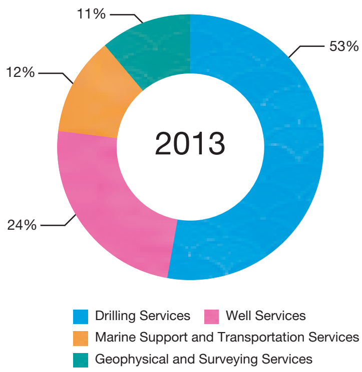
- Revenue generated from drilling services business increased by RMB3,413.6 million over the same period of last year. The main reasons include: ① the expansion of equipment scale (the newly added drilling rigs, Kantan II, NH7 and COSLPromoter) and most of the new equipment are semi-submersible drilling rigs with relatively higher day rate; and ② the highly efficient operation of existing equipment (COSLInnovator and NH8 which started operation at the end of last year became fully operational during the year) and the calendar day utilization rate enhanced.

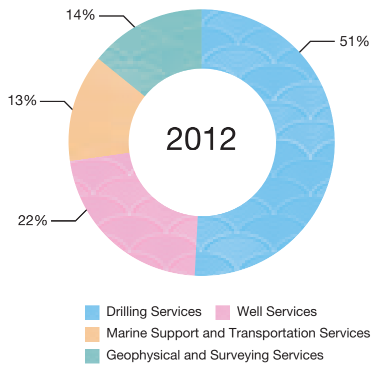
- Driven by the application of new achievements of well services and the increase in its operation volume in 2013, its revenue increased by RMB1,617.1 million over the same period of last year.

- In 2013, as a result of rationally utilizing external resource of the marine support and transportation services segment, the number of operation days of the chartered vessels increased by 2,772 days over the same period of last year, which resulted in the annual revenue reaching RMB3,251.1 million, representing an increase of RMB305.9 million over the same period last year.

- Revenue from geophysical and surveying services decreased by RMB77.5 million, mainly due to the impact of weather, sea conditions and repairs.

Revenue Analysis - By Business





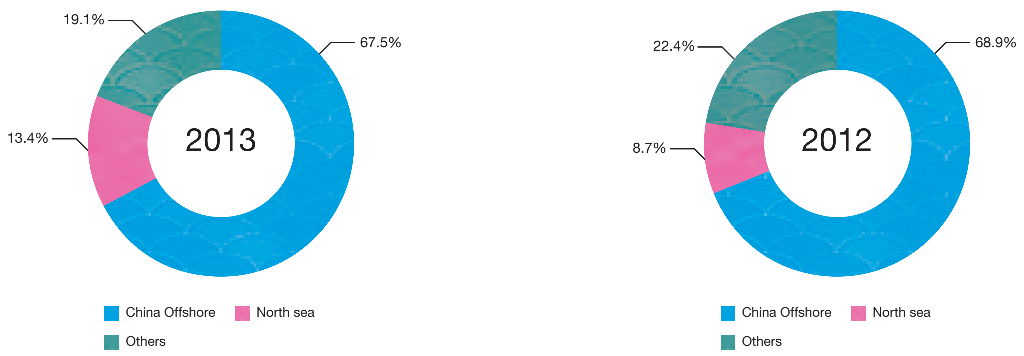
Analysis by operation area

Unit: RMB million

Region	2013	2012	Increase	Percentage change
China Offshore	18,465.5	15,225.3	3,240.2	21.3%
North sea	3,679.4	1,925.5	1,753.9	91.1%
Others	5,218.9	4,953.9	265.0	5.3%
Total	27,363.8	22,104.7	5,259.1	23.8%

In terms of operation area, the Group's main source of revenue is from offshore of China. However, due to the development of the Group's process of internationalization, the scale of income from international market further expanded. In 2013, revenue from domestic market reached RMB18,465.5 million, representing an increase of 21.3% over the same period last year. For the international markets, the operating revenue from North sea increased around 91.1%, which is the largest YOY increase. The increase is mainly due to the good operation of CDE, the subsidiary, this year, the addition of semi-submersible drilling rigs, COSLPromoter, and the full operation of COSLInnovator which commenced production last year, resulting in the further release of production capacity. Meanwhile, there was an increase in the day rate of accommodation rigs. As such, our overall revenue from the international markets has reached a historical high of RMB8,898.3 million, accounting for 32.5% of the revenue of the Group for the year.

Revenue Analysis - By Region



1.2 Operating expenses

In 2013, operating expenses of the Group amounted to RMB19,878.9 million, representing an increase of RMB3,218.8 million or 19.3% compared with RMB16,660.1 million for last year.

The table below shows the breakdown of operating expenses for the Group in 2013 and 2012:

Unit: RMB million

	2013	2012	Increase/ (Decrease)	Percentage change
Depreciation of property, plant and equipment and amortisation of intangible assets	3,310.6	3,173.5	137.1	4.3%
Employee compensation costs	4,080.1	3,671.4	408.7	11.1%
Repair and maintenance costs	930.1	793.9	136.2	17.2%
Consumption of supplies, materials, fuel, services and others	4,897.8	4,071.7	826.1	20.3%
Subcontracting expenses	3,913.7	2,825.5	1,088.2	38.5%
Operating lease expenses	1,093.8	709.6	384.2	54.1%
Other operating expenses	1,652.8	1,318.1	334.7	25.4%
Impairment of property, plant and equipment	–	96.4	(96.4)	(100.0%)
Total operating expenses	19,878.9	16,660.1	3,218.8	19.3%

From the details of the operating expenses, sub-contracting expenses represented the largest YOY increase of RMB1,088.2 million and reached RMB3,913.7 million, mainly due to the use of sub-contracting services and external resources to develop part of their business by segments of well services, drilling services, marine support and transportation services for market development.

Consumption of supplies, materials, fuel, services and others increased compared with last year, mainly due to the remarkably increase of oilfield service business including cementing well and drilling fluids, which increased the consumption of supplies accordingly. Meanwhile, the added large equipment in drilling services segment and the increase in calendar day utilization rate also enhanced the consumption of supplies.

Employee compensation costs increased as compared with last year, which was mainly due to the increase of the number of foreign employees and salaries as a result of the growth in the Group's international business; and the fact that there are growth in domestic business development and number of local employees.

Owing to the impact of the leasing drilling rigs (NH7, HYSY981), the operating lease expenses for the year increased compared with the same period last year.

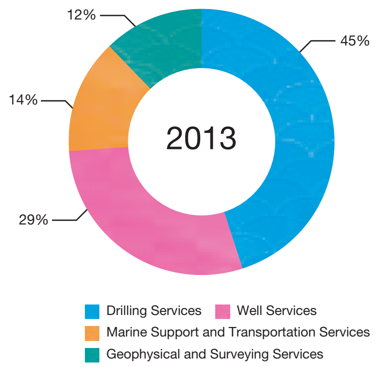
The increase in other operating expenses was mainly due to the corresponding increase in travel expenses, costs of personnel going abroad and other costs associated with production and operation because of the growth of market development and business development.

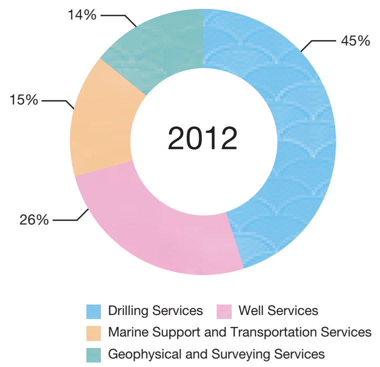
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segment	2013	2012	Increase	Percentage change
Drilling services	8,918.4	7,572.5	1,345.9	17.8%
Well services	5,859.0	4,407.7	1,451.3	32.9%
Marine support and transportation services	2,800.3	2,413.7	386.6	16.0%
Geophysical and surveying services	2,301.2	2,266.2	35.0	1.5%
Total	19,878.9	16,660.1	3,218.8	19.3%

Analysis of Operating Expenses - By Business





1.3 Profit from operations

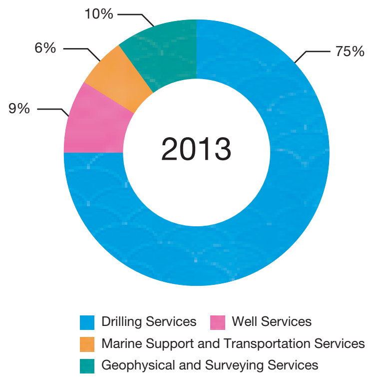
In 2013, benefited from the increase in the revenue of the Group of RMB5,259.1 million, representing an increase of 23.8%, and a slight increase in the total operating expenses of RMB3,218.8 million or 19.3%, the annual profit from operations reached RMB7,648.3 million, representing an increase of RMB2,029.7 million or 36.1%, compared with RMB5,618.6 million of the same period last year.

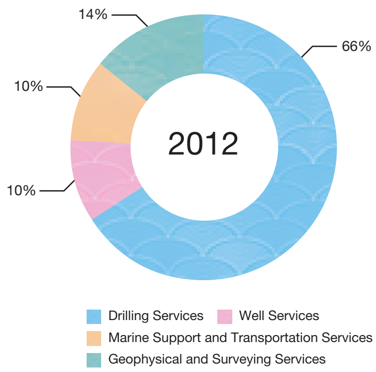
The profit from operations for each segment is shown in the table below:

Unit: RMB million

Business segment	2013	2012	Increase/ (Decrease)	Percentage change
Drilling services	5,764.7	3,714.0	2,050.7	55.2%
Well services	694.1	562.1	132.0	23.5%
Marine support and transportation services	463.7	547.1	(83.4)	(15.2%)
Geophysical and surveying services	725.8	795.4	(69.6)	(8.8%)
Total	7,648.3	5,618.6	2,029.7	36.1%

Analysis of Profit from Opertions - By Business





1.4 Financial expenses, net

Unit: RMB million

	2013	2012	Increase/ (Decrease)	Percentage change	Reasons
Exchange gains and losses, net	6.4	42.0	(35.6)	(84.8%)	Fluctuations in foreign exchange rate.
Finance costs	638.3	512.7	125.6	24.5%	The Group issued long-term bond of US$1 billion in September last year, accrued interest for the year.
Interest income	(124.5)	(127.5)	3.0	(2.4%)	
Financial expenses, net	520.2	427.2	93.0	21.8%	

1.5 Share of profits of joint ventures

In 2013, the Group's share of profits of joint ventures amounted to RMB297.2 million, representing an increase of RMB54.0 million or 22.2% compared with RMB243.2 million of last year. This was primarily attributable to an increase in gains in joint ventures, namely China France Bohai Geoservices Co., Ltd., China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd. and China Nanhai-Magcobar Mud Corporation Ltd. of RMB47.1 million, while that in other joint ventures in aggregate increased by RMB6.9 million as compared with the same period last year.

1.6 Profit before tax

The profit before tax attained by the Group was RMB7,519.6 million in 2013, representing an increase of RMB2,082.8 million or 38.3% compared with RMB5,436.8 million of the same period last year.

1.7 Income tax

The income tax expense of the Group in 2013 was RMB793.2 million, representing a decrease of RMB73.8 million or 8.5% compared with RMB867.0 million in 2012, which is mainly due to the change of tax practice (as disclosed in Note 12 to the financial statements).

1.8 Profit for the year

In 2013, profit for the year of the Group was RMB6,726.4 million, representing an increase of RMB2,156.6 million or 47.2% compared with RMB4,569.8 million of the same period last year.

1.9 Basic earnings per share

For 2013, the Group's basic earnings per share were approximately RMB1.49, representing an increase of approximately RMB0.48 or 47.3% compared with approximately RMB1.01 of the same period of last year.

1.10 Dividend

For 2013, the Board of the Company proposed a final dividend of RMB43 cents per share, totaling RMB2,051.8 million (as disclosed in Note 14 to the financial statements).

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2013, the total assets of the Group amounted to RMB79,262.3 million, representing an increase of RMB4,613.8 million or 6.2% compared with RMB74,648.5 million at the end of 2012. The total liabilities amounted to RMB42,002.5 million, representing a decrease of RMB441.1 million or 1.0% compared with RMB42,443.6 million at the end of 2012. Total equity amounted to RMB37,259.8 million, representing an increase of RMB5,054.9 million or 15.7% compared with RMB32,204.9 million at the end of 2012.

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

Unit: RMB million

Items	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Assets					
1 Property, plant and equipment	51,292.4	47,075.7	4,216.7	9.0%	The newly added drilling rigs including NH9, COSLGift and COSLHunter. In addition, the newly added construction project of 15 utility vessels and one 12-streamer geophysical vessel.
2 Investments in joint ventures	710.5	508.8	201.7	39.6%	The profits from joint ventures.
3 Other non-current assets	1,160.4	219.7	940.7	428.2%	Prepayments of part of the construction fees for construction of 12-streamer geophysical vessel, drilling rigs and oilfield utility vessel. In addition, the pre-paid taxes of the Group are included.
4 Prepayment, deposits and other receivables	426.9	650.6	(223.7)	(34.4%)	Items that previously recorded in this account had been partly reclassified to other current assets and other non-current assets.
5 Accounts receivables	5,873.0	4,145.2	1,727.8	41.7%	Relatively concentrated outstanding accounts receivable due to business expansion, overseas market expansion, diversity of customer base and location.
6 Notes receivable	1,513.4	619.9	893.5	144.1%	An amount of RMB942.0 million of notes receivables received for the year. Meanwhile, the notes receivable increased RMB1,835.5 million for the year.
7 Time deposits with original maturity over three months	600.0	3,954.2	(3,354.2)	(84.8%)	Part of the time deposits matured.

Unit: RMB million

Items	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Liabilities					
1 Trade and other payables	7,159.3	5,021.8	2,137.5	42.6%	With the expansion of the Group's business scale, the purchase of equipment, materials and services increased accordingly; according to agreement of upgrade and modification of drilling rigs, the upgrade fees and payment of Libya drilling rigs received in advance.
2 Salary and bonus payables	1,210.0	914.4	295.6	32.3%	The number of foreign employees and salaries increased due to the growth in international business of the Group; and there are growth in domestic business development of the Group and number of local employees.
3 Current liabilities-Interest-bearing bank borrowings	3,803.6	1,659.9	2,143.7	129.1%	An amount of RMB3,803.6 million of long-term loan due in one year, was reclassified to this item.
4 Other current liabilities	112.9	60.2	52.7	87.5%	The current portion of the deferred mobilization fee increased.
5 Deferred tax liabilities	1,128.7	1,688.3	(559.6)	(33.1%)	Pursuant to the relevant provisions of the State Administration of Taxation and upon the communication with local tax authorities, the adjustments of the Group's deferred tax liabilities recognized in previous years arising from the difference between the tax base and accounting base regarding the useful lives of fixed assets was made.
Equity					
1 Non-controlling interests	21.1	11.0	10.1	91.8%	PT.SAMUDAR TIMUR SANTOSA. generated profit for the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2013, the Group held cash and cash equivalents of RMB9,814.9 million, the net cash inflows from operating activities of RMB8,463.2 million, net cash outflows from investing activities of RMB4,785.3 million, net cash outflows from financing activities of RMB3,693.4 million and the impact of foreign exchange fluctuations resulted in a decrease in cash of RMB198.6 million. As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB9,600.8 million.

3.1 Cash flows from operating activities

As of 31 December 2013, net cash inflows from operating activities of the Group reached RMB8,463.2 million, representing a decrease of 3.0% compared with the same period of last year. This was mainly attributed to a slight YOY increase of 9.3% in cash inflows from operating, lower than the increase of 23.8% in revenue, which was affected by the increase in accounts receivable. Meanwhile, with the expansion of business scale and retaining reserves for development needs, the cash outflow for purchases of goods and payments for labor services increased by 17.6% over the same period last year.

3.2 Cash flows from investing activities

As of 31 December 2013, net cash outflows generated from investing activities of the Group amounted to RMB4,785.3 million, representing a decrease of 43.1% compared with the same period last year, which was mainly attributable to the recovery of the time deposits with maturity over three months and the effect of purchasing large-scale equipment.

3.3 Cash flows from financing activities

As of 31 December 2013, net cash outflows from financing activities of the Group amounted to RMB3,693.4 million, compared with a net cash inflow of RMB3,932.9 million of the same period of last year. This was mainly attributable to the receipt of RMB6,216.0 million through the issuance of US$1 billion bond last year and no such financing projects incurred this year.

3.4 The impact of foreign exchange fluctuations on cash during the year was the decrease in cash of RMB198.6 million.

4. Capital expenditure

In 2013, in order to enhance the Company's development potential, the Group increased its capital investment, constructed and purchased various large equipment including drilling rigs, oilfield utility vessels and geophysical vessels. The capital expenditure of the Group amounted to RMB8,660.7 million for the year, representing an increase of RMB4,470.6 million or 106.7% compared with RMB4,190.1 million of the same period last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segment	2013	2012	Increase	Percentage change
Drilling services	6,680.5	3,295.6	3,384.9	102.7%
Well services	801.6	574.7	226.9	39.5%
Marine support and transportation services	588.1	54.8	533.3	973.2%
Geophysical and surveying services	590.5	265.0	325.5	122.8%
Total	8,660.7	4,190.1	4,470.6	106.7%

The capital expenditure of the drilling services segment was mainly used for the purchase and construction of drilling rigs (i.e. purchase of NH9, COSLGift, COSLHunter and construction of COSLProspector). 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 the construction and purchase of oilfield utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the construction of a 12-streamer geophysical vessel.

5. Charge on assets

As of 31 December 2013, the Group had no charges against its assets.

6. Employees

As of 31 December 2013, the Group had 13,830 employees on service. Since November 2006, the Company has implemented a share appreciation rights plan for 7 senior officers. The Company has basically formed an employment structure in term of marketization and constructed a reasonable payment structure.

BUSINESS OUTLOOK

According to Barclays, the global exploration and development cost in 2014 is expected to be approximately US$723 billion, representing an increase of approximately 6% over 2013. Spears expects that the revenue of the global oilfield services market for 2014 will amount to US$423.4 billion, representing an increase of 8% compared to the same period of last year. In 2014, the market scale of international offshore drilling contracting and services will exceed US$53.7 billion, representing a YOY increase of 11%. The global geophysical market will amount to US$18.4 billion, representing a YOY increase of 8%. As for the well services, the demand for technology in oilfield stimulation and stable production will increase. According to ODS, new tender activities decreased for the market of deep-water semi-submersible drilling rig since 2014 with reduction in the number of contracts and contract terms. The rates of deep-water platforms in West Africa and North America had decreased by around 10% and the deep-water drilling rig market is still overwhelmed by uncertainties in the short term.

As for the domestic market, it is expected that the main domestic customer will have 7 to 10 new projects which will commence production in 2014. The capital expenditures in respect of its exploitation, development and production within the country will amount to approximately RMB60 billion in total. These investments from the customer will provide rooms for the Company's development.

Sources: Spears&Associates, ODS, Barclays and the disclosed documents of CNOOC Limited, etc.

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

The Board is of the view that improvement and highlights in corporate governance in 2013 are mainly reflected in the following aspects:

1. Optimizing the Company's basic system and promoting "Corporate Governance" to have further enhancement. In 2013, the Company amended the Articles of Association to further clarify the dividend policy; the detailed policies were included in the terms of the Articles, which enhanced the transparency of the Company's dividend policy and refined its operational processes to better protect the shareholders' right. Another example was that the Company amended the management principles on use of proceeds, which further standardized the management of the proceeds.

2. Further optimizing the audit work of connected transactions, to ensure the connected transactions were conducted on a fair and reasonable basis. In 2013, the Independent Board Committee of the Board of Directors (that is, the Audit Committee) audited the continuing connected transactions of the Company of the recent three years from 2011, and proposed the opinions regarding the improvement of examining, verifying and controlling the connected transactions.

3. Paying close attention to the opportunities and challenges the Company faced for development, and promoting the competitiveness of the company constantly. In 2013, the Board proposed the strategy of accerlating equipment construction and development, and requested the Company to adopt and implement simultaneously the strategy of "procurement, lease and construction", the Company achieved remarkable results of equipment acquirement and upgrading, which laid a solid foundation for future development of the Company.

4. We dealt with information disclosure about major event properly and carefully. In December 2012, the Company promptly made an announcement to disclose related information on the material developments of tax dispute by a foreign subsidiary to protect investors' interests following a careful review. Having the relevant announcement released, the Company conducted a few consultations and negotiations with the foreign-related tax authorities, the event resolved ultimately and the actual amount paid was significantly lower than the amount proposed by the taxation authority of Norway in December 2012. The Company released significant progress reports in August and November 2013 respectively, which was also fully documented in the periodic reports of the Company.

The stock of the Company continued to be included in the Hang Seng (China A) Corporate Sustainability Benchmark Index and constituent stocks of SSE Corporate Governance Index in 2013, which realized the recognition of the corporate governance level by the capital markets.

I. DIRECTOR'S INVOLVEMENT IN SECURITIES TRANSACTIONS

Following specific enquiries with all directors, the Board confirmed that during the 12 months ended 31 December 2013, the provisions of the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 of the Listing Rules were observed. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code (such as stricter regulations regarding disclosure compared to the Model Code). Upon specific inquiries, all directors have confirmed that they were in strict compliance with the provisions of the Model Code. In addition, directors, supervisors and senior management of the Company confirmed that during the 12 months ended 31 December 2013, they complied with the Management Rules with regard to the Holding of and Changes in Company Shares by Directors, Supervisors and Senior Management of Listed Companies regulated by the China Security Regulatory Commission.

II. PERFORMANCE OF THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

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

Chairman:	Liu Jian
Executive directors:	Li Yong and Li Feilong (Mr. Li Feilong was re-appointed at the Extraordinary General Meeting held on 20 December 2013)
Non-executive director:	Wu Mengfei (term of office expired on 24 May 2013), Zeng Quan (was appointed at the annual general meeting held on 24 May 2013)
Independent non-executive directors:	Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng (Mr. Fong Wo, Felix and Mr. Chen Quansheng were re-appointed at the annual general meeting held on 24 May 2013)

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

The Articles of Association of the Company clearly define the duties and functions of the Board of Directors and the Management. The division of functions is consistent with those disclosed in the Corporate Governance Report 2012 (for details, please search our website for Articles of Association of the Company or Annual Report 2012).

The duty and authority of the Board in the Articles of Association of the Company is consistent with those disclosed in the Corporate Governance Report 2012 (for details, please search our website for Articles of Association of the Company or Annual Report 2012).

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

3. Board Meetings

The Board of Directors convened five regular meetings during the year. Please see Table I of this Report for details of meeting attendance of directors. For other ad hoc items not within the regular Board Meeting's agenda and require approval from the Board, the Chairman may serve the Board's proposed resolutions in written form to the members of the Board in accordance with related requirements of the Articles of Association, and the items will become valid resolutions upon signing to approve by the number of directors which meets the quorum as stated in the Articles of Association. Besides, to create more opportunities for the independent non-executive directors to express their views and make recommendation in respect of the Company's affairs, Chairman should have several meetings with independent non-executive directors in the absence of executive directors every year so as to listen to the advice of independent directors in respect of the corporate governance and management (this practice has adopted the provision of Recommended Best Practices in A.2.7 of the Code). In the year of 2013, 4 meetings were held in such regard. The Board is of the view that meeting proceedings and resolutions of the Board complied with requirements of laws, regulations and the Articles of Association, which ensured prudent discussion by directors before decision on material items, and performance of integrity and due diligence and act in the interests of the Company and shareholders as a whole by directors in the related decision making process. Please see Table II for detailed resolutions adopted by the Board in the year of 2013.

4. Performance of Independent Directors

The Board currently has three independent directors, all of them have rich professional experience in the fields of finance, law and macro policy, and are very familiar with the operation of board of directors and duties of independent directors of listed companies. During the reporting period, the independent directors effectively performed their due diligent and attentive responsibilities as directors, and provided various professional advices to the Company, especially in the review of financial reports, the review of connected transactions, the evaluation of major acquisitions, the review and examination of medium and long term incentive plans for the management, among which, please see section 7 of this Corporate Governance Report for details of related reviews of financial reports and the internal control system, as well as sections 5 and 6 of this report for other relevant work. In 2013, the independent directors also reviewed continuing connected transactions of the Company for the year of 2012, a connected transaction of disposal of a module rig to the connected party in March 2013, categories of continuing connected transactions for three years from 2014 to 2016 and reviewed the caps of transactions and expressed opinion. During the reporting period, two independent non-executive directors were present at the Annual General Meeting of the Company. Please see Table I for details of Board meetings and professional committee meeting attendance of independent Directors.

During the reporting period, independent directors of the Company did not have any objection to resolutions of the Board for the year or any other items (other than resolutions of the Board) of the Company.

5. Policies of Diversified Directors

The Board of Directors held discussion with regard to the diversified policies of Directors, and considerations that can play a positive role for the Company in achieving sustainable development. The Board considered that the Company has many different perspective considered at the time of selecting directors (including but not confined to factors of professional background, age, gender, location and race, etc.), so as to achieve and maintain a policy of diversified directors. The Board will endeavour to implement the policy of diversified directors. The Nomination Committee will be responsible for monitoring the implementation of this policy and making recommendations to the Board on assessing the implementation process at an appropriate time.

6. Directors and General Meetings

Particulars of General Meeting convened by the Board and the particulars of the participation of directors during the reporting period were set out in section 9. “Summary of General Meetings” of this annual report. In the opinion of the Board, the Company complied with all requirements of resolution of the General Meeting during the reporting period; and reviewed implementation condition of General Meeting by the Company, and considered there was no problem occurred in the implementation of resolution of General Meeting.

7. Other matters

During the reporting period, the number and qualifications of independent non-executive directors of the Company were in compliance with Rules 3.10 (1) and (2) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and the independence of the current independent non-executive directors of the Company is in compliance with the requirement set out in the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited. In respect of the compliance with A.6.7 of the Code which specified that independent non-executive directors and other non-executive directors shall attend the general meetings in order to have a fair understanding to the opinions from the shareholders of the Company, Mr. Wu Mengfei, a non-executive director, and Mr. Chen Quansheng, an independent non-executive director, failed to attend the Annual General Meeting held on 24 May 2013 due to urgent official business.

III. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

IV. TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of Liu Jian is from 5 June 2012 to the time when the 2015 Annual General Meeting is convened. The term of office of Wu Mengfei is from 28 May 2010 to 24 May 2013. The term of office of Zeng Quan is from 24 May 2013 to the time when the 2016 Annual General Meeting is convened. The term of office of Tsui Yiu Wa is from 5 June 2012 to the time when the 2015 Annual General Meeting is convened. The terms of office of Chen Quansheng and Fong Wo, Felix are from 24 May 2013 to the time when the 2016 Annual General Meeting is convened.

V. DIRECTORS' REMUNERATION

(I) The composition and functions of the Remuneration Committee

(1) The Remuneration Committee of the Company consists of four members, all of them are non-executive directors, namely Zeng Quan (to succeed Wu Mengfei on 24 May 2013), Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng. Three of them are independent non-executive directors. Fong Wo, Felix acts as Chairman.

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

(II) The work of the Remuneration Committee during the year

During the reporting period, the committee held one meeting (please see Table I for meeting summaries), to review the performance result of the management of the Company for the year 2012, and making recommendation on the key Performance Indicators for the senior management of the Company in 2013; as well as making recommendation on the focus of annual remuneration of senior management of the Company.

VI. NOMINATION OF DIRECTORS

(I) The composition and functions of the Nomination Committee

(1) The Nomination Committee of the Company consists of three members, namely Li Yong (executive director), Fong Wo, Felix and Chen Quansheng (both independent non-executive directors), and Chen Quansheng acts as Chairman.

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

(II) The work of the Nomination Committee during the year

During the period under review, the Nomination Committee held three meetings and made recommendations to the Board in respect to the nomination of directors and Vice President, reappointment of directors and policy of diversified directors.

VII. THE AUDIT COMMITTEE

(I) The composition and functions of the Audit Committee

(1) The Audit Committee consists of three members, namely Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng, all of them are independent non-executive directors, and Tsui Yiu Wa acts as the Chairman.

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

(II) The work of the Audit Committee during the year

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

(1) Reviewed the financial reports of the annual operating results of 2012, the first quarterly operating results of 2013, the interim operating results of 2013 and the third quarterly operating results of 2013 of the Company. During the review process, the members performed sufficient and necessary communication with the Company's auditors and the management of the Company, including the approval of annual external audit plan, and fulfilled its duties in ensuring the Company's compliance with regulations, the completeness and accuracy of the operating results disclosed by the Company.

(2) Reviewed the internal control system of the Company. During the reporting period, the committee reviewed the assessment report on effectiveness of internal control of the Company, including the 2012 Self-appraisal Report on Internal Control of the Company, and issued opinions regarding the optimization of internal control system to the Board of Directors and management.

(3) During the reporting period, the committee discussed the deployment of accounting and finance staff of the Company, affirmed the team building and finance works of the team; recommended to strengthen the capital management training of finance staff, so as to strengthen the management and control of impairment of assets, interest rates, exchange rates and financial management, as well as strengthen the cultivation of finance staff to adapt with the overseas work.

(4) With appointment of the auditors, the Committee unanimously approved the recommendations on appointing Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2013.

VIII. TRAINING FOR DIRECTORS

In 2013, two special trainings for directors were organized. In August 2013, all directors attended the training with respect to the disciplinary system of stock exchange, to understand the process of handling violation of rules as well as types of violation and basis for disciplinary actions of the Stock Exchanges of Hong Kong and Shanghai. In June 2013, the Company's new directors and supervisors attended the orientation program.

IX. BOARD SECRETARY

Yang Haijiang, the Board Secretary (and the Company Secretary) was appointed by the Board in April 2010, biography of whom was set out in the section "Directors, Supervisors, Senior Management And Employees" in the 2013 Annual Report. The Board Secretary of the Company reports to the Chairman and Chief Executive Officer and makes recommendation to the Board in respect of corporate governance. For the year 2013, the Board Secretary has confirmed that he has taken not less than 15-hour relevant and professional training.

X. PROTECTION ON THE SHAREHOLDERS' INTERESTS

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

XI. THE REMUNERATION OF AUDITORS

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2013, and to authorize the Board to fix their remuneration. The fees for the audit and non-audit work provided to the Company during the reporting period were as follows:

The audit fees totaled RMB16.089 million for audit/review of the annual and interim financial statements in 2013 and audit for internal control. The fees amounted to RMB0.48 million for tax and advisory professional service.

XII. INVESTOR RELATIONS

Significant changes to the Articles of Association of the Company made during the year were as follows:

1. At the annual general meeting held on 24 May 2013, Article 166, 170 and 171 of the Articles of Association were amended including: the annual dividend level shall not be lower than 20% of the total net profit for the year, dividends distributed in the forms of cash, shares or a mix of cash and shares, and recommendations on dividend payment procedures.

2. Following the completion of placing of H shares on 15 January 2014, corresponding changes to the registered capital and total share capital were made; as approved by Chief Executive Officer, corresponding changes were made to Articles of 16, 17 and 20 of the Articles of Association upon the authority granted to the Board at the annual general meeting held on 24 May 2013 and the authority granted to Mr. Li Yong, the Chief Executive Officer, by the Board.

XIII. RESPONSIBILITIES UNDERTAKEN

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

Table I: Board Meetings & Professional Committee Meetings

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Board of Directors	22 March 2013	Shenzhen	Liu Jian, Wu Mengfei, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
Second Meeting of Board of Directors	26 April 2013	Qingdao	Liu Jian, Wu Mengfei, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
Third Meeting of Board of Directors	19 August 2013	Hong Kong	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa and Fong Wo, Felix	Liu Jian	Three supervisors attended as non-voting delegates
Fourth Meeting of Board of Directors	25 October 2013	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa and Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
Fifth Meeting of Board of Directors	19 December 2013	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
First Meeting of Audit Committee	21 March 2013	Shenzhen	Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
Second Meeting of Audit Committee	25 April 2013	Qingdao	Tsui Yiu Wa and Fong Wo, Felix	Tsui Yiu Wa	One supervisor attended as a non-voting delegate
Third Meeting of Audit Committee	18 August 2013	Hong Kong	Tsui Yiu Wa and Fong Wo, Felix	Tsui Yiu Wa	One supervisor attended as a non-voting delegate
Fourth Meeting of Audit Committee	24 October 2013	Shenzhen	Tsui Yiu Wa and Chen Quansheng	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
First Meeting of Remuneration Committee	21 March 2013	Shenzhen	Fong Wo, Felix, Tsui Yiu Wa, Chen Quansheng and Wu Mengfei	Fong Wo, Felix	
First Meeting of Nomination Committee	22 March 2013	Shenzhen	Chen Quansheng, Li Yong and Fong Wo, Felix	Chen Quansheng	
Second Meeting of Nomination Committee	18 August 2013	Hong Kong	Li Yong and Fong Wo, Felix	Li Yong (on behalf of Chen Quansheng)	
Third Meeting of Nomination Committee	24 October 2013	Shenzhen	Chen Quansheng and Li Yong	Chen Quansheng	

Table II: Particulars of the Board resolutions

Meeting	Matters considered
First Meeting of Board of Directors (22 March 2013)	1. 2012 Financial Report of the Company 2. Proposal for engaging external auditing company 3. Profit distribution for the year 2012 4. Social Responsibility Report of the Company for the year 2012 5. Proposal for 2012 Self-appraisal Repot on Internal Control 6. 2012 Annual Result of the Company 7. Proposal for the Directors' Report and Corporate Governance Report of the Company for the year 2012 8. Convention of Annual General Meeting and Class meeting by shareholders of the Company 9. Proposal for further issue of 20% H share under the mandate of general meeting 10. Approving relevant resolutions of remuneration committee of the Board 11. Approving relevant resolutions of nomination committee of the Board 12. Approving the resolution of amendment of Articles of Association
Second Meeting of Board of Directors (26 April 2013)	1. 2013 First Quarterly Report 2. Approving resolution of amendment on management principles on use of proceeds of the Company
Third Meeting of Board of Directors (19 August 2013)	1. 2013 Interim Result of the Company 2. Approving the amendment on legal affairs management system of the Company 3. Approving resolution of appointing two senior management
Fourth Meeting of Board of Directors (25 October 2013)	1. 2013 Third Quarterly Report of the Company 2. Approving resolution of amendment to the Articles of Association 3. Approving resolution of reappointment of directors 4. Approving resolution of increasing annual capital expenditure 5. Approving resolution of continuing connected transactions of future three years 6. Approving resolution of implementation of "Haijing project" and relevant mandates
Fifth Meeting of Board of Directors (19 December 2013)	1. Proposal for financial budget for the year 2014 2. Annual amount of bank facilities of the Company 3. Approval of resolution of amendment on Financial Management System
Written Resolutions approved in 2013	[COSL BOD (2013) No. 1] Approval of a capital investment project (22 February) [COSL BOD (2013) No. 2] Approval of a connected transaction (14 March)

Table II: Particulars of the Board resolutions (Continued)

Meeting	Matters considered
	[COSL BOD (2013) No. 15] Approval of increase in capital of a joint venture company (22 April)
	[COSL BOD (2013) No. 18] Approval of the provision of financial assistance to overseas subsidiary (21 May)
	[COSL BOD (2013) No. 19] Approval of two investment projects of fixed assets (17 June)
	[COSL BOD (2013) No. 20] Approval of an equity investment project (25 June)
	[COSL BOD (2013) No. 21] Approval of an equity investment project (8 July)
	[COSL BOD (2013) No. 22] Approval of the disclosure of significant events (9 July)
	[COSL BOD (2013) No. 23] Approval of a loan arrangement (26 July)
	[COSL BOD (2013) No. 24] Approval of an equity investment project (7 August)
	[COSL BOD (2013) No. 29] Approval of an equity investment project (30 September)
	[COSL BOD (2013) No. 30] Approval of an equity investment project (16 October)
	[COSL BOD (2013) No. 37] Approval of a capital expenditure project (5 November)
	[COSL BOD (2013) No. 38] Approval of an equity investment project (5 November)
	[COSL BOD (2013) No. 39] Convention of an Extraordinary General Meeting (14 November)
	[COSL BOD (2013) No. 43] Appointment of a vice president (27 December)

Summary of General Meetings

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published	Disclosure date of resolutions
Annual general meeting 2012	24 May 2013	As ordinary resolutions: 1. The audited financial statements and the auditor's report for the year ended 31 December 2012 were approved; 2. The profit distribution and allocation of dividends for 2012 was approved; 3. The Report of Directors for the year ended 31 December 2012 was approved; 4. The Supervisory Committee Report for the year ended 31 December 2012 was approved; 5. The appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the A Share and H Share auditors for 2013 respectively was approved and the Board was authorised to determine their remunerations;	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 13 shareholders in attendance either in person or by proxy at the AGM, representing 3,338,061,805 shares or 74.26% of the voting shares. The aforesaid resolutions were approved by way of on-site voting by poll. Mr. Wu Mengfei, Mr. Li Feilong, Mr. Chen Quansheng and Ms. An Xuefen could not attend the meeting due to other business while all other directors of the Company attended the Annual General Meeting.	www.sse.com.cn www.hkex.com.hk	25 May 2013

Summary of General Meetings (Continued)

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published	Disclosure date of resolutions
		6. The election of certain Directors of the Board; 7. The election of Supervisor; As special resolutions: 1. The resolution regarding the amendment of Articles of Association of the Company was approved; 2. To grant to the Board a mandate to issue further H shares representing up to 20% of the aggregate amount of the H shares in issue during the relevant period. This mandate will be valid in the twelve months upon the date of passing of the resolution at the Annual General Meeting;			

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published	Disclosure date of resolutions
First Extraordinary General Meeting of 2013	20 December 2013	As ordinary resolutions: 1. The day-to-day connected transaction entered into between the Company and China National Offshore Oil Corporation for 2014-2016 was approved. (1) The resolution regarding the integrated service framework agreement (the "Agreement") dated 5 November 2013 and entered into between the Company and China National Offshore Oil Corporation was approved, pursuant to which, the Group and CNOOC Group will enter into various transactions contemplated under the Agreement.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 10 shareholders in attendance either in person or by proxy at the EGM, representing 3,342,445,446 shares or 74.35% of the voting shares. The aforesaid resolutions were approved by way of on-site voting by poll. Mr. Li Zhi, the employee supervisor, failed to attend the meeting due to other business while other directors of the Company attended the EGM.	www.sse.com.cn www.hkex.com.hk	21 December 2013

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published	Disclosure date of resolutions
		(2) The resolution regarding the cap amounts in relation to the Oilfield Services, the Machinery Leasing, Equipment, Material and Utilities Services and the Property Services of the Group and CNOOC Group for the three financial years ending 31 December 2016 was approved. 2. The resolution regarding the election of Mr. Li Feilong as an executive director of the Company was approved.			

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published	Disclosure date of resolutions
		As special resolution: 1. The resolution regarding the amendment of articles of association of China Oilfield Services Limited was approved and it authorized any Director or Board Secretary on behalf of the Company to deal with the relevant filing, amendments and registration (where necessary) procedures and other related issues arising from the amendment of the Company's articles of association.			

Social Responsibility Report 2013

Guide of the report

- **Period of the report:**
  1 January 2013 to 31 December 2013.

- **Publication of the report:**
  The China Oilfield Services Ltd's social responsibility report is an annual report. This document is the 8th annual social responsibility report published by China Oilfield Services Ltd.

- **Scope of the report:**
  This report covers China Oilfield Services Ltd and its subsidiaries. For the purpose of presentation, they are referred to as "China Oilfield Services Ltd ", "COSL", "the Company" and "we/us/our" in the report.

- **References and guarantee of reliability:**
  References for the preparation of this report include "Environmental, Social and Governance Reporting Guide" under Listing Rules of Hong Kong Stock Exchange and the relevant guidelines for the preparation of social responsibility report of China.
  The Company warrants that the report does not contain any false representation, misleading statement or material omission.

- **Description of report material:**
  All information used in the report is obtained from the Company's official documents and statistical reports. All financial information in the report is stated in RMB unless otherwise stated.

NO.1 ABOUT US

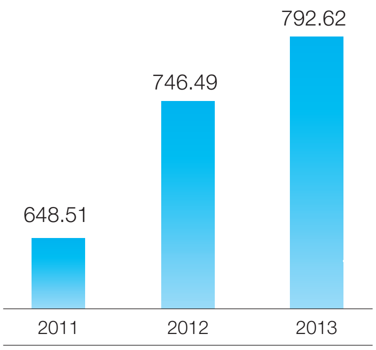
The Company is committed to providing safe, high-quality, efficient and environmental-friendly services to the customers under the principle of "always do better", thereby realizes win-win cooperation with shareholders, customers, employees and partners and strives to become a global leading oilfield service company.

KEY PERFORMANCE TABLE

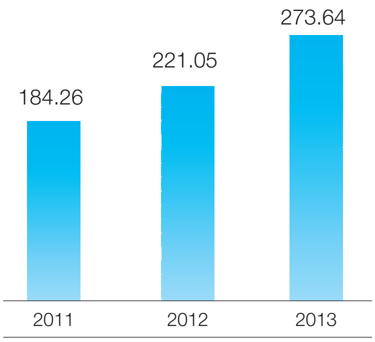
◎ Key performance index for three consecutive years

Market performance

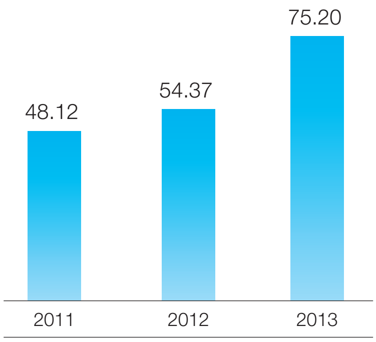
Total assets
Unit: RMB100 million



Revenue
Unit: RMB100 million



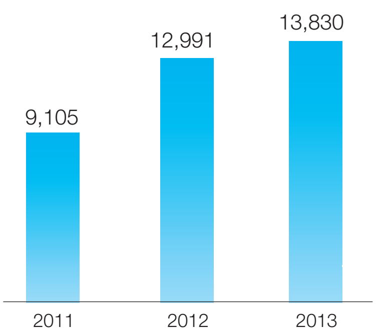
Profit before tax
Unit: RMB100 million



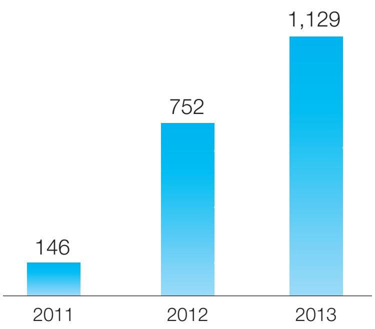
Market performance index	Unit	2011	2012	2013
Total equity	RMB100 million	284.59	322.05	372.60
International revenue	RMB100 million	51.74	68.79	88.98
Percentage of international revenue to total revenue	%	28.1	31.1	32.5
Domestic tax	RMB10,000	137,379.34	160,525.97	184,044.44
Overseas tax	RMB10,000	50,347.91	120,371.17	173,518.83
Number of new patents	item	103	135	158

Social performance

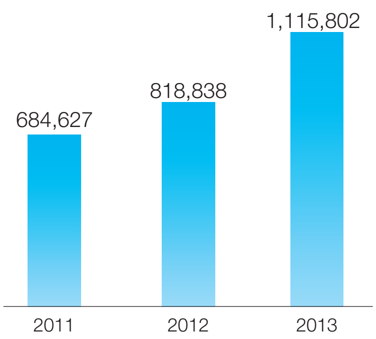
Total number of employees
Unit: person



Number of employees recruited during the reporting period
Unit: person



Total hours of staff training
Unit: hours



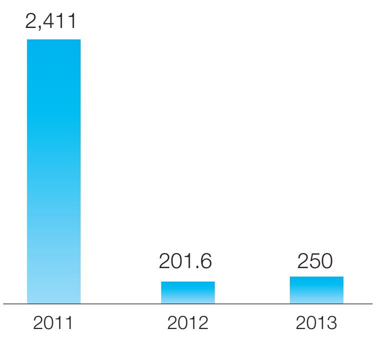
Social performance index	Unit	2011	2012	2013
Percentage of female employees	%	8.27	9.13	9.09
Social insurance coverage	%	100	100	100
Percentage of labour contract signed	%	100	100	100
Staff turnover rate	%	2.2	1.6	1.7
Employee relief investment	RMB10,000	48.07	54.78	72.59
Total donation	RMB10,000	1,500	30	64.69
Number of maritime rescue and salvage	times	16	22	20
Number of employees participating volunteering activities	person	768	856	864

Remarks: The substantial increase in donation for 2011 is mainly used as the redevelopment of earthquake in Wenchuan, Sichuan.

Environmental performance

Investment in energy conservation and emission reduction

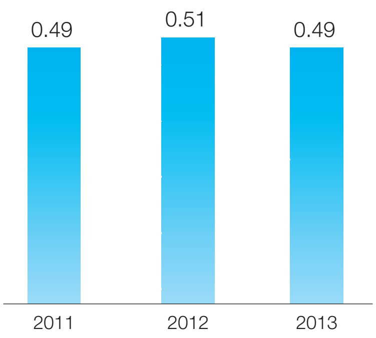
Unit: RMB10,000



Remarks: Since 2012, investment amount only include those directly used in energy saving and emission reduction and not bound with other projects. As such, the investment amount in the statistics dropped significantly.

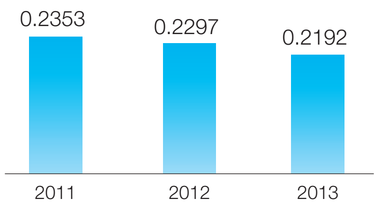
Emission of carbon dioxide for an output value of ten thousand

Unit: Ton / RMB10,000



Energy consumption for an output value of ten thousand

Unit: Standard coal (ton) / RMB10,000



Standard coal: Tons of Coal Equivalent, has the uniform standard of thermal value. China required the thermal value of 1 kg standard coal to be 7,000 kilocalories. Different types of energy with different values can be converted into standard coal with 7,000 kilocalories according to different thermal values.

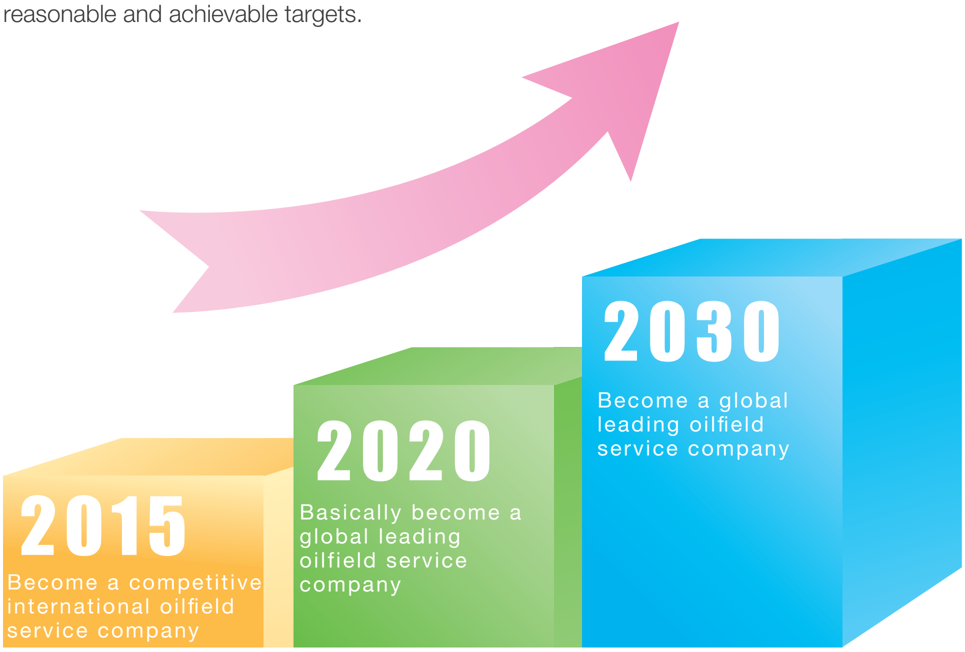
◎ Key recognitions during the year

Name of recognition	Awarding unit
National Champions in "China's Most Promising Companies 2012"	The Asset
The 50 Most Active Service and Trading Companies	International Business Daily by the Ministry of Commerce
Top 100 Chinese Listed Companies in Capital Brand 2013	China Center for Market Value Management
2013 All-Asia Executive Team	"Institutional Investor"
Fortune China 500	Fortune China
Top 500 Chinese Enterprises 2013	China Enterprises Association
The World's Most Innovative Companies 2013 (top 100)	Forbes
Included in the Hang Seng (China A) Corporate Sustainability Benchmark Index in 2013	Hang Seng Indexes Company Limited (Hang Seng Indexes)
Gold bauhinia Award for Chinese Securities-the best listed company in investor relationship management	"Gold bauhinia Award for Chinese Securities 2013"
Model enterprise for China CSR 2013	China Foundation Of Consumer Protection China Environmental Journalists Association

Development strategy

◎ Strategic targets

COSL continuously formulates and improves strategic targets pursuant to its own actual and social development situation and strives to become one of the global leading oilfield service companies which the shareholders are satisfied with, employees are proud of and the society respects. In 2013, COSL amended the "Strategic development outline of COSL" to provide scientific planning and guidance for the Company's development. The Company has also set targets in different stages with reference to industry benchmarks to establish more reasonable and achievable targets.



◎ Coverage of business

With the business covering offshore China, COSL has also expanded its operation to numerous countries and regions including Southeast Asia, Australia, Middle East, North sea and North America, serving local and foreign oil companies including CNOOC, PetroChina, Sinopec, ConocoPhillips, Husky Energy and Shell. It is gradually developing towards an international enterprise.

CSR management

◎ Philosophy of CSR

With our development strategy, COSL put forward the philosophy of "always do better" into fulfillments of social responsibility and strives to provide safe, high-quality, efficient and environmental friendly services for Chinese and foreign customers to achieve win-win situations among shareholders, customers, employees and partners. We stride towards becoming a global leading oilfield service company.

◎ Promoting CSR

The Company combines the performance of social responsibility and sustainable development of the Company. We took steps to promote management of social responsibility through enhancing communication between interested parties and explore social responsibility management approach that is in line with our own condition, with a view to implement social responsibility management.

◎ CSR communication

COSL highly regards the communication between interested parties (Stakeholders). The Company spread the philosophy and implementation of social responsibility through different channels. We seek to understand the demand of interested parties and translate such demand into action plan of the company to fulfill the parties' reasonable expectation to the largest extent.

CSR communication to connect everyone of us

In August 2013, COSL held two press conferences for interim results announcement targeted at analysts and media respectively and attracted over 100 analysts, investors and mainstream media. In addition, the Company organised a phone conference to provide information timely for investors unable to participate, as well as uploaded videos of the conference on our public website to enhance investors' perception and understanding on us.

Interim results announcement conference of COSL in 2013

Stakeholders	Expectations to the Company	Ways and channels of communication
Regulatory authorities	Legal operation Safety and environmental protection Taxation Efficient corporate governance	Compliance with laws and regulations Visits, reports
Employees	Career development Protection of rights Health and safety	Training Staff representatives meetings Communication and exchange
Shareholders	Interest of shareholders Information disclosure Corporate governance	Regular reports General meetings Daily communication Information disclosure
Customers	Provision of safe, environmental-friendly, high quality products and services Fulfillment of contracts Improvement of customer satisfaction	Entering into contracts and agreements Visits, communications Customers services
Suppliers and contractors	Compliance with business ethics and laws and regulations Establishment of long-term partnership Mutual benefit and win-win	Business negotiations and technology exchange Contract negotiations and daily communication Electronic management platform
Financial institutions	Operating conditions Operational risks Corporate Governance	Special meeting Information disclosure
Media	Fulfillment of corporate social responsibility Corporate performance Major events, activities and initiatives	Information disclosure Multi-channel propagation
Charity and non-governmental organizations	Social welfare Environmental protection	Active participation in charity Information disclosure
Community	Improve communication and exchange Contribute to the community development	Community welfare Community care Volunteering work
Environment	Environmental protection Reduce pollution and emission	Energy conservation and emission reduction Clean production Emission on standard Recycling economy

NO.2

Sustainable development

COSL continued to improve corporate governance to strengthen our compliance infrastructure and improve corporate scientific management standard; Enhanced safety production inputs to facilitate safe and steady operation of the company; Pushed forward technical innovation to establish a technological innovative corporation.

1.Compliance

Improvement of internal control

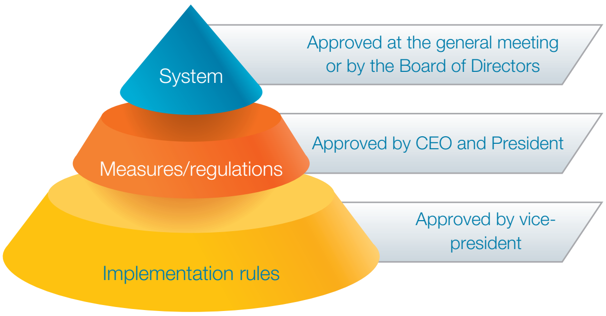
In 2013, we further enhanced our internal control and management system to guarantee the implementation of internal management.

Consolidation of system: With the aim of further stimulating system effectiveness, the Company has established a "three-level system" framework pursuant to basic system, management measures/regulations and implementation rules in 2013, which optimized its management system and process.

Promoting normalized internal control assessment: Pursuant to the requirements of regulatory authorities of the Chinese government, the Company continued to implement the internal assessment during the year. In 2013, the organizational implementation and participation in respect of the internal assessment made a great progress as compared with the previous year.

Enhanced systematic training: We launched trainings regarding different system document in the Company to enhance the awareness of compliance of all employees.

The "three-level system" framework



Trainings on internal control and management in 2013

Training statistics of internal control and management trainings of the Company (2011-2013)

Index	2011	2012	2013
Number of internal control and management trainings	17	15	21
Number of attendees of the internal control and management trainings	430	450	652

Solid risk management

Establishment of risk control mechanism: established significant risk control, warning and reporting mechanism, prepared quarterly risk assessment report and reported level by level according to risk tolerance and level; embedded the risk management in the daily production and operation activities to form the normalized risk management structure, and continued to monitor the material risks assessed during the year. Among which:

For the risk management regarding the construction of large-scale equipment, the Company strictly followed the rules and regulations of the state and authorities. We emphasized on feasibility research and developed project implementation planning. We adopted stringent controls on the design, procurement, and construction and contractor selection. We also strengthened the review, execution and supervision of contract terms, as well as monitoring and optimizing our working standard to enhance procedure and quality control.

As to the QHSE risk management, the Company promoted the standardization of safety production and improved the deep-water operation manual and documents. We introduced talents from overseas and trained our own team for deep-water operation. We formed a dedicated team for focusing on power saving and emission reduction to improve relevant control projects. We enhanced real-time monitoring and safety training of employees so as to keep in line with overseas situation to evaluate risk ratings and formulate contingency plans.

Establishment of contingency measures on risk levels: The Company adopted different contingency measures for different levels of risks, especially those issue with high risk levels, for which the Company actively formulated measures for handling and remediation and enhanced monitoring during such process to prevent the occurence of any hazards.

Training statistics of comprehensive risk management trainings by the Company (2011-2013)

Index	2011	2012	2013
Number of risk management trainings	28	35	38
Number of participants in risk management trainings	843	1,120	1,178

Continuing effort on anti-fraud

The Company emphasized on anti-fraud effort and implemented anti-fraud concept into daily management. We established evaluation system based on work assessment and accountability. We also established a comprehensive operation system based on penalty and corruption prevention.

Consolidation of penalty and corruption prevention system. The Company revised and improved 19 regulations in the penalty and corruption prevention system under "certain requirements of preventing the commercial bribery".

Strengthening the reporting channels. Launch of reporting phone line, fax and email since 2006, reporting work has been handled by dedicated staff.

Enhanced investigation and initial validation. The Company strictly executed the "Management measures of appeal, reporting and complaints" and seriously conducted initial validation and investigation on appeal cases. During the reporting period, the Company was not aware of any illegal cases of corruption and fraud.

Adhered anti-fraud education. In 2013, the Company organized 163 anti-fraud training sessions and 71 case-study education sessions.

Training statistics of anti-fraud trainings of the Company (2011-2013)

Index	2011	2012	2013
Number of anti-fraud training	139	147	163
Number of participants in anti-fraud trainings	8,453	6,345	10,311

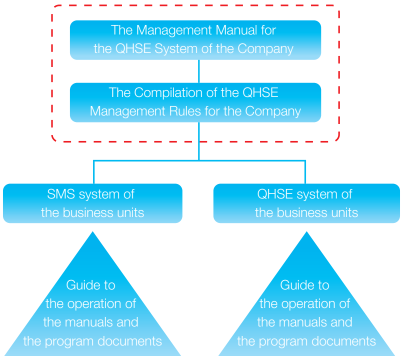
2. Safe production

Safety management system

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

- QHSE management organization

- QHSE system structure



Performance of safety production (2011-2013)

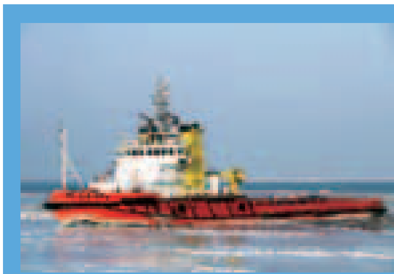
Index	Unit	2011	2012	2013
Number of injury incidents that can be recorded	case	35	46	35
Accumulated OSHA ratio	%	0.19	0.24	0.18
Accumulated working days lost ratio	%	2.66	2.16	1.7
Number of incidents	case	59	59	49
Number of death of employees	person	2	1 (Joint venture)	0
Number of death of contractors	person	1	0	2

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

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

Management of safety production

Upholding the guiding principle of "safety and prevention first, integrated management", the Company actively constructs safety management of the teams and groups, launches standardization activities for safe production and fully enhances the working standard to lay a solid foundation for safety management and to become an intrinsically safe enterprise.



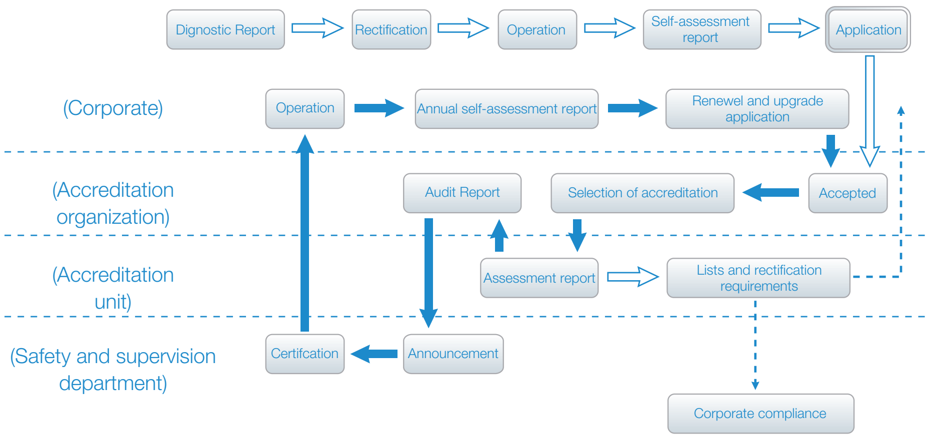
The Company grants the "Golden Sail Award" to Binhai 284 for its safety operation in twenty consecutive years without any accidents; Capitain Yang Zhengxue, Xu Ping and Zhuang Feijin are awarded with the "Golden Steering Award", for their offshore safety production for more than 2,500 days consecutively.

On-site safety management

For on-site safety management, STOP (safety, training, observation and programme) cards are used to encourage the correct safety behavior of employees. Through job safety analysis (JSA), all staff are participating in risk management to exercise effective on-site control on the operating risk. Through collecting and analysing safety suggestion report (SSR) from on-site personnel, the corresponding safety management system can be improved.

Establishment of standardized safety production

Leadership and execution groups for standardized safety production are established. Pursuant to the standard safety production regulations in oil industry, the groups completed targeted diagnosis, system amendment, operation, self-evaluation, application and acceptance.



Hoisting safety warnings

Safety warnings were hoisted upon occurrence of typical accidents and dangers in the industry, which showed prominent effectiveness.

Safety emergency management

The Company paid much attention to the emergency management and continued to optimize the emergency management system and strengthened the on-site emergency trainings and drills in order to ensure the emergency rescue work can be duly carried out in case of emergency. The injury cases of employees can thus be reduced to a large extent and mitigate the pollution problem and property loss.

Improvement in emergency management

In light of the on-going expansion in the Company's international business, we have been paying effort in improving emergency management. In order to further improve emergency management, the Company formulated the regulations on domestic and overseas emergency management to fulfill the need of international business development and safety management.

Organizing emergency drills

The Company actively organized safety emergency drills to enhance the Company's ability to deal with emergencies. In 2013, all units participated in the joint ship-and-shore drill, investing RMB878,700 in conducting 10,251 on-site exercises covering the rigs, ships and shore with 235,227 participants, in which there were 380 comprehensive drills and 9,871 special drills.

Safety emergency drill

On 26 June 2013, the Company held a joint ship-and-shore emergency drill in HYSY937. This was the first tier-1 drill of the company involving overseas business. Through such drill, the abilities of the emergency center of different levels in the Company to relocate internal and external contingency resources were verified. This enhanced the awareness and ability of staff in handling emergency events.

Fire drill

Life-saving drill

Emergency operation center

Electric shock emergency drills on rigs

Ship personnel rescue drill

Fire evacuation drill in buildings

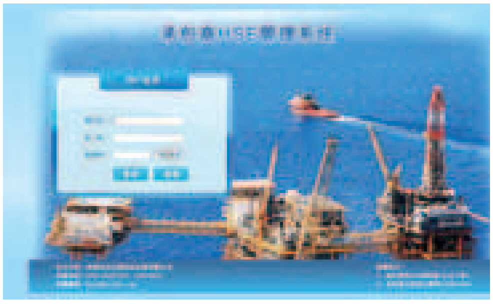
Potential hazards investigation and prevention

By adopting the “risk management system in investigation and prevention of significant sources of dangers and potential hazards”, the Company obtained immediate control on significant sources of dangers and potential hazards.


Risk management system in investigation and prevention of significant sources of dangers and potential hazards

The HSE management system of contractors

The Company places high importance to the HSE management of contractor so as to continuously improve the contractor management system, strengthen the assessment and review on contractors and regulate the management of contractors through the “HSE management system of contractors”.


The HSE management system of contractors

Safe education and training

Promotion of safety culture

The Company actively organized the activity of “safety month” to promote safety via various means such as exhibition board, quiz and warning videos, with an aim to spread safety knowledge and culture.


Safety check

Safe production training

“Inadequate training is the largest potential safety hazard” – the Company adhered to such philosophy in 2013 and adopted the system of “on board with license” and “pre-job training” to enhance our quality of safety training. All units formulated their safety trainings for all staff and provided training in line with actual demand. In 2013, 126,249 participants were trained across different units.


Trainings about the regulations and rules of safety production of rigs

NO.3
Quality service

The Company continued to improve quality control, established sound quality control system to ensure quality and safety work in the organizational and system aspect. The Company also developed innovative service practices to provide professional services for customers and enhanced product quality to provide diversified products in order to meet different customers demands to the largest extent.

1. Quality management

The Company adhered to the philosophy of "guarantee the quality for our reputation" and kept improving its quality control to provide high quality products and services for customers to meet their needs and enhance customers satisfaction.

Strong organization for quality. Each direct units established strong organizational network for respective quality controls and centralized the coordination and supervision of quality control on products and services.

Improvement of quality control system. The Company adjusted its quality control system by complementing with relevant procedures and operation to ensure its appropriateness, effectiveness and manipulability.

Quality training. The Company actively launched quality control training to enhance employee's awareness and ability of quality control, in order to meet the quality control requirement during the company's rapid expansion in production scale.

Organizing QC group activities. The Company actively pushed forward the establishment of quality control groups, formulated implementation measures of QC group activities, and continued in introducing such activities. At present, there are totally 35 completed or on-going activities.

Facilitating inspection on quality projects. The Company introduced dedicated quality control inspection, mainly on quality system, equipment and facilities, customers satisfaction etc. The Company also implemented remediation and prevention measures targeting on issues identified during the inspection.

PTTEP geophysical project in Thailand

The Thailand 3D seismic collection operation is situated in A4-48&A5-48 industrial area of Thailand gulf, in which there are numerous abandoned fishing net, tree trunks and debris, if caught by the equipment, will threaten the safety of underwater facilities and materially affect the normal operation of the fleet. HYSY719 fleet has overcome much unfavourable conditions since the launch of operation in 11 October 2012, such as the abundant amount of waste materials, strong and unpredictable ocean current and marine creatures in the area. After 3.5 months, HYSY719 completed its 2,776 square kilometers 3D seismic collection operation. Its action brought good reputation for the Company's geophysical business in overseas market.

2. Quality services

Provision of professional services

The Company is the major supplier of offshore geophysical and surveying services, drilling services, well services and marine support and transportation services in China. Its business is also present in the offshore regions of Southeast Asia, Europe, America and the Middle East. It provides professional services of high quality to numerous oil companies around the globe and fulfills different needs of the clients.

Business segments	Main business service
Geophysical and Surveying Services	Marine seismic data collection, marine surveying, seismic data processing and interpretation, land-based engineering, underwater engineering etc.
Drilling Services	Offshore drilling, land drilling, drilling rigs management etc.
Well Services	Logging, drilling and completion fluids, directional drilling, cementing, well completion, well workover, oilfield production optimization etc.
Marine Support and Transportation Services	Anchoring, towing of drilling/utility rigs (vessels), offshore transportation, standby services of oil and natural gas fields, oil extraction, fire services, rescue, offshore pollution treatment etc.

Completion of second innovation project with efficiency and quality on Qikou 18-1

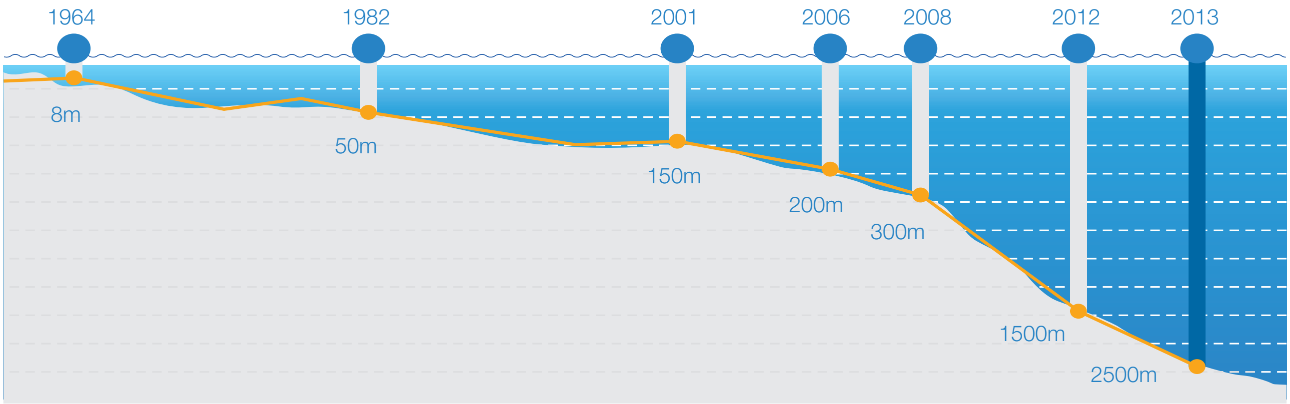
With innovative technologies and advanced tools and management, the secondary innovation project of Qikou 18-1 was completed with high efficiency and high quality. During the operation of this project, 8 directional drilling jobs and TCP jobs were completed with results of 100% good hole quality, 100% perforation rate, 100% sealing success rate for packers with wireline as well as zero signs of wellbore collision and equipment failure rate. This brought us 4 Letters of Recognition and 4 Team Cooperation Awards, on top of which, 3 staff won the Best Suggestion Awards for Effectiveness and 7 staff the Best Service Awards.

Innovative approach for the installation of Christmas tree

In 2013, the utility surveying vessel HYSY 708 individually completed the installation of Christmas tree, which marked the first example in China and created a new approach for installation of Christmas tree in deep water oilfields. The single vessel operation approach reduced construction procedures, increased efficiency and saved operation expenses for clients.

HYSY 708

Operation (in terms of water depth)



Improving communication with customers

The Company strives to enhance its servicing ability to expand customers communication channel with a view to facilitate interaction with customers. The Company had multiple visits to local and overseas customers to enhance communications on early stage project bidding, discussion on business technology and current status of operation so as to better understand and fulfill customers' needs. The Company also invited customers to visit the Company and organized large-scale customers communication activities to consolidate their mutual understanding and lay the foundation for broader and deeper cooperation in the future.


Meeting between clients and our CEO


Invitation to customers for visits to the Company

In 2013, the Company's overseas projects was highly regarded and recognized by customers.

Norway	Outstanding rig management and operating capability of CDE (COSL Drilling Europe AS) was recognized among customers and ranked number one in the comprehensive performance evaluation of all drilling contractors of Statoil COSLPioneer was recognized as the "Rig of the Month" twice
Indonesia	BH8 ranked number one of drilling contractors of Pertamina
Mexico	The COSL2, COSL3 and COSL4 rigs were awarded the recognition of "Star of safety in a thousand days"

3.Quality products

Well-tech related products

COSL is able to provide our customers with a full range of conventional and high-end wireline logging tools that have been certified. Particularly, our Enhanced Logging Imaging System (ELIS) has won the second prize for National Technological Progress and the Certificate for National Independent Innovative Product. Our high-end logging tools such as Basic Reservoir Characteristic Tester (Basic-RCT), Enhanced Resistivity Micro-Imager (ERMI), Enhanced Magnetic Resonance Tool (EMRT), Enhanced Rotary Sidewall Coring Tool (ERSC) have gained a competitive advantage in the world.

Oilfield chemicals related products

The Company provides various additive materials, which are necessary for oil drilling and oilfield production services, including drilling fluid additives, well completion fluid additives, cementing additives as well as acidification and oilfield production additives.

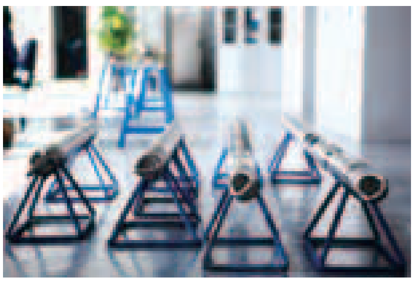
Oilfield production optimization related products

The Company is capable to provide research and development, manufacturing, inspection and testing services of middle and high-end well completion equipments, sand control and oil extraction equipments for customers. The Company also provides design, manufacturing and on-site services of the entire well completion operation and sand control pillars which are suitable for different well conditions in order to satisfy customers' various needs.

Well-tech manufacturing department

Screens

Plug in seals and packers



Cross multi-pole array acoustic logging tool

Logging skid of open holes and cased wells

NO.4
Harmonious & win-win

The COSL took its advantage in performing corporate social responsibility. We nurtured staff development, emphasized on caring, so as to facilitate growth of both our staff and the Company. We pushed forward multi-facet strategic cooperation to establish a responsible supply chain and enjoy a win-win situation with our partners. We engaged in social welfare to contribute to the society.

1. Care for our staff

Protection of rights

The Company strictly adhered to relevant national laws and regulations of China and countries in which we operate, pursuant to which we enter into labour contracts with our staff so as to respect and protect their legal rights, personal information and privacy. We prohibited child labour and forced labour of any kind. We insisted fair employment and prohibited employment discrimination of any kind.

We established a competitive remuneration system and utilized a standardized annual pension and supplementary medical insurance system to continuously enhance our insurance system with 100% coverage in basic social insurance. The Company also offers health checks, paid leaves, assistance on difficulties and aids for severe sickness.

Statistics of employees of the Company (2011-2013)

Index	Unit	2011	2012	2013
Number of employees	person	9,730	12,991	13,830
Number of PRC employees	person	9,105	12,148	12,849
Number of foreign employees	person	625	843	981
Proportion of female employees	%	8.27	9.13	9.09
Rate of signing labour contract	%	100	100	100

Statistics of overseas employees localization of the Company in 2013

Index	Unit	2013
Number of local staff used by the Company	person	2,393
Proportion of local employees	%	45
Training hours of local employees	hours	351,467

Occupational health

The Company established a comprehensive management organization and a leading group for occupational health. We formulated the "Employees health record regulation", "Occupational health regulation" and "COSL rules for the implementation of occupational health management". We strengthened trainings on occupational health, launched occupational health checks, evaluation of occupational hazards, improve management of occupational health documents, and provided psychological consultation, with a view to adopt the health management approach of "cherishing people and lives" and protect the health and rights of employees.

Health promotion column

Face to face health consultation with experts

Psychological consultation

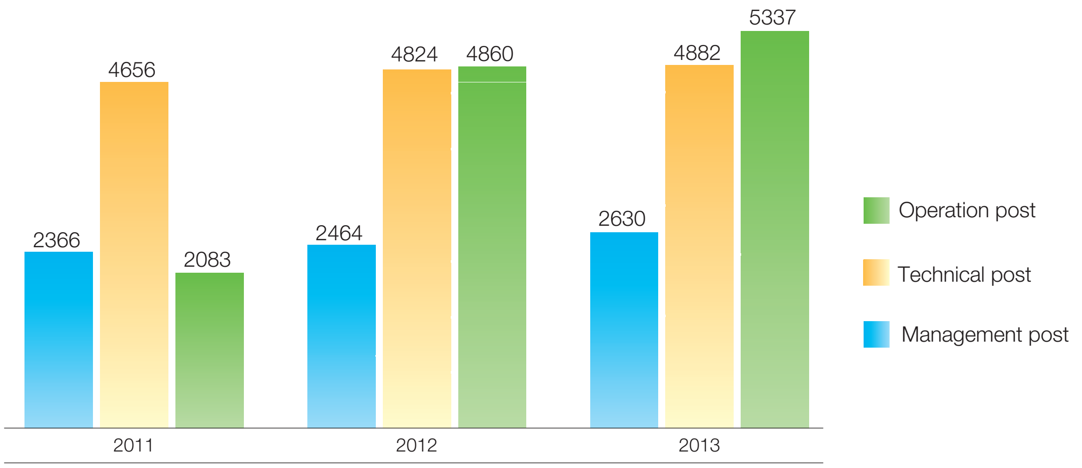
Results of health examination of the PRC employees (2011-2013)

Index	Unit	2011	2012	2013
Proportion of all staff health check	%	97	98.2	99
Number of people attending occupational health checks	person	4,465	4,489	4,448
Proportion of occupational health checks completed	%	97	99.6	99.7
Proportion of completion in inspection of occupational hazard factors	%	73	98	99

Staff development

The Company adhered to a scientific talent selection mechanism, and developed a comprehensive set of appraisal and promotion standards and performance management measures. Through recruiting quality talents, introducing professional training, as well as recruiting and retaining professional technicians, the Company has established a high quality staff team.

Statistics of PRC employees classified by positions (2011-2013) Unit: person



Statistics of PRC employees classified by the academic qualification (2011-2013) Unit: person

Academic qualification	2011	2012	2013
PHD	16	21	26
Master	391	462	529
Bachelor	4,179	4,638	5,144
Below bachelor degree level	4,519	7,027	7,150

Statistics of PRC employees classified by ages (2011-2013) Unit: person

Age	2011	2012	2013
30 or under 30	3,897	5,297	5,478
31-40	2,067	3,100	3,559
41-50	1,913	2,370	2,416
Over 51	1,228	1,381	1,396

Meanwhile, the Company continuously increased investment in employees training. We held multi-leveled technical competitions for different duties to establish a platform for our employee's comprehensive technical improvement. In addition, through targeted pre-operation training in overseas, dispatching after studying abroad, and establishing mixed team with local and foreign staff, the Company continuously enhanced the quality of overseas team.

Summary of staff training in 2013

Training 71,793 persons
Total training hours: 1,115,802 hours
4 senior management studied systematically for Executive Master of Business Administration (EMBA)
12 technical talents attended overseas training of engineering master for one year
15 technical experts of the Company participated in the one-month exchange study in the United States
44 strategic backup employees trained for one year
150 front-line team leaders trained for one week by stages

Significant performance in overseas team construction

In 2013, the Company organized sectional training courses. 20 and 100 employees attended elementary and intermediate English trainings respectively. 34 attended the targeted pre-dispatch training. At the same time, excellent front-line staff and experts were selected to study abroad, thus improving the level of technical management. At present, among those attended international talent training, 130 people are working overseas, accounting for 10% of the trained employees.


Overseas master study


Trainings of foreign employees in China


Overseas training in specific professional knowledge


Trainings of foreign employees in local countries

Demonstrate the talents in skill competitions

In 2013, the Company organized crane operator match and well cementing match in the 5th professional skills competition of CNOOC, and won 2 gold, 4 silver and 9 bronze medals in crane operator, well cementing and electric maintenance matches. 5 employees were honoured as "professional technician in centrally-controlled state-owned enterprise".

Furthermore, the Company also organized skill competitions for logging workers and offshore seismic workers, which enhanced the skill of staff, improved their ability in performing their roles, as well as boosted the level of engagement in developing their talents and contributing to their job duties.

Employee involvement

The Company placed high importance on employee involvement. Through establishing the labour unions, it can facilitate negotiation and communication with employees and protect their benefits and rights in making decision regarding our corporate development. The Company also ensured unobstructed appealing so that employees' opinion and suggestion can reach management of the Company and its divisions easily and efficiently.

Caring

The Company concerns about employees' psychological health and their families. As such, the Company organized various recreational activities as well as youth employees fair, gathering activities for single youths, group wedding and cultural and leisure activities with the aim to enrich employee's life after work and enhance their cultural qualities.

The Company actively improves the working and dinning environment, provides fitness facilities, enlarges green area in the office section and makes a comfortable working environment for the staff.

Rich cultural and recreational activities

The Company places much importance on assisting employees in difficult situations, and therefore established and improved various aiding systems for those in need, including the provision of living aid, financial aids for education for employee's children, grouping in pairs for mutual assistance and providing condolences or visits for those on leave. In 2013, the Company sent condolences to over 8,600 persons.

Family open day to connect home and marine living

In order to provide employee's family members better understanding on our employee's working and living environment, the Company arranged a "family open day" on the rigs at piers to let employees' family members get on board to experience our employees' marine lives, connecting our employee's home and marine living.

Romantic group wedding

On 26 August 2013, the COSL group wedding was held. 17 new couples from employees attended the group wedding under the witness of friends and relatives. COSL has organized a total of two group weddings, witnessing the marriage of 39 pairs of lovers.

2.Win-win partnership

Strategic cooperation

The Company took steps to establish an environment emphasizing on integrity and fair competition. It entered into strategic cooperation agreements with significant business partners to achieve long-term common development of all interested parties.

On 10 October 2013, COSL and PBS Brunei entered into an agreement regarding the establishment of a joint venture. This broadened the cooperation between China and Brunei in oilfield services.


COSL cooperated with Schlumberger in deep waters


COSL and Tsinghua University jointly established a high-temperature laboratory for downhole circuits.

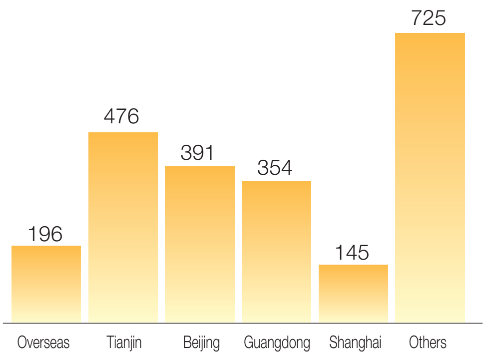
Supply chain management

To regulate the supply chain management, the Company ensures the procurement activities to be open and fair. We utilized an IT management platform to implement the online tender and continued to carry out trainings for the suppliers. In 2013, certification trainings for users of suppliers of procurement systems were completed on 226 suppliers. As at the end of 2013, the Company has an accumulative of 1,097 suppliers attending the trainings and obtaining the license.

The Company adhered to the principles of scale control of the number of suppliers, classified management and standardized usage to manage the suppliers. The "Approval system" was introduced to the suppliers in procurement activities. A supplier pool was established and maintained, in which the suppliers' performance were accessed through appraisal in stages and annual audits. To ensure the compliance of suppliers and select better suppliers, we will review the qualification and results of the suppliers and see if they are involved in any pending or potential economic disputes, corruption, fraud, tax evasion, money laundering and employment of child labors.

In 2013, the Company had 2,287 suppliers including 196 foreign suppliers and 2,091 domestic suppliers.

Number of suppliers classified by regions



3. Social giving

Management of welfare donations

Our welfare and charity committee was established. Pursuant to the actual situation of our welfare and charity effort, the "Articles of association of the welfare and charity committee of COSL" and a charity donation plan were developed to enrich and improve our CSR strategy and welfare system.

Welfare and charity projects

In the past 3 years, the Company made charity donations amounting to RMB15.95 million, mainly for supporting reconstruction in Sichuan after earthquake, financial aid for education and social welfare.

Donations for education: The Company aided the construction of 12 COSL "Hope Primary Schools" in Yunnan and Hainan, and established the COSL Hope Primary School Scholarship in 2012. Prior to Teachers' Day 2013, the Company delivered the first batch of scholarship with the total amount of RMB50,800 to 45 quality teachers and 373 outstanding students.

Marine salvage

While completing its production tasks, the Company also actively participated in marine salvage. In 2013, the Company mobilized 26 vessel-times and participated in 20 marine salvages, 1 marine route guarding for local government under ice disaster, rescued 18 vessels and 52 persons.

In 2013, the Company was awarded various recognitions on marine salvage, both for the company as a whole and for its individuals. The Zhanjiang operating company of the Company's marine support and transportation division was awarded the "advanced unit in marine salvage 2012-2013" by the Beihai Maritime Search And Rescue Center and the "advanced unit for marine salvage 2012" by Sanya Maritime Rescue Centre. HYSY 567 obtained the recognition of "advanced group in marine salvage". Captain Chen Qiyou was regarded as the "advanced individual in marine salvage 2012-2013" by the Beihai Maritime Search And Rescue Center.

On 8 March 2013, the Zhanjiang operating company of the Company's marine support and transportation division was awarded the "advanced unit in marine salvage 2012".

On 17 April 2013, Binhai 262 successfully rescued a vessel distressed in Jingtang Port Channel and the 7 people in distress were all saved.

Promoting employment

With the Company's ongoing development, the Group focused on recruitment from colleges as well as the society and recruited 1,129 employees of different roles in 2013. Not only did this create employment opportunities, but also attracted outstanding talents to the Company.

Care for the community

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

Volunteer work

The Company highly concerned about hot and major topics of the society and strived to assist those in need. Through volunteer work, the Company encouraged its employees to participate and provide caring for the society together.

On 20 April 2013, a 7.0 magnitude earthquake struck Ya'an, Sichuan. 11,669 employees volunteered to raise a total of RMB964,100 fund for supporting the devastation area of Ya'an.

Harmonious Community

On 14 April 2013, four people of team LR7005, the Iraq Project Team of the Company, once again visited local residents living in the surrounding area of the drilling team, asking about their recent lives and bringing them some living goods.

Volunteer services of Guo Mingyi volunteer team of COSL

Staff volunteer services on World Environment Day

The young volunteers of the Company donating blood for the injured in Ya'an, Sichuan Province

NO.5
Green development

Promoting eco-friendly development is one of our primary responsibility. The Company adhered to the philosophy of "respect the nature and protect the environment" in performing its environmental responsibility. In addition to improving environmental management and making efforts on clean production, the Company also commenced energy saving and emission reduction to contribute in protecting the environment and developing a eco-friendly culture, with the target of achieving common growth and development between our company and the environment.

1. Environmental management

Environmental management system

The Company sees protection of marine resources and environment, prevention of pollution and protection of our employees' health as its mission. Based on the international and state conventions, laws, regulations and rules on marine environmental protection which the Company strictly followed, it established a safety management system (SMS) for its vessels and quality, health, safety and environment (QHSE) system, which have obtained certifications from competent authorities and third parties, so as to introduce regulations on various marine environmental protection issues.

Environmental protection training

In 2013, the Company actively organized environmental trainings in relation to garbage sorting, usage of anti-pollution facilities and usage of oil leakage emergency equipment with the aim to further enhance the environmental protection awareness and skills of on-site employees.

Statistics of environmental protection training of COSL in 2013

No.	Time	Location	Course	Number of trainees
1	2013.1	Tianjin	Supplementary provision V of the anti-pollution convention	60
2	2013.6	Tianjin	Trainings on environmental projects	40
3	2013.7-11	Zhanjiang	Promotion and implementation of management measures in environmental protection	30
		Zhanjiang	Updated provisions in the anti-pollution convention	180
		Tianjin	Evaluation of environmental risk and environmental monitoring	55
		Tianjin	Offshore oil leakage	40

2. Clean production

The Company adhered to the sustainable development philosophy of "green, clean, low-carbon and circular economy" and implemented the concept of green and low carbon into every detail in production and operation. We commenced clean production and saved 13,718 tonnes of standard coal equivalent during the year.

Index	Unit	2011	2012	2013
Investment for energy saving and emission reduction	RMB10,000	2,411	201.6	250

Description:

1. Since 2012, investment amount only include those directly used in energy saving and emission reduction and not bound with other projects. As such, investment amount in the statistics dropped significantly.
2. Standard coal: Tons of Coal Equivalent, has the uniform standard of thermal value. China required the thermal value of 1 kg standard coal to be 7,000 kilocalories. Different types of energy with different values can be converted into standard coal with 7,000 kilocalories according to different thermal values.

Classified statistics of energy consumption in 2013

Type of energy	consumption	Standard coal equivalent (tones)	Proportion (%)
Electricity	14,605,000 kWh	1,794.96	0.47
Diesel fuel	252,798.30 tonnes	368,352.41	96.09
Natural gas	255,063.00 cubic meters	339.23	0.09
Oil fuel	6,663.91 tonnes	9,520.07	2.48
Petroleum	708.12 tonnes	1,041.93	0.27
Engine oil	1,640.48 tonnes	2,296.67	0.60
Total		383,345.26	100.00

Energy consumption of RMB10,000 worth production

Year	Tones of standard coal RMB10,000	YOY 2011 (%)
2011	0.2353	–
2012	0.2297	-2.38
2013	0.2192	-6.84

Water-based drilling fluid "GREENDRILL" maximizes environmental friendliness

The Company successfully developed a kind of environmental friendly water-based drilling fluid "GREENDRILL" using natural materials and detoxified materials. Its environmental friendly nature not only reaches the significant technological metrics of the state, but also fulfilling the requirements of national standards. When in use, this new fluid saves up the waste treatment procedures as well as saves time and significantly reduce the general cost of well construction and increased the output and input ratio.

Turning wastes into useful materials and damages into benefits

The Company, after nearly 3 years of research, developed a new PC-Litestone system for well completion which turns the incineration waste from coal power station, the "Fly ash", into useful materials.

Application of PC-Litestone in Bohai

3. Qualified discharge

The Company implemented stringent management on offshore discharge of pollutants in accordance to the requirements of the Marine Environmental Protection Law. In 2013, total volume of collected solid waste materials of the year was 3,994.035 tonnes.

Marine Discharged substances	Measures for qualified discharge
Domestic sewage	The Company invested in the upgrades of anti-pollution facilities and equipment. Sewage pumps and excretory treatment installations on the rigs were replaced. Drainage waterways of residential area were rebuilt. Upon treatment, the discharge of domestic sewage in the rigs reached relevant standards.
Domestic waste	Garbage crushers were installed in the rigs and vessels to handle the leftover food to pursue qualified discharge. The other domestic waste were packed and sent for on-shore treatment.
Oil polluted water	Oil polluted water goes through the treatment machine before discharging. Rigs are equipped with waste oil cans to separate polluted oil and waste oil to send for on-shore treatment.

Description: To ensure good operating condition of anti-pollution facilities and equipment of rigs and vessels, such facilities and equipment were included in PMS for regular maintenance,so as to prevent leakage of oil in equipment and fundamentally eliminate the possibility of polluting the ocean.

Statistics of discharged volume of the Company (2011-2013)

Type of discharged substances	Unit	2011	2012	2013
Qualified discharge of oil polluted water	Cubic meters	755.03	1,291.05	1,287.38
Discharge of crushed domestic waste	tonnes	179.34	324.71	151.78
Qualified discharge of drilling fluid	tonnes	57,734.00	98,165.70	74,751.23
Carbon dioxide	tonnes	677,154.95	777,307.48	808,361.75
Emission of carbon dioxide for an output value of ten thousand	tonnes / RMB10,000	0.49	0.51	0.49

Protection of marine species

Pursuant to act of marine animal protection in Australia, the rigs must stop operation with potential harm to marine species when rare protected animals such as sea tortoise, whales and dolphins were seen. As such, the rigs staff were strictly required to report immediately once such marine species were identified so as to let the operator decide whether or not to stop operation. At the same time, stringent requirements regarding pollutants discharge were implemented in the rigs. Oil polluted water must be treated on-shore. NH6 was never complained for environmental protection issues in 7 years. For the diagram, whales tend to stay near us for the good and safe environment.

PROSPECT

Looking forward to 2014, the Company will continue to enhance its competitiveness and ability for sustainable development to contribute more to the economic, social and environmental development.

Facilitate sustainable development. The Company shall continue to improve its corporate governance, push forward legal compliance, enhance sustainable development standard, increase effort in safety production and ensure safe and steady operation of the company. It will also continue to implement its technological innovation strategy, enhance self-innovation ability to increase competitiveness in its core business.

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

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

Promote Environmental friendly development. The Company will continue to improve its environmental management system and intensify relevant trainings. It will also continue to promote clean production, increase efforts in energy saving and emission reduction and push forward its low-carbon operation so as to take part in the establishment of an ecological culture.

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

Name	Position	Sex	Age	Commencement and expiry of term	Number of shareholding at the beginning of the year	Number of shareholding at the end of the year	Reason of change	Total Remunerations received from the Company during reporting period (10,000 Yuan) (before tax)	Total Remunerations received from the shareholding company during reporting period (10,000 Yuan)
Liu Jian	Chairperson, non-executive director	Male	55	2012.6.5~2015.6.4	–	–	N/A	–	–
Li Yong	Executive director, CEO and president	Male	50	2012.6.5~2015.6.4	–	–	N/A	76.89	–
Li Feilong	Executive director, Executive vice president and CFO	Male	49	2013.12.20~ 2016.12.19	50,000 H Shares	50,000 H Shares	N/A	71.72	–
Zeng Quan	Non-executive director	Male	53	2013.5.24~2016.5.23	–	–	N/A	–	67.26
Tsui Yiu Wa	Independent non-executive director	Male	64	2012.6.5~2015.6.4	–	–	N/A	40.00	–
Fong Wo, Felix	Independent non-executive director	Male	63	2013.5.24~2016.5.23	–	–	N/A	40.00	–
Chen Quansheng	Independent non-executive director	Male	63	2013.5.24~2016.5.23	–	–	N/A	40.00 (Note 1)	–
Zhang Zhaoshan	Chairman of Supervisory Committee	Male	58	2013.5.24~2016.5.23	–	–	N/A	–	58.99
Li Zhi	Employee Supervisor	Male	49	2013.5.16~2016.5.15	–	–	N/A	22.14 (Note 2)	–
Wang Zhile	Independent Supervisor	Male	65	2012.6.5~2015.6.4	–	–	N/A	8.00	–
Wu Mengfei	Former non-executive director	Male	58	2010.5.28~2013.5.27	–	–	N/A	–	–
An Xuefen	Former Chairman of Supervisory Committee	Female	59	2010.5.28~2013.5.27	–	–	N/A	–	32.43
Dong Weiliang	Executive vice president	Male	56	2007.6~	–	–	N/A	82.23	–
Xu Xiongfei	Vice president, chairman of Labour Committee	Male	52	2007.6~	–	–	N/A	64.70	–
Yu Zhanhai	Vice president	Male	59	2007.8~	–	–	N/A	67.25	–
Kang Xin	Vice president and Chief Legal Officer	Female	39	2013.8~	–	–	N/A	12.51	–
Cao Shujie	Vice president	Male	49	2010.3~	–	–	N/A	60.54	–
Zi Shilong	Vice president (Former Employee Supervisor)	Male	42	2013.8~	–	–	N/A	44.72 (Note 3)	–
Qi Meisheng	Vice president	Male	45	2013.12~	–	–	N/A	– (Note 4)	–
Yang Haijiang	Secretary of the board	Male	44	2010.4~	–	–	N/A	51.37	–
Total	/	/	/	/	50,000 H Shares	50,000 H Shares	/	682.07	158.68

Note 1: *Mr. Chen Quansheng is a civil servant and his remuneration will be implemented according to the relevant national requirements.*

Note 2: *The total remunerations paid by the Company to Mr. Li Zhi shall be the remuneration payable for his duties as a supervisor of the Company during the reporting period.*

Note 3: *The total remunerations paid by the Company to Mr. Zi Shilong shall be the remuneration payable for his duties as a supervisor and vice-president of the Company during the reporting period.*

Note 4: *As a vice-president of the Company, Mr. Qi Meisheng assumed his duties on 25 December 2013, so the remuneration for his duties as the vice-president of the Company has not been paid during the reporting period.*

Board of Directors:

Mr. Liu Jian Chinese, male, born in 1958, Chairman and a Non-Executive Director of COSL. He graduated from Huazhong University of Science and Technology with a Bachelor of Science degree and received his MBA degree from Tianjin University in 2000. Mr. Liu is a senior engineer. Mr. Liu first joined CNOOC in 1982 and has over 32 years of experience in the oil and gas industry. He served as the manager of CNOOC Bohai Corporation Oil Production Company, a subsidiary of CNOOC, the Deputy General Manager of the Tianjin Branch of CNOOC China Limited, the General Manager of the Zhanjiang Branch of CNOOC China Limited, the Senior Vice President and General Manager of the Development and Production Department of CNOOC Limited, the director of CNOOC China Limited, CNOOC International Limited and CNOOC Southeast Asia Limited. Since October 2005, he became the executive vice president of CNOOC Limited and was primarily responsible for the offshore oilfield development and production of CNOOC Limited. Mr. Liu has been appointed as the Chief Executive Officer of COSL with effect from March 2009. In June 2009, Mr. Liu was appointed as Vice-Chairman of COSL. In May 2010, Mr. Liu was appointed as Deputy General Manager of CNOOC. He was also appointed as Chairman of COSL and Offshore Oil Engineering Co., Ltd in August and December 2010 respectively.

Mr. Li Yong Chinese, male, born in 1963, Executive Director, Chief Executive Officer and the President of COSL. He graduated from Southwest Petroleum Institute with a Bachelor in Petroleum Engineering in 1984. Mr. Li obtained a master degree in Oil Economics from the Scuola E Mattei of Italy in 1989 and an MBA from Peking University in 2001. Since August 2010 Mr. Li has been the Executive Director, Chief Executive Officer and President of COSL. From April 2009 to August 2010, he served as Executive Director and President of COSL. From May 2006 to April 2009, he served as Executive Director, Executive Vice President and Chief Operating Officer of COSL. From October 2005 to May 2006, Mr. Li was Executive Vice President and Chief Operating Officer of COSL. From 2003 to 2005, Mr. Li served as Deputy General Manager of CNOOC (China) Ltd. – Tianjin Branch. He was Director of Drilling and Completion Well of CNOOC Ltd from 1999 to 2003. Between 1993 and 1999, Mr. Li was Head of Comprehensive Technology Division and Head of Well Testing Division of Exploration Department of CNOOC. Mr. Li joined CNOOC in 1984 and had served in various positions, including Assistant Engineer and Engineer at China Offshore Oil Exploration Project Planning Company, CNOOC Operational Department, and has worked in the oil and natural gas industry for over 30 years.

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

Mr. Zeng Quan Chinese, male, born in 1960, a Non-Executive Director of COSL. He graduated from the Renmin University of China in 1987 and obtained a Master's degree in Finance. Mr. Zeng was an executive of the Audit Department of CNOOC from July 1987 to March 1993, and was the Director of the Audit Department of CNOOC from March 1993 to April 1994. From April 1994 to October 1996, Mr. Zeng was the Accounting Director of the Planning and Finance Department of CNOOC, and was the Chief Accountant of the Finance Department of CNOOC from October 1996 to December 1998. From December 1998 to September 1999, he was appointed the Deputy General Manager and Chief Financial Officer of China National Offshore Oil Co., Ltd. He was the Director of the Planning and Finance Department of CNOOC Limited from September 1999 to July 2001 and from July 2001 to October 2004, he was appointed the Director of the Finance Department of CNOOC Limited. Between October 2004 and December 2011, Mr. Zeng was the General Manager of the Finance Department of CNOOC, and Mr. Zeng is the General Manager of the Finance and Assets Department of CNOOC since December 2011. Since May 2013, Mr. Zeng has been a Non-Executive Director of COSL. Mr. Zeng is currently a director of CNOOC Investment Holdings Limited, CNOOC Shell Petrochemicals Company Limited, CNOOC Insurance Limited and Huatai Insurance Group Co., Ltd..

Mr. Tsui Yiu Wa China (Hong Kong) by nationality, male, born in 1949, an Independent Non-Executive Director of COSL. He has more than 33 years of experience in the securities market and financial management. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science degree and a master of engineering degree in industrial engineering. He completed the program for senior managers in government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui served at various international companies, including Arthur Andersen & Co and Swire Bottlers Limited, and China Light and Power Company Limited for 12 years in relation to information technology, financial analysis, corporate planning and management. He was the general manager (finance, technology & human resources), an assistant director (licensing) and the general manager (human resources) of the SFC from 1989 to 1993. Mr. Tsui joined the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and became the chief executive from 1997 to July 2000. From 2001 to 2004, he was chairman of the Hong Kong Securities Institute. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui is an independent non-executive director of Commercial Bank of China (Asia) Limited. He is also currently an independent non-executive director of a number of listed companies in Hong Kong, Shanghai, the Philippines and NASDAQ, the United States, namely COSCO International Holdings Ltd., China Power International Development Ltd., Melco PBL Entertainment (Macau) Limited, Pacific Online Limited, Summit Ascent Holdings Limited, ATA Inc. and Melco Crown (Philippines) Resorts Corporation (formerly known as Manchester International Holdings Unlimited Corporation).

Mr. Fong Wo, Felix JP, China (Hong Kong) by nationality, born in 1950, an Independent Non-Executive Director of COSL. He is a founder of Arculli Fong & Ng and a lawyer consultant of King & Wood Mallesons. Mr. Fong gained a first class honours and department chairman honours engineering degree in Canada in 1974, and received a doctor degree in Law at Osgoode Hall Law School in Toronto in 1978. Mr. Fong is qualified to practice as a solicitor in England and Wales since 1986 and was admitted as a solicitor of the Supreme Court of Hong Kong in 1987. In 1992, Mr. Fong was appointed as one of the China-Appointed Attesting Officers in Hong Kong. In 2005, Mr. Fong was appointed as a Justice of the Peace by the Government of Hong Kong, and was awarded as a Bronze Bauhinia Star by the government of Hong Kong in 2009. He served at various times on the Advisory Council on Food and Environmental Hygiene, Communications Authority, Film Development Council, Town Planning Board, Liquor Licensing Board, Broadcasting Authority, and Betting and Lotteries Commission as a member and a chairman. He is also a member of the (9th and 10th) Guangdong Provincial Committee of Chinese People's Political Consultative Conference, and the director of China Overseas Friendship Association. Mr. Fong is an independent non-executive director of Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) (Stock Code: 00124), Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited) (Stock Code: 00337), Evergreen International Holdings Limited (Stock Code: 00238), China Investment Development Limited (formerly known as Temujin International Investments Limited) (Stock Code: 00204) and Sheen Tai Holdings Group Company Limited (Stock Code: 01335), and was a non-executive director of Cinda International Holdings Limited (Stock Code: 00111) between May 2000 and December 2008. (The above 6 companies are Listed on the Main Board of the Stock Exchange).

Mr. Chen Quansheng Chinese, male, born in 1950, a counselor of the State Council of PRC and an Independent Non-Executive Director of COSL. Mr. Chen graduated from the Beijing Institute of Economics in 1982 with a Bachelor degree in Labour Economics. He has worked, among others, at the State Council staff education management committee, the National Economic Commission, State Planning Commission, the State Economic Restructuring Commission, the State Council Production Committee, the State Council Production Office, the State Council Economic and Trade Office, Economic and Trade Commission, State Council Research, engaged in macro-economic policy research and enterprise reform and management. He is also an executive member of the council of the China Enterprise Confederation, the China Entrepreneurs Association, China Enterprise Group Improvement Association and the Chinese Enterprises Investment Association.

Mr. Wu Mengfei Chinese, male, born in 1955, a former Non-Executive Director of COSL. He received a bachelor degree and a master degree from East China Petroleum Institute, and an MBA from Massachusetts Institute of Technology in the United States. He is also a Sloan Fellow of such institute. Mr. Wu served as Deputy Manager of Financial Planning Department and General Manager of the Funds Planning Department of CNOOC from 1993 to September 1999. From September 1999 to June 2002, Mr. Wu was Chief Financial Officer and Senior Vice President of CNOOC Ltd. Mr. Wu was Executive Vice President and Chief Financial Officer of COSL between July 2002 and March 2006. From May 2004 to March 2006, he was an Executive Director of COSL. Mr. Wu is Chief Accountant of CNOOC since April 2006, and a Non-Executive Director of COSL from April 2006 to May 2013. Mr. Wu is Chairman of Aegon-CNOOC Life Insurance Co., Ltd., CNOOC Insurance Ltd., CNOOC Investment Co., Ltd., CNOOC Finance Corporation Ltd. and Zhonghai Trust Co., Ltd.

Board of Supervisors:

Mr. Zhang Zhaoshan, Chinese, male, born in 1955, Chairman of Supervisory Committee of COSL. He worked in the Infrastructure Department and the Finance Department of Qingdao Red Flag Chemical Plant, from July 1979 to August 1988 and was appointed the Deputy Chief of the Finance Department of Qingdao Red Flag Chemical Plant from August 1988 to June 1992 and Chief of the Finance Department from June 1992 to March 1994. From March 1994 to July 1995, Mr. Zhang was the Chief of Finance Department of Guangyi Chemical Plant in Qingdao. Between July 1995 and January 1997, he was Deputy Director of the Finance Department of Qingdao Huachen Chemical Corporation and he was the Director of the Finance Department of Qingdao Huachen Chemical Corporation from January 1997 to November 1998. Mr. Zhang joined China Chemical Supply & Sales (Group) Corporation as the Deputy Director of the Finance Department from November 1998 to December 1999 and was appointed Director of the Finance Department from December 1999 to September 2001, and Deputy Chief Accountant from September 2001 to November 2003 and the Chief Accountant from November 2003 to March 2008. From March 2008 to December 2009, Mr. Zhang was the Chief Financial Officer of China National Offshore Oil Corporation Sales Company. From January 2010 to March 2013, Mr. Zhang was the Chairman of the Appointed Supervisory Board of China National Offshore Oil Corporation, and is the supervisor of China National Offshore Oil Import and Export Corporation, CNOOC Finance Corporation Limited, CNOOC Self-Insurance Company, CNOOC Investment Holdings Limited and CNOOC Trust Co., Ltd. Since May 2013, he has been the chairman of the Supervisory Committee of COSL and CNOOC EnerTech.

Mr. Li Zhi Chinese, male, born in 1964, Employee Supervisor of COSL. He received a bachelor's degree in petroleum geology from the Chengdu Institute of Geology. Since May 2013, he has served as an Employee Supervisor of COSL. He has served as the general manager of the human resources department of the Company and the dean of the CNOOC COSL Engineering and Technology Institute since August 2012. From February 2010 to July 2012, he served as the general manager of the audit and supervision department of the Company. From August 2009 to January 2010, he served as the vice president of COSL Drilling Pan-Pacific Ltd. in Singapore. From December 2007 to July 2009, he served as the training and development manager of the human resource department of the Company. From February 2006 to November 2007, he served as the training manager of the human resource department of the Company. From January 2002 to January 2006, he served the manager of the human resource department of China France Bohai Geoservices Co., Ltd. From June 1996 to December 2001, he served as the safety and quality control manager of China France Bohai Geoservices Co., Ltd. From May 1995 to May 1996, he served as the research and development engineer of HR Technology Development Company of CNOOC Technology Services Company. From April 1993 to April 1995, he served as mud logging captain of China France Bohai Geoservices Co., Ltd. From July 1987 to March 1993, he served as the mud logging engineer of Bohai Petroleum Geological Services Company Limited. Mr. Li Zhi has over 27 years of experience in the oil and gas industry.

Mr. Wang Zhile Chinese, male, born in 1948, an Independent Supervisor of COSL, a master degree holder and a research fellow. From 1982 to 1992, Mr. Wang had taught at Renmin University of China as lecturer and associate professor consecutively for programmes such as German Modernisation, Swiss Modernisation, Modern History of Science and Technology and Modern World History. He studied German and European Economic History, Business History and Modernisation History at Bielefeld University, Germany, Deutsches Museum and University of Bern, Switzerland, from 1985 to 1988. From 1992 to 2008, he had been a researcher (professor) and supervisor of the multinational enterprise research centre at International Trade and Economic Cooperation Research School of MOFTEC. He was also a committee member of State Industrial Policy Advisory Commission, Vice Chairman of Foreign Investment Committee of Investment Association of China and Contract Research Fellow of China Society of Economic Reform. He was granted Certificate for Specialist with Outstanding Contribution to the State by the State Council and is entitled to special government allowance. Since 2008, he has been a research fellow at Research Institute of the Ministry of Commerce, Head of Beijing New-century Academy on Transnational Corporations and a research fellow at China Center of International Economic Exchanges and Expert member of Principle 10 of United Nations Global Compact Organization. Since June 2009, he has been an Independent Supervisor of COSL.

Ms. An Xuefen Chinese, female, born in 1954, Chairman of Supervisory Committee of COSL, member of Communist party, a senior administrative officer. Ms. An graduated from the Tianjin Radio & TV University in Administrative Management. From June 1992 to March 2002, Ms. An was the union president of CNOOC Bohai Corporation, and was the deputy party secretary of CNOOC (China) Limited Tianjin Branch and secretary of the disciplinary committee and acting union president between March 2002 and April 2003. Between April 2003 and July 2005, Ms. An was the Vice President, Deputy Party Secretary, secretary of the disciplinary committee and acting union president of CNOOC (China) Tianjin Branch. From July 2005 to September 2006, Ms. An was the party secretary of CNOOC Bohai Corporation, and from September 2006 to November 2009, was the party secretary and secretary of the disciplinary of CNOOC Bohai Corporation. From February 2010 to September 2013, Ms. An has been the Chairman of Supervisory Committee of Offshore Oil Engineering Co., Ltd.

Biographies Of Company's Senior Management:

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

Mr. Dong Weiliang Chinese, male, was born in 1957, Executive Vice President of COSL, Bachelor in Petroleum Geology of Geological Department. Mr. Dong has been Executive Vice President and Legal Advisor of COSL since September 2011, and Executive Vice President and Chief Technical Officer of COSL from June 2007 to September 2011. He served as General Manager of Technology Development Department of CNOOC between July 2003 and June 2007. He subsequently held the position of CNOOC Research Center Director from May 2001 to July 2003. Between April 1999 and May 2001, Mr. Dong was Deputy General Manager at CNOOC China Limited – Zhanjiang Branch Company Limited. Mr. Dong had held a number of positions in China Offshore Oil Nanhai West Corporation, including Chief Geologist from September 1996 to April 1999, President of Research Institute of Exploration and Development Science from May 1994 to September 1996, Vice President of Research Institute of Exploration and Development Science from May 1993 to May 1994, Assistant and Group Leader in Research Institute from 1982 to 1993. Mr. Dong has over 32 years of working experience in the oil and natural gas industry.

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

Mr. Xu Xiongfei Chinese, male, was born in 1961, Vice President of COSL, EMBA, CSERM. He is Vice President of the Company since June 2007. He has been serving as Chairman of Labour Committee of COSL since October 2005. From September 2002 to October 2005, Mr. Xu was General Manager of Human Resources Department of COSL. From December 2001 to September 2002, he served as General Manager of Human Resources Department of COSL before the Company was restructured into a limited liability entity. He served as Deputy Secretary of Party Committee and Discipline Committee Secretary of China Offshore Oil Northern Drilling Company between October 2000 and December 2001. From 1995 to 2000, Mr. Xu was Director of Party Office and Vice-Chairman of Labour Union at China Offshore Oil Northern Drilling Company. He had held a number of positions in Bohai Oil Corporation, including Secretary and Deputy Director of Administration Office from 1993 to 1995, Party branch secretary of BH12 from 1991 to 1993, between 1977 and 1991, driller, mechanic, electrician and secretary in Team 32220 at Drilling Department, BH8, and Party Committee Office. Mr. Xu has over 37 years of experience in the oil and natural gas industry.

Mr. Yu Zhanhai Chinese, male, was born in 1954, Vice President of COSL, Bachelor in Geophysics. He is a Vice President of COSL since August 2007. He was General Manager of Geophysical and Surveying Services Division of COSL from September 2002 to August 2007. Between January and September 2002, he served as General Manager of Geophysical and Surveying Services Department of COSL before the Company was restructured into a limited liability entity. Mr. Yu was Deputy General Manager of China Offshore Oil Geophysical Corporation from January 1994 to December 2001. He also held various positions in Bohai Oil Geophysics Company, including Manager from September 1993 to January 1994 and Deputy Manager from November 1992 to August 1993. Between 1982 and 1992, Mr. Yu had held various positions in Geophysical Fleet of CNOOC, including technician, assistant engineer, engineer, manager of the fleet and department head of operation department. From 1979 to 1982, he worked in the geophysical service fleet of Offshore Oil Exploration Bureau. Mr. Yu has over 35 years of experience in the oil and natural gas industry.

Ms. Kang Xin Chinese, female, born in 1974, Vice President and Chief Legal Officer of COSL. She graduated from Peking University Law School with a Bachelor Degree in Economic Law and International Economic Law (Double Major). She received a Master of Laws from University of California Berkeley. She has served as Vice President and Chief Legal Officer of COSL since August 2013. She was the General Manger of Legal Department of CNOOC and CNOOC Limited from November 2009 to August 2013. She was the senior legal advisor of CNOOC Limited from November 2008 to November 2009. She served as the Company Secretary of CNOOC Limited from April 2007 to November 2008. She served as Manager of the Legal Consultation Division of Legal Department at CNOOC and CNOOC Limited from June 2004 to April 2007. She was the legal advisor of CNOOC Shell Petrochemicals Company Limited from December 2000 to May 2004. She was the legal advisor of Department of Contract, Treaty and Law of CNOOC from August 1997 to December 2000. Ms. Kang Xin has over 17 years of working experience in the oil and gas industry.

Mr. Cao Shujie Chinese, male, born in 1964, Vice President of COSL. He graduated from the East China Petroleum Institute in 1987 and received his MBA and EMBA degree from Tianjin University and China Europe International Business School respectively. Mr. Cao was appointed as Vice President of COSL in March 2010. Between April 2006 and March 2010, he was the general manager of the Drilling Division of COSL. From November 2001 to April 2006, he was the deputy general manager of the Drilling Division of COSL. He has been the drilling team leader, deputy superintendent, platform deputy manager and platform manager in Bohai Oil Corporation and China Offshore Oil Northern Drilling Company during the period from July 1987 to November 2001. Mr. Cao has around 27 years of experience in the oil and natural gas industry.

Mr. Zi Shilong Chinese, male, born in 1971, a Vice President of COSL. He obtained a bachelor's degree in oil engineering from the University of Petroleum (East China) and a master's degree in oil corporation management from the training institute of ENI S.p.A. in Italy. Since August 2013, Mr. Zi has been the vice president of COSL. From July 2012 to August 2013, Mr. Zi has been the Assistant to President of COSL. He was the general manager of the Human Resources Department of COSL from February 2010 to July 2012. Between March 2006 and January 2010, Mr. Zi was the general manager of the Indonesian company of COSL. He has been the deputy general manager of the Production Optimization Division of COSL from December 2005 to March 2006. Between November 2002 and December 2005, he was the general manager of the cementing service center of the Oilfield Technical Services Division of COSL. From January to November 2002, he was the manager of the Cementing Division of COSL. Between August and December 2001, he was the deputy manager of the cementing company of Petrotech Services, CNOOC. He was the project manager of the Project Division of Petrotech Services, CNOOC from July 2000 to July 2001. He studied at the training institute of ENI S.p.A. in Italy from July 1999 to July 2000 and was an engineer of the cementing company of Petrotech Services, CNOOC from July 1994 to July 1999. He has been working in the petroleum and natural gas industry for over 20 years.

Mr. Qi Meisheng, Chinese, male, was born in 1968, Vice President of COSL, Graduated from China University of Petroleum, granted EMBA of CEIBS in 2013. He became Vice President of COSL since December 2013. From June 2010 to December 2013, he served as GM of COSL Drilling. From May 2009 to June 2010, he served as Vice GM of COSL Drilling and CEO of CDE. From September 2008 to May 2009, he served as Vice GM of COSL Drilling and Director Assistant of CDE. From July 2006 to September 2008, he served as Vice GM of COSL Drilling. From March 2006 to July 2006, he served as Assistant of GM in COSL Drilling. From December 2004 to March 2006, he served as Safety Director of COSL Drilling. From January 2002 to December 2004, he served as Rig Manager of NH6. From August 2000 to January 2002, he served as Rig Manager of NH2. He served variety positions such as Roustabout, Floorman, Derrickman, Assistant Driller, Driller, Toolpusher and Senior Toolpusher in Nanhai West Oil Company from July 1991 to August 2000. Mr Qi has been working in oil & gas industry for more than 22 years.

Mr. Yang Haijiang Chinese, male, born in 1969, board secretary of COSL. He holds a bachelor degree in English from the China People's Liberation Army International Relations College in 1991 and is qualified as a lawyer in the PRC since 2003. In 2008, Mr. Yang obtained the qualification of corporate secretary issued by the Shanghai Stock Exchange. Mr. Yang joined COSL in 1998 after his retirement from the People's Liberation Army with the rank of Captain, and has since May 2003 been appointed an Inhouse Legal Counsel of the Secretarial Office and Legal Affair Department of the Company, Manager in charge of Corporate Governance and Securities, Representative on Securities Matters responsible for handling legal related matters of the board of directors, the board of supervisors and shareholders of the Company. In April 2010, Mr. Yang was appointed as board secretary of the Company.

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

1. Work Positions in the shareholding Company

Name	Name of the shareholding Company	Position	Commencement of term	Termination of term
Liu Jian	China National Offshore Oil Corporation	Vice General Manager	May 2010	Until now
Wu Mengfei	China National Offshore Oil Corporation	Chief Accountant	April 2006	Until now
Zeng Quan	China National Offshore Oil Corporation	General Manager of Financial Assets Department	December 2011	Until now

2. Work Positions in Other Units

Name	Name of other units	Position	Commencement of term	Termination of term
Tsui Yiu Wa	WAG Worldsec Corporate Finance Limited, etc.	Chairperson	2006	Until now
Fong Wo, Felix	Greenland Hong Kong Holdings Limited (formerly known as SPG Land (Holdings) Limited)	Independent Non-Executive Directors	2006	Until now
Chen Quansheng	Counselors' Office of the State Council	Counselor of the State Council	2008	Until now

III. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of Directors, Supervisors and Senior Management	Remunerations of Directors and Supervisors are subject to shareholders' approval at general meetings.
Reference for determining remunerations of Directors, Supervisors and Senior Management	Depends mainly on the duties and responsibilities of the Directors, Supervisors and Senior Management, and the results of the Company.
The remuneration payable to Directors, Supervisors and Senior Management	RMB8.4075 million
Total actual remuneration of Directors, Supervisors and Senior Management at the end of the reporting period	RMB8.4075 million

IV. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Position	Change	Reason of Change
Wu Mengfei	Non-executive Director	Resigned	Expiry of term
Zeng Quan	Non-executive Director	Elected	Election at general meeting
Fong Wo, Felix	Independent Non-executive Director	Elected	Election at general meeting upon expiry of term
Chen Quansheng	Independent Non-executive Director	Elected	Election at general meeting upon expiry of term
An Xuefen	Supervisor	Resigned	Expiry of term
Zhang Zhaoshan	Supervisor	Elected	Election at general meeting
Zi Shilong	Employee Supervisor	Resigned	Expiry of term
Li Zhi	Employee Supervisor	Elected	Election at the Employee Representatives' Meeting
Li Feilong	Executive Director	Elected	Election at general meeting upon expiry of term
Kang Xin	Vice President and Chief Legal Officer	Appointed	Appointment by the Board
Zi Shilong	Vice President	Appointed	Appointment by the Board
Qi Meisheng	Vice President	Appointed	Appointment by the Board

V. THE CORE TECHNICAL TEAM OR KEY TECHNICAL PERSONNEL OF THE COMPANY

The core competitiveness of the Company relies upon a number of years of experience and thorough system, rather than individual key technical personnel. The Company has no individual key technical personnel that will have significant impact on the core competitiveness of the Company.

VI. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the Company	12,849
Number of existing employees of major subsidiaries	981
Total number of existing employees	13,830
Number of retired employees whose expenses need to be borne by the Company	0

Professional compositions

Professional type	*Number of employees*
Management post	2,838
Technical post	5,343
Operational post	5,649
Total	13,830

Educational level

Educational Level	*Number of employees*
PHD	26
Master	560
Bachelor	5,299
Below bachelor degree level	7,945
Total	13,830

Note: The number of existing employees included employees which entered into employment contract with third parties but worked within COSL

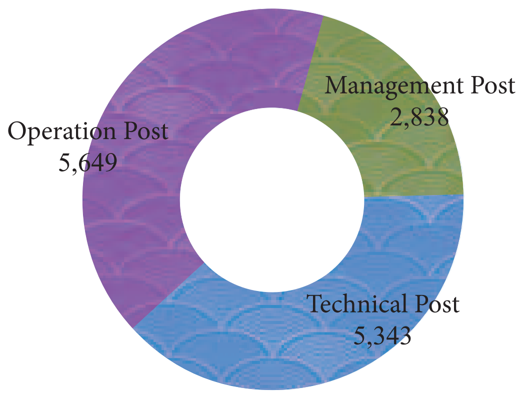
(2) Remuneration Policies

The Group adopts an incentive approach to enable an efficient human resource management. Different incentive schemes based on different kinds of professionals were used and the Company has established an appropriate appraisal system to create a fair competition environment, to maximize the development opportunities for quality employees. Besides, the Company also provided various benefits, including provisions of social insurance, to employees.

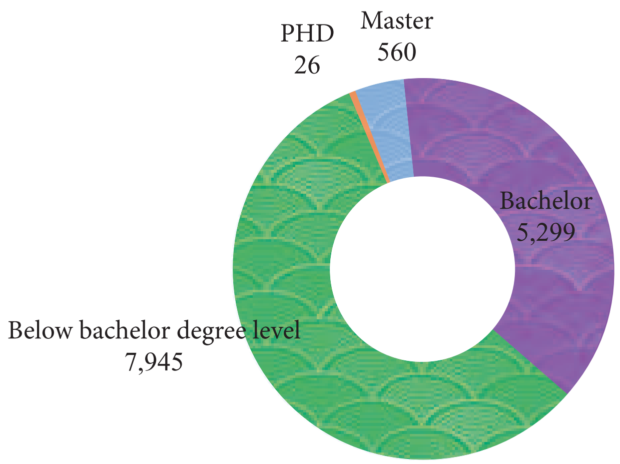
(3) Training Plan

Centered around the development guidelines of the Company, our training and development work established a system of training objectives which is led by our five-year training planning and guided by our annual roll-over training, focuses on the work needs of our staff and serves the development strategy of the Company.

(4) Chart of professional compositions



(5) Chart of educational level



Report of the Directors

The directors present the report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the year ended 31 December 2013.

DIRECTOR'S WORK

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2013 and the statement of financial position of the Company and the Group at that date are set out in the financial statements of this annual report on pages 130 to 135.

The Directors recommend the payment of a final dividend of RMB43 cents (tax inclusive) per ordinary share in respect of the year to shareholders who are entitled to dividends. This recommendation has been incorporated as proposed cash dividends within the retained earnings section of the consolidated statement of financial position. The total dividend amounts to approximately RMB2,051,785,000 (tax inclusive). Further details of this accounting treatment are set out in the Note 14 to financial statements in this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2013 are set out in Note 19 to the financial statements in this annual report.

GEARING RATIO

The details of gearing ratio of the Group as at 31 December 2013 is set out in Note 42 to the financial statements in this annual report.

REMUNERATION POLICIES

The Group adopts an incentive approach to enable an efficient human resources management. Different incentive schemes based on different kinds of professionals were used and the Company has established an appropriate appraisal system to create a fair competition environment, to maximize the development opportunities for quality employees. Besides, the Company also provided various benefits, including provisions of social insurance, to employees.

SHARE CAPITAL

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

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

SUMMARY OF FINANCIAL INFORMATION

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

Unit: RMB'000

	2013	2012	2011	2010	2009
Revenue	27,363,812	22,104,699	18,426,133	17,560,985	17,878,654
Other revenues	163,306	174,043	112,710	88,633	95,099
	27,527,118	22,278,742	18,538,843	17,649,618	17,973,753
Depreciation of property, plant and equipment and amortisation of intangible assets	(3,310,618)	(3,173,463)	(3,069,595)	(3,122,338)	(2,865,166)
Employee compensation costs	(4,080,092)	(3,671,357)	(3,311,579)	(2,938,103)	(2,669,618)
Repair and maintenance costs	(930,115)	(793,854)	(538,646)	(437,722)	(609,441)
Consumption of supplies, materials, fuel, services and others	(4,897,780)	(4,071,683)	(3,447,908)	(3,277,048)	(3,610,001)
Subcontracting expenses	(3,913,722)	(2,825,522)	(1,514,062)	(1,143,711)	(884,384)
Operating lease expenses	(1,093,744)	(709,645)	(433,126)	(379,690)	(589,118)
Other operating expenses	(1,652,789)	(1,318,181)	(1,165,357)	(978,539)	(1,458,037)
Impairment of property, plant and equipment	–	(96,420)	(75,796)	(172,401)	(819,889)
Total operating expenses	(19,878,860)	(16,660,125)	(13,556,069)	(12,449,552)	(13,505,654)
Profit from operations	7,648,258	5,618,617	4,982,774	5,200,066	4,468,099
Exchange (loss)/gains, net	(6,403)	(41,913)	60,521	87,584	(92,686)
Financial costs	(638,328)	(512,718)	(469,743)	(674,152)	(786,430)
Interest income	124,555	127,460	63,804	76,900	60,352
Investment income	94,302	2,169	–	–	–
Share of profits of joint ventures, net of tax	297,221	243,193	174,273	143,839	110,264
Profit before tax	7,519,605	5,436,808	4,811,629	4,834,237	3,759,599
Income tax expense	(793,171)	(867,038)	(772,094)	(706,239)	(624,282)
Profit for the year	6,726,434	4,569,770	4,039,535	4,127,998	3,135,317

ASSETS AND LIABILITIES

Unit: RMB'000

	2013	2012	2011	2010	2009
Total assets	79,262,283	74,648,528	64,851,142	63,497,392	60,776,518
Total liabilities	42,002,480	42,443,614	36,391,988	37,907,467	38,470,913

PROPERTY, PLANT AND EQUIPMENT

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

DIVIDEND

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

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

In 2013, based on a net profit of RMB6,726,434,000 achieved by the Group (of which net profit attributable to the owners of the Company amounted to RMB6,715,967,000) plus the retained profit of RMB17,684,862,000 as at the beginning of the year and deducted the dividend of 2012 of RMB1,393,549,000 declared and paid in 2013, the total distributable profit would be RMB23,007,280,000 at the end of 2013. The Company recommended a cash dividend of RMB0.43 per share (tax inclusive) on the basis that the total share capital was 4,771,592,000 shares upon the completion of placement dated 15 January 2014. The total dividend amounts to RMB2,051,785,000 and the balance of retained profit of RMB20,955,495,000 will be carried forward to the following years.

According to the Company Law and the Articles of Association of the Company, the accumulated statutory common reserve fund of the Company for 2012 has reached more than 50% of the registered capital of the Company, no further provision of such fund is required for this year.

Such distribution proposal will be proposed at the Annual General Meeting of 2013 of the Company for approval.

Dividend of the Group in the previous three years:

Unit: thousand yuan Currency: RMB

Dividend year	Cash dividend per 10 shares (yuan) (tax inclusive)	Cash dividend (tax inclusive)	Net profit attributable to equity holders of the Company in the consolidated financial statement	Percentage of net profit attributable to equity holders of the Company in the consolidated financial statement (%)
2013	4.3	2,051,785	6,715,967	31
2012	3.1	1,393,549	4,559,354	31
2011	1.8	809,158	4,039,277	20

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totaling RMB490,050.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for approximately 84.1% of the total sales for the year and sales to the largest customer included therein accounted for approximately 62.0%. Purchases from the Group's five largest suppliers accounted for approximately 20.0% of the total purchases for the year; and purchases from the Group's largest supplier accounted for approximately 9.2% of the total purchases for the year.

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

ASSETS MEASURED AT FAIR VALUE

The majority of the assets of the Group were measured at historical cost, except for available-for-sale investments which have been measured at fair value. Internal control and review procedures have been taken by our audit and supervisory department on works of finance department. For details of fair value changes in available-for-sale investments of the Company and the Group during the reporting period, please see Note 41 to the financial statements in this annual report.

OUTLOOK OF THE COMPANY

For details, please refer to the outlook of the Company set out in the Management Discussion and Analysis.

PROGRESS OF PROJECTS FINANCED BY NON-PUBLIC RAISED PROCEEDS

Unit: 10,000 yuan Currency: RMB

Project Name	Amount	Progress	Invested amount for the year	Accumulated actually invested amount
Construction of a 5000-feet deep-water semi-submersible drilling rig	351,403	Approved and under construction	19,166	19,193
Construction of COSLProspector deep-water drilling rig	391,182	Approved and under construction	103,231	344,334

CHARGE ON ASSETS

As at 31 December 2013, the Group had no material charges against its assets.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group did not have contingent liabilities.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company as at 31 December 2013 were:

Non-executive directors:	Executive directors:	Independent Non-Executive directors:
Liu Jian	Li Yong	Tsui Yiu Wa
Zeng Quan	Li Feilong	Fong Wo, Felix
		Chen Quansheng

Supervisors:
Zhang Zhaoshan *(Chairman of Supervisory Committee)*
Li Zhi *(Employee supervisor)*
Wang Zhile *(Independent supervisor)*

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

Pursuant to the Rule 3.13 of the Listing Rules of HKSE, the Company had received annual confirmations of independence from Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng, and as at the date of this report, still considers them to be independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

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

DIRECTORS' SERVICE CONTRACTS

Each of the independent non-executive directors and independent supervisors is required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors remunerations for the year 2013 are set out "Directors, Supervisors, Senior Management and Employees" of the annual report.

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

DIRECTORS' REMUNERATION

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

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

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

SIGNIFICANT CONTRACTS

The Company has entered into several agreements with CNOOC Limited, a related company, and other companies within China National Offshore Oil Corporation ("CNOOC"), other than CNOOC Limited ("CNOOC Group"), for the provision of oilfield services by the Company to CNOOC Limited and CNOOC Group, and for the provision of various services by CNOOC Group to the Company. Further details of the transactions undertaken in connection with these contracts during the year are included in Note 40 to the financial statements in this annual report.

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

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

As at 31 December 2013, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Save as disclosed above, as at 31 December 2013, none of the Directors, or chief executives of the Company or their respective associates had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Model Code.

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

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2013, other than the Directors or the chief executive of the Company as disclosed above, the following persons have interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and HKSE.

Name of shareholder	Shares held	Number of shares interest (share)	Approximate percentage of the interests (H) in COSL (%)
Commonwealth Bank of Australia	Interest in controlled corporation	199,734,000 (L)	13.01 (L)
JPMorgan Chase & Co.	Interest in controlled corporation	170,538,618 (L) 304,000 (S) 88,006,678 (P)	11.11 (L) 0.02 (S) 5.73 (P)
BlackRock, Inc.	Interest in controlled corporation	122,471,321 (L) 5,488,000 (S)	7.98 (L) 0.36 (S)
Morgan Stanley	Interest in controlled corporation	91,086,648 (L) 8,438,000 (S) 0 (P)	5.93 (L) 0.55 (S) 0.00 (P)

Notes:

(a) "L" means long position.

(b) "S" means short position.

(c) "P" means lending pool.

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

CONNECTED TRANSACTIONS

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

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

For the year ended 31 December 2013, the Group had the following connected transactions:

a. Included in revenue

	Group 2013 RMB'000	2012 RMB'000
i CNOOC Limited Group		
– Provision of drilling services	7,194,811	6,047,316
– Provision of well services	4,999,328	3,733,610
– Provision of marine support and transportation services	2,587,913	2,169,885
– Provision of geophysical and surveying services	2,189,555	2,396,153
	16,971,607	14,346,964
ii CNOOC Group		
– Provision of drilling services	13,163	77,109
– Provision of well services	121,394	36,214
– Provision of marine support and transportation services	437,148	436,563
– Provision of geophysical and surveying services	218,743	291,261
	790,448	841,147

b. Included in operating expenses

	Group 2013 RMB'000	2012 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	2,342	176
ii CNOOC Group		
Labour services	32,807	42,275
Materials, utilities and other ancillary services	961,899	740,921
Transportation services	36,573	48,497
Leasing of equipment	355,440	246,093
Repair and maintenance services	2,975	6,120
Management services	1,151	48,886
	1,390,845	1,132,792
Property services	106,017	106,719
	1,496,862	1,239,511

c. *Included in interest income/expenses*

	Group 2013 RMB'000	2012 RMB'000
CNOOC Finance Corporation Ltd. ("CNOOC Finance") (a subsidiary of CNOOC) Interest income	40,239	18,293

Deposits in CNOOC Finance carry interest at market rates of 3.3% per annum.

d. *Disposal of assets*

On 13 May 2013, the Company signed an agreement to dispose of a module rig, R5001 with the carrying amount of approximately RMB47,727,000, to CNOOC China Limited, a wholly-owned subsidiary of CNOOC Limited, at the consideration of approximately RMB51,500,000. Such disposal has been completed as of 31 December 2013 and a net gain of RMB2,654,000 is recognised in profit or loss.

e. *Deposits*

	Group 31 December 2013 RMB'000	31 December 2012 RMB'000
Deposits placed with CNOOC Finance as at the end of the reporting period	1,205,463	1,097,835

The independent shareholders of the Company have approved the connected transactions set out in (a) and (b) above on 22 December 2010. For item (c) and (e) above, the transaction was exempted from the independent shareholders' approval requirement which was approved by Independent Directors on 28 April 2011 and for item (d), the transaction was exempted from the independent shareholders' approval requirement which was approved by Independent Directors on 13 March 2013.

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

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

2. the transactions were entered into on normal commercial terms, or where there is no available comparison, on terms no less favourable than those available from or to independent third parties;

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

4. for items (a) and (b) above, the transactions were entered into with the annual aggregate value within the relevant annual cap of each category as approved by the independent shareholders.

Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

EVENTS SUBSEQUENT TO THE REPORTING PERIOD

Any material subsequent events occurred from 1 January 2014 to the date of approval of the financial statements are set out in Note 43 to the financial statements in this annual report.

AUDIT COMMITTEE

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

The final results of the Group have been reviewed by the audit committee of the Board which consists of three independent nonexecutive directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed auditing, internal control and financial reporting matters including the review of audited 2013 annual results with the management.

BUSINESS PLAN

We strive to achieve a YOY operating revenue growth of not less than 10% in 2014. It is expected that operation cost and expense will also increase. Profit margin will remain stable and it is planned that capital expenditure will be approximately RMB7 billion to RMB8 billion.

To accomplish the target of 2014, the Company will reinforce its QHSE management to ensure operation safety and diligent performance of its responsibilities towards the environment; utilize external resources in a reasonable way to maintain and expand market share while actively and effectively using internal resources; focus on the enhancement of construction management in order to strive for earliest commencement of equipment operation with an aim to ensure the long-term and sustainable development of the Company. Also, the Company will invest more in research and development and actively promote the industrialization of technological achievements to drive the development of the Company. Finally, we will continue to pursue the overall risk management to maintain a stable development of the Company.

The above business plan is formulated by the Company based on the current operation situation and market environment and it should not be construed as the forecast on profit of the Company or actual commitment of the Directors. Whether the Company can achieve the expected performance in 2014 will mainly depend on market and economic conditions. Investors should be reminded of the risks involved.

CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDITORS

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

EXECUTION OF THE INSIDER INFORMATION MANAGEMENT SYSTEM

In 2013, the Company continuously worked on the registration of insiders, the Company currently has reported to the Shanghai Stock Exchange the particulars of persons who have knowledge of insider information in the daily work of the Company. In addition, according to the latest requirements of the regulatory authorities, the Company has included the filing of external controlling shareholders and relevant personnel of related government authorities who are aware of the undisclosed information of the Company.

In 2013, the Company applied strict insider information management on certain temporary issues: (i) reviewing and concluding the insider information management on the taxation issue in Norway; and (ii) managing the placement of H shares in which the Company made detailed record and filing against all members of the parties (including intermediaries) involving in the project prior to the formal announcement.

The Company not only has great concern in formulating and implementing management system for insider information, but also put great importance in learning and publicizing the related laws and regulations. In 2013, according to the latest requirements on insider information management of the regulatory authorities, the Company organized training and learning sessions for relevant staff.

No director or supervisor of the Company has traded the Company's securities in violation of rules in the reporting period. Furthermore, pursuant to requirements of Provisions for the Establishment of Management Systems for the Registration of Persons Who Have Knowledge of Insider Information by Listed Companies issued by the China Securities Regulatory Commission, the Company conducted self-assessment on whether there have been share transaction during the reporting period, and the Board confirmed that there was no insider trading of the Company's securities in violation of rules in 2013.

ON BEHALF OF THE BOARD

Liu Jian
Chairman
18 March 2014

Supervisory Committee Report

The Supervisory Committee of the Company for the year 2013 has diligently performed its responsibilities in accordance with the requirements of the Company law of the People's Republic of China, Articles of Association and the Rules of Procedure for the Supervisory Committee of the Company, supervised and examined the procedures for decision making, the operating situation according to the law, financial reports disclosure and the construction and operation of the internal control system of the Company, and provided necessary protection for the legal benefits of the shareholders, the Company and the staff.

In 2013, six Supervisory Committee's meetings were convened. In addition to attending the general meetings and Board meetings of the Company, members of the Supervisory Committee also attended the important management meetings of the Company to keep abreast of the issues of our daily production and operating activities, so as to further improve our supervision and inspection on compliance and risk control from procedures to content.

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

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

During the reporting period, there was a change in two members of the Supervisory Committee. The terms of office of Supervisor An Xuefen and Employee supervisor Zi Shilong expired. Zhang Zhaoshan and Li Zhi were successors respectively.

As of the date of this report, Zhang Zhaoshan was elected as a supervisor at the annual general meeting convened on 24 May 2013 and elected by the Supervisory Committee to be the Supervisor Chairman of supervisory committee. Li Zhi was elected as an employee supervisor at the employee representative meeting convened on 16 May 2013. Wang Zhile acted as Independent Supervisor.

Supervisory Committee would like to take this opportunity to express sincere gratitude to An Xuefen and Zi Shilong for their outstanding contributions made to the development of the Company during their tenures.

2. OPERATION OF THE SUPERVISORY COMMITTEE

1) During the reporting period, 6 Supervisory Committee's meetings were convened, among which 5 of them were regular meetings, all of which were held after the Board annual meetings which the Supervisors attended. The meetings mainly verified the compliance in respect of procedures for calling the Board and board resolutions, and also expressed audit opinion in relation to the regular report approved by the Board. In addition, the Supervisory Committee also held one extraordinary general meeting during the reporting period, in which chairman of the Supervisory Committee was elected and office director of the Supervisory Committee was appointed.

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

3) The Supervisory Committee had given its professional audit advice in respect of the 2012 Annual Report, the 2013 Interim Report, the 1st quarterly report and the 3rd quarterly report for the year 2013 in compliance with the regulatory requirements of the issue of A shares during the reporting period.

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

5) During the reporting period, supervisor An Xuefen attended 2 regular Board meetings; supervisor Zi Shilong attended 2 regular Board meetings; supervisor Zhang Zhaoshan attended 3 regular Board meetings; supervisor Li Zhi attended 3 regular Board meetings and supervisor Wang Zhile attended 5 regular Board meetings. Supervisor Li Zhi and supervisor Wang Zhile also attended the Annual General Meeting held on 24 May 2013. Supervisor Zhang Zhaoshan and supervisor Wang Zhile also attended the first 2013 Extraordinary General Meeting held on 20 December 2013.

3. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

(1) The Company's operating situation according to the law

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

(2) Financial situation of the Company

The Supervisors have supervised and examined the financial management system and financial situation of the Company by participating the Board meetings and the meetings of the Audit Committee under the Board of Directors and have reviewed relevant financial information of the Company. After such examination, the Supervisory Committee is of the opinion that the Company is in strict compliance with the financial laws and regulations and the financial system. The financial management system of the Company is healthy and effective, the accounting methods are consistent while the financial statements are true and reliable. Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have audited the financial statements of the Company for year 2013 prepared in accordance with HKFRSs and China Accounting Standards for Business Enterprises and have issued unqualified opinions on the financial statements. The Supervisory Committee considers the financial statements to be objective and fairly reflects the financial position and the results of operation of the Company.

(3) Connected transactions

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

(4) Management situation and internal control of the Company

The Supervisory Committee is of the opinion that during the reporting period, the Company has been under the effective management and control of the Board and the management. The Company has continuously improved its internal control systems to make it more reasonable and complete; and practically and effectively commence risk management to ensure regulated and steady operation. The Supervisory Committee is of the view that the approval of the "Enhancing Management" by the Company during the reporting period has achieved significant results, therefore more standard management has been achieved. The Company has also resolved properly certain historical issues, such as overseas tax dispute, which lower the risk of the Company. The Supervisory Committee agreed with the conclusion of internal control deficiencies in the Self-assessment Report for Internal Control of the Company.

(5) The performance of responsibilities of Directors and Senior Management

The Supervisory Committee is of the view that the Board of Directors, both collectively and individually, have earnestly performed their duties with integrity and diligence, and each Director has earnestly understood the operating situation of the Company and thoroughly discussed the Company's affairs before making decisions. Facing up to the complex internal and external environment, the management has earnestly performed their duties in terms of reference and implemented the resolutions of the Board in a scientific way; successfully accomplished the objectives set by the Board and thus the Company maintained a good momentum of sustained and healthy development.

(6) Execution of the insiders' information management system

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

(7) External guarantee

Provision of guarantee by the Company in favor of an overseas wholly-owned subsidiary and an actually controlled non-wholly-owned subsidiary of the Company is in accordance with the requirements under laws and regulations and the Articles of Association of the Company, which has been under necessary approval procedure and the Company has disclosed related information to comply with the requirements. The accumulated and current provision of external guarantee by the Company was true.

(8) Other information

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

For and on behalf of
Supervisory Committee

Zhang Zhaoshan
Chairman of the Supervisory Committee
18 March 2014

I. SHARE APPRECIATION RIGHTS PLAN OF THE COMPANY AND ITS IMPACT

Details of Share Appreciation Rights Plan of the Company during the reporting period

On 22 November 2006, the share appreciation rights plan for senior management of COSL (the "SAR Plan") was approved by the shareholders by the way of a resolution passed in the second Extraordinary General Meeting which is a middle to long term incentive programme for 7 senior management. A total of five million share appreciation rights with an exercise price of HK$4.09 per share were awarded under the SAR Plan to seven senior officers. The SAR Plan became effective on 22 November 2006 for ten years. According to the plan, the targeted senior management's exercisable number of share appreciation rights was linked to their performance target to be reviewed comprehensively within two years from the effective date, so as to confirm the exercise ratio. After two years' vesting period, and the senior management can exercise their rights in four equal batches in year 3, 4, 5 and 6 from the approval date of the SAR Plan.

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

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

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

As at 31 December 2013, the first tranche of SAR has forfeited in 2009, the second tranche of SAR has been approved and exercised and the third tranche of SAR exercising proposal has not been approved for exercise. Exercise gains of the second tranche of SAR and the third tranche of SAR are measured at HK$1.82 and HK$2.27 per share respectively. After the third tranche of SAR being exercised, Li Yong and Xu Xiongfei will reach the revenue caps and Zhong Hua, Chen Weidong and Li Xunke had resigned so the fourth tranche of SAR will no longer be exercised.

As of 31 December 2013, the outstanding share appreciation rights is 1,173,075 shares (31 December 2012: 1,173,075 shares).

		Share			
Title	Name	At 1 January 2013	Exercised	Forfeited	At 31 December 2013
Former Non-executive Director	Yuan Guangyu*	–	–	–	–
President and CEO	Li Yong	352,150	–	–	352,150
Former Executive Vice President and CFO	Zhong Hua*	176,075	–	–	176,075
Former Executive Vice President, CSO and Board Secretary	Chen Weidong*	176,075	–	–	176,075
Former Senior Vice President	Li Xunke*	164,225	–	–	164,225
Former Employee Supervisor	Tang Daizhi*	–	–	–	–
Vice President	Xu Xiongfei	304,550	–	–	304,550
		1,173,075	–	–	1,173,075

Note: Yuan Guangyu, Zhong Hua, Chen Weidong, Li Xunke and Tang Daizhi resigned due to work arrangements. According to the terms of the SAR Plan, the above incentive targets will be entitled to their benefits based on the vesting ratio of their serving time during the vesting period and performance target.*

Pursuant to the Performance Management Measures for the SAR Plan of COSL, the Remuneration Committee of the Board conducted a comprehensive assessment of the performance of incentive targets achieved in the period from 2006 to 2011. All of the incentive targets passed the assessment. During the reporting period, the Remuneration Committee of the Board conducted 2012 annual assessment of performance of incentive targets and again all of them passed the assessment. All of the incentive targets passed the assessment.

II. SIGNIFICANT RELATED PARTY TRANSACTIONS

Further details on related party transactions are given in Note 40 to the financial statements of this annual report.

III. GUARANTEE

Unit: US$10,000

External guarantees provided by the Company (excluding guarantee to controlled subsidiaries)

Guarantor	Relationship between guarantor and the Company	Guaranteed party	Amount of guarantee	Date of guarantee (Agreement execution date)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Whether fully fulfilled	Whether overdue	Overdue amount	Whether any counter guarantee available	Whether related party guarantee	Related party relationship
COSL	Headquarter	China France Bohai Geoservices Co., Ltd.	45	10 April 2010	10 April 2010	9 April 2013	Under joint and several liabilities	Yes	No	No	No	Yes	joint venture
COSL	Headquarter	China Nanhai-Magcobar Mud Corporation Ltd.	480	10 May 2010	20 October 2010	9 May 2013 (pursuant to the contract, either of the parties can extend the term on an 1+1 year basis upon expiry)	Under joint and several liabilities	Yes	No	No	No	Yes	joint venture

Total amount of guarantee occurred during the reporting period(excluding guarantee to controlled subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding guarantee to controlled subsidiaries)	0
Guarantee provided by the Company to its controlled subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the reporting period	109,566.56
Total balance of guarantee provided by the Company to its subsidiaries at the end of the reporting period (B)	106,059.14
Total guarantee provided by the Company (including guarantee to controlled subsidiaries)	
Total amount of guarantee (A+B)	106,059.14
Total amount of guarantee as a percentage of the Company's net assets (%)	17.4%
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)	0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	3,042.27
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of the above 3 guarantees (C+D+E)	3,042.27

Guarantee details:

(1) Guarantee provided by the Company to subsidiaries includes the guarantee in favor of bond issue by the Company of USD$1 billion.

(2) Subject parties with gearing ratio over 70% under debt guarantee are foreign wholly-owned subsidiary of the Company and non-wholly-owned foreign subsidiary actually controlled by the Company.

(3) With regard to the guarantee provided to China Nanhai-Magcobar Mud Corporation Ltd., which did not decide to extend the life span of the guarantee.

IV. ENGAGEMENT AND DISMISSAL OF AUDITORS OF THE COMPANY

Unit: RMB million

Change audit firm or not:	Yes	
	Originally appointed	**Currently appointed**
Name of domestic audit firm	Ernst & Young Hua Ming LLP	Deloitte Touche Tohmatsu Certified Public Accountants LLP
The term of office of domestic audit firm	6 years	–
Name of international audit firm	Ernst & Young	Deloitte Touche Tohmatsu
Remuneration of domestic and international audit firm	23.6	16.6
The term of office of international audit firm	11 years	–

	Name	Remuneration
Audit of internal control by certified public accountant	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Note

Note: Remuneration of internal control audit was included in remuneration of domestic and international auditor firm.

ENGAGEMENT AND DISMISSAL OF AUDITORS OF THE COMPANY:

In accordance with the relevant requirements of Ministry of Finance and SASAC of the People's Republic of China, there will be the limitation for the term of office of Certified Public Accountants to serve a centrally-controlled state-owned enterprise and its subsidiaries. In view of the foresaid requirements, the Audit Committee of the Company resolved to recommend the resolution of appointing Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as independent auditor for the year of 2013 and was approved by shareholders of the Company at 2012 annual general meeting held on 24 May 2013.

Deloitte.
德勤

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

We have audited the consolidated financial statements of China Oilfield Services Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 130 to 214, which comprise the consolidated and company statements of financial position as at 31 December 2013, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

18 March 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	2013 RMB'000	2012 RMB'000
REVENUE	6	27,363,812	22,104,699
Other revenues	6	163,306	174,043
		27,527,118	22,278,742
Depreciation of property, plant and equipment and amortisation of intangible assets		(3,310,618)	(3,173,463)
Employee compensation costs	7	(4,080,092)	(3,671,357)
Repair and maintenance costs		(930,115)	(793,854)
Consumption of supplies, materials, fuel, services and others		(4,897,780)	(4,071,683)
Subcontracting expenses		(3,913,722)	(2,825,522)
Operating lease expenses	7	(1,093,744)	(709,645)
Other operating expenses		(1,652,789)	(1,318,181)
Impairment of property, plant and equipment		–	(96,420)
Total operating expenses		(19,878,860)	(16,660,125)
PROFIT FROM OPERATIONS		7,648,258	5,618,617
Exchange loss, net		(6,403)	(41,913)
Finance costs	8	(638,328)	(512,718)
Interest income		124,555	127,460
Investment income	7	94,302	2,169
Share of profits of joint ventures, net of tax	20	297,221	243,193
PROFIT BEFORE TAX	7	7,519,605	5,436,808
Income tax expense	12	(793,171)	(867,038)
PROFIT FOR THE YEAR		6,726,434	4,569,770
Attributable to:			
Owners of the Company		6,715,967	4,559,354
Non-controlling interests		10,467	10,416
		6,726,434	4,569,770
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	15	149.40 cents	101.42 cents

Details of the dividends payable and proposed for the year are disclosed in note 14 to the financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
PROFIT FOR THE YEAR		6,726,434	4,569,770
OTHER COMPREHENSIVE (EXPENSE)/INCOME	*13*		
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plan		(50,965)	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		(262,938)	(14,852)
Net fair value gain on available-for-sale investments		42,243	–
Income tax relating to items that may be reclassified subsequently		(6,336)	–
		(227,031)	(14,852)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF INCOME TAX		(277,996)	(14,852)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		6,448,438	4,554,918
Attributable to:			
Owners of the Company		6,438,301	4,544,503
Non-controlling interests		10,137	10,415
		6,448,438	4,554,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	51,292,406	47,075,676
Goodwill	17	4,107,763	4,234,831
Other intangible assets	18	393,220	371,178
Investments in joint ventures	20	710,465	508,845
Available-for-sale investments	21	–	–
Employee benefit assets	11	–	14,864
Other non-current assets	26	1,160,437	219,690
Deferred tax assets	31	7,254	–
Total non-current assets		57,671,545	52,425,084
CURRENT ASSETS			
Inventories	22	1,051,527	948,850
Prepayments, deposits and other receivables	23	426,855	650,588
Accounts receivable	24	5,872,980	4,145,236
Notes receivable	25	1,513,375	619,940
Other current assets	26	2,363,446	2,058,997
Pledged deposits	27	32,630	30,755
Time deposits with original maturity over three months	27	600,000	3,954,185
Cash and cash equivalents	27	9,600,797	9,814,893
		21,461,610	22,223,444
Assets classified as held for sale	28	129,128	–
Total current assets		21,590,738	22,223,444
CURRENT LIABILITIES			
Trade and other payables	29	7,159,326	5,021,791
Salary and bonus payables		1,210,005	914,435
Tax payable		258,220	266,693
Interest-bearing bank borrowings	32	3,803,582	1,659,906
Other current liabilities	26	112,876	60,219
Total current liabilities		12,544,009	7,923,044
NET CURRENT ASSETS		9,046,729	14,300,400
TOTAL ASSETS LESS CURRENT LIABILITIES		66,718,274	66,725,484
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	1,128,733	1,688,281
Interest-bearing bank borrowings	32	19,489,968	23,992,139
Long term bonds	33	7,536,622	7,717,913
Deferred revenue	34	1,265,669	1,122,237
Employee benefit liabilities	11	37,479	–
Total non-current liabilities		29,458,471	34,520,570
Net assets		37,259,803	32,204,914
EQUITY			
Equity attributable to owners of the Company			
Issued capital	35	4,495,320	4,495,320
Reserves	36(a)	32,743,342	27,698,590
		37,238,662	32,193,910
Non-controlling interests		21,141	11,004
Total equity		37,259,803	32,204,914

Li Yong
Director

Li Feilong
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Remeasurement of defined benefit pension plan RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2012	4,495,320	8,074,565	2,070,837	-	-	(554,642)	13,563,327	809,158	28,458,565	589	28,459,154
Profit for the year	-	-	-	-	-	-	4,559,354	-	4,559,354	10,416	4,569,770
Other comprehensive expense for the year	-	-	-	-	-	(14,851)	-	-	(14,851)	(1)	(14,852)
Total comprehensive income for the year	-	-	-	-	-	(14,851)	4,559,354	-	4,544,503	10,415	4,554,918
Final 2011 dividend declared	-	-	-	-	-	-	-	(809,158)	(809,158)	-	(809,158)
Proposed final 2012 dividend *(note 14)*	-	-	-	-	-	-	(1,393,549)	1,393,549	-	-	-
Transfer from retained profits	-	-	437,819	-	-	-	(437,819)	-	-	-	-
At 31 December 2012	4,495,320	8,074,565*	2,508,656*	-	-	(569,493)*	16,291,313*	1,393,549*	32,193,910	11,004	32,204,914
Profit for the year	-	-	-	-	-	-	6,715,967	-	6,715,967	10,467	6,726,434
Other comprehensive income for the year	-	-	-	35,907	(50,965)	(262,608)	-	-	(277,666)	(330)	(277,996)
Total comprehensive income/(expense) for the year	-	-	-	35,907	(50,965)	(262,608)	6,715,967	-	6,438,301	10,137	6,448,438
Final 2012 dividend paid	-	-	-	-	-	-	-	(1,393,549)	(1,393,549)	-	(1,393,549)
Proposed final 2013 dividend *(note 14)*	-	-	-	-	-	-	(2,051,785)	2,051,785	-	-	-
At 31 December 2013	4,495,320	8,074,565*	2,508,656*	35,907*	(50,965)*	(832,101)*	20,955,495*	2,051,785*	37,238,662	21,141	37,259,803

* These reserve accounts comprise the consolidated reserves of approximately RMB32,743,342,000 (2012: RMB27,698,590,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	*39*	9,800,377	9,517,550
Taxes paid:			
Mainland China corporate income tax paid		(861,924)	(698,166)
Overseas income taxes paid		(475,267)	(92,470)
Net cash flows from operating activities		8,463,186	8,726,914
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(7,720,593)	(3,642,916)
Government grant received		51,554	40,001
Purchase of available-for-sale and held-to-maturity investments		(8,532,700)	(2,000,000)
Proceeds from disposal of available-for-sale and held-to-maturity investments		8,445,054	–
Proceeds from disposal of property, plant and equipment		75,032	4,637
Proceeds from balances with joint ventures		–	2,260
Placement of time deposits with original maturity over three months		(1,500,000)	(3,954,185)
Withdrawal of time deposits with original maturity over three months		4,854,185	882,126
Increase in pledged deposits		(1,875)	(19,950)
Interest received		142,239	106,571
Dividends received from joint ventures		137,468	177,973
Deposits for acquisition of property, plant and equipment		(735,692)	–
Net cash flows used in investing activities		(4,785,328)	(8,403,483)
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank loans		–	750,604
Proceeds from issuance of unsecured bonds		–	6,216,042
Repayment of bank loans		(1,636,033)	(1,667,952)
Dividends paid		(1,394,215)	(810,683)
Interest paid		(663,180)	(555,153)
Net cash flows (used in)/from financing activities		(3,693,428)	3,932,858
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(15,570)	4,256,289
Cash and cash equivalents at the beginning of year		9,814,893	5,646,159
Effect of foreign exchange rate changes, net		(198,526)	(87,555)
CASH AND CASH EQUIVALENTS AT END OF YEAR		9,600,797	9,814,893
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	*27*	10,233,427	13,799,833
Less: Pledged deposits with original maturity less than three months	*27*	(32,630)	(30,755)
Non-pledged time deposits at banks with original maturity over three months	*27*	(600,000)	(3,954,185)
Cash and cash equivalents as stated in the consolidated statement of cash flows	*27*	9,600,797	9,814,893

STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	31 December 2013 RMB'000	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	21,495,746	19,635,622
Other intangible assets	18	339,885	304,970
Investments in subsidiaries	19	7,323,799	7,303,799
Investments in joint ventures	20	148,682	153,181
Other long term receivables	19	21,406,938	22,951,721
Other non-current assets	26	735,692	–
Total non-current assets		51,450,742	50,349,293
CURRENT ASSETS			
Inventories	22	585,228	598,458
Prepayments, deposits and other receivables	23	453,880	530,215
Accounts receivable	24	4,546,513	3,582,157
Notes receivable	25	1,492,875	619,940
Other current assets	26	2,226,360	2,002,169
Pledged deposits	27	29,591	29,564
Time deposits with original maturity more than three months	27	600,000	2,068,535
Cash and cash equivalents	27	6,096,344	5,171,968
		16,030,791	14,603,006
Assets classified as held for sale	28	129,128	–
Total current assets		16,159,919	14,603,006
CURRENT LIABILITIES			
Trade and other payables	29	4,740,507	3,676,359
Salary and bonus payables		1,063,553	799,909
Tax payable		192,281	7,292
Interest-bearing bank borrowings	32	3,803,582	1,659,906
Total current liabilities		9,799,923	6,143,466
NET CURRENT ASSETS		6,359,996	8,459,540
TOTAL ASSETS LESS CURRENT LIABILITIES		57,810,738	58,808,833
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	531,954	990,265
Interest-bearing bank borrowings	32	19,489,968	23,992,139
Long term bonds	33	1,500,000	1,500,000
Deferred revenue	34	312,266	288,963
Total non-current liabilities		21,834,188	26,771,367
Net assets		35,976,550	32,037,466
EQUITY			
Issued capital	35	4,495,320	4,495,320
Reserves	36(b)	31,481,230	27,542,146
Total equity		35,976,550	32,037,466

Li Yong
Director

Li Feilong
Director

1. General information

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

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

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

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

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs")

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

In the current year, the Group has applied a number of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on after 1 January 2013.

New and revised Standards on consolidation, joint arrangement, associates and disclosures

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

The impact of the application of these standards that is relevant to the Group is set out below:

Impact of the application of HKFRS 10

HKFRS 10 replaces the parts of HKAS 27 *Consolidated and Separate Financial Statements* that deal with consolidated financial statements and HK (SIC)-Int 12 *Consolidation – Special Purpose Entities*. HKFRS 10 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in HKFRS 10 to explain when an investor has control over an investee. Some guidance included in HKFRS 10 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group. The application of HKFRS 10 has had no material impact on these consolidated financial statements after the assessment carried out by the Directors.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

New and revised Standards on consolidation, joint arrangement, associates and disclosures (continued)

Impact of the application of HKFRS 11

HKFRS 11 replaces HKAS 31 *Interests in Joint Ventures*, and the guidance contained in a related interpretation, HK (SIC)-Int 13 *Jointly Controlled Entities – Non-Monetary Contributions by Ventures*, has been incorporated in HKAS 28 (as revised in 2011). HKFRS 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under HKFRS 11, there are only two types of joint arrangements-joint operations and joint ventures. The classification of joint arrangements under HKFRS 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint ventures) have rights to the net assets of the arrangement. Previously, HKAS 31 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under HKAS 31 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable standards. The application of HKFRS 11 has had no material impact on these consolidated financial statements after the assessment carried out by the Directors and the Directors considered that all jointly controlled entities under HKAS31 are classified as joint ventures under HKFRS11.

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangement, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 results in more extensive disclosures in the consolidated financial statements. However, the application of HKFRS12 has had no material impact on these consolidated financial statements.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

HKFRS 13 Fair Value Measurement (continued)

HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

HKFRS 13 requires prospective application from 1 January 2013. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period (please see note 41(b) for the 2013 disclosures). Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 19 Employee Benefits (as revised in 2011)

In the current year, the Group has applied HKAS 19 *Employee Benefits* (as revised in 2011) and the related consequential amendments for the first time.

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a net interest amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset.

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements (continued)

HKAS 19 Employee Benefits (as revised in 2011) (continued)

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. The application of HKAS19 (as revised in 2011) has had no material impact on the amounts recognised in the consolidated financial statements after the assessment carried out by the Directors.

Except as described above, the application of the other new and revised HKFRSs in current year has no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 New and revised HKFRSs in issue but not yet effective

Amendments to HKAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The Group has early adopted the amendments to HKAS 36 issued by the HKICPA in advance of its effective date, 1 January 2014. The amendments to HKAS 36 withdraw the disclosure requirements for an entity to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. An entity only needs to disclose the recoverable amount of the asset (cash-generating unit) for an individual asset (including goodwill) or a cash-generating unit, for which an impairment loss has been recognised or reversed during the period.

The early adoption does not have any effect on the Group's operating results, financial positions or comprehensive income.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[5]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[2]
HK (IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

2. Application of new and revised Hong Kong Financial Reporting Standards ("HKFRSs") (continued)

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

HKFRS 9 Financial Instruments

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's investments in corporate wealth management products and liquidity funds that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except as described above, the Directors do not anticipate that the application of these new and revised HKFRSs will have any effect on the Group's consolidated financial statements.

3. Significant accounting policies

These financial statements have been prepared in accordance with HKFRSs, which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA. In addition, these financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Business combination and goodwill

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

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

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

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

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

3. Significant accounting policies (continued)

Investments in joint ventures

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

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

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

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

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

3. Significant accounting policies (continued)

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

Revenue recognition

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

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

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

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

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

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

(f) investment income is arising from the Group's investment in money market fund and is recognised when the right to receive income has been established.

Leases

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

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

3. Significant accounting policies (continued)

Foreign currencies

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

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

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

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

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

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

Borrowing costs

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

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

Government grants

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

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments or deducted from the carrying amount of the asset and released to profit or loss by way of a reduced depreciation charge.

3. Significant accounting policies (continued)

Share-based payments

The Company operates a share appreciation rights plan for its senior officers. The purpose of the share appreciation rights plan is to provide incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The cost of cash-settled transactions is measured initially at fair value at the grant date using the Black-Scholes formula, taking into accounts the terms and conditions upon which the instruments were granted. The fair value change is charged to profit or loss over the period until the finalisation of exercise gain (note 30). The liability is measured at the end of each reporting period and the settlement date with changes in fair value recognised in profit or loss.

Other employee benefits

Defined contribution plan

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

Defined benefits plan

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

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

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

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

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

3. Significant accounting policies (continued)

Income tax

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

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

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

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

Intangible assets (other than goodwill)

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

The estimated useful lives of intangible assets are as follows:

Trademark	10 years
Prepaid land lease payments	50 years
Management system	10 years
Software	3 to 5 years
Contract value	Contract period

3. Significant accounting policies (continued)

Research and development costs

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

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

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, goodwill and non-current assets classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Inventories

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

3. Significant accounting policies (continued)

Cash and cash equivalents

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

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

Related parties

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

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

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

or

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

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

Dividends

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

Investments and other financial assets

Initial recognition and measurement

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

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

3. Significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Loans and receivables

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

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold them to maturity. Held-to-maturity investments are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the consolidated statement of profit or loss. The loss arising from impairment is recognised in profit or loss as other expenses.

Available-for-sale financial investments

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

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

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

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

3. Significant accounting policies (continued)

Derecognition of financial assets

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

Impairment of financial assets

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

Financial assets carried at amortised cost

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

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

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

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

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Available-for-sale financial investments

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

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

The Group's loans and borrowings include trade and other payables and interest-bearing loans and borrowings.

Subsequent measurement on loans and borrowings

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

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

3. Significant accounting policies (continued)

Financial liabilities (continued)

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

4. Significant accounting judgements and estimates

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

Estimation uncertainty

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

Useful life and impairment of property, plant and equipment

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell. This requires management to make assumptions about the future cash flows and discount rate and hence they are subject to uncertainty. There were no provision for impairment of property, plant and equipment recognized during the current year (2012: RMB96,420,000). As at 31 December 2013, the carrying amount of property, plant and equipment is RMB51,292,406,000 (2012: RMB47,075,676,000). Further details are given in note 16.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2013 was RMB4,107,763,000 (2012: RMB4,234,831,000). Further details are given in note 17.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Impairment of available-for-sale financial assets

The Group classifies certain assets as available-for-sale at fair value and recognises movements of their fair values in equity. When the fair value declines, management makes assumptions about the decline in value to determine whether there is an impairment that should be recognised in profit or loss. Impairment loss is recognised for available for sale investments carried at cost, if there is any objective evidence. At 31 December 2013, impairment losses of approximately RMB125,515,000 (2012: RMB129,398,000) have been recognised for available-for-sale investments. Further details are given in note 21.

Provisions for doubtful debts and inventories obsolescence

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

The impairment or provision amount is subject to management's assessment at each reporting date, and hence the provision amount is subject to uncertainty. At 31 December 2013, impairment losses of approximately RMB186,654,000 (2012: RMB203,603,000) have been recognised for accounts receivable and losses of approximately RMB31,526,000 (2012: RMB17,446,000) have been recognised for inventories. As at 31 December 2013, the carrying amount of accounts receivable and inventories are RMB5,872,980,000 and RMB1,051,527,000 respectively (2012: RMB4,145,236,000 and RMB948,850,000). Further details are given in note 24 and note 22, respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets has been recognised on the tax loss of RMB3,947,881,000 (2012: RMB3,266,204,000) and deductible temporary differences of RMB1,123,795,000 at 31 December 2013(2012: RMB1,151,760,000). Further details are contained in note 31. In case where there are actual future profits or the actual future profits generated are more than expected, or effective tax rate is changed, a material recognition or change of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition or change takes place.

Taxes

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

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

5. Operating segment information

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

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

(b) the well services segment is engaged in the provision of logging and downhole services, such as drilling fluids, directional drilling, cementing and well completion, and the sale of well chemical materials and well workovers;

(c) the marine support 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. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains/(losses) and investment income are excluded from such measurement.

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

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

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

5. Operating segment information (continued)

Year ended 31 December 2013	Drilling services RMB'000	Well services RMB'000	Marine support and transportation services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
REVENUE:					
Sales to external customers	14,665,223	6,475,023	3,251,118	2,972,448	27,363,812
Intersegment sales	2,296,908	784,549	113,098	109,139	3,303,694
Segment revenue	16,962,131	7,259,572	3,364,216	3,081,587	30,667,506
Elimination	(2,296,908)	(784,549)	(113,098)	(109,139)	(3,303,694)
Group revenue	14,665,223	6,475,023	3,251,118	2,972,448	27,363,812
Segment results	5,764,674	940,357	460,528	779,920	7,945,479
Reconciliation:					
Exchange loss, net					(6,403)
Finance costs					(638,328)
Interest income					124,555
Investment income					94,302
Profit before tax					7,519,605
Income tax					793,171
As at 31 December 2013					
Segment assets	53,696,826	5,861,453	6,103,283	4,614,383	70,275,945
Unallocated assets					8,986,338
Total assets					79,262,283
Segment liabilities	5,074,246	2,313,133	1,290,975	807,205	9,485,559
Unallocated liabilities					32,516,921
Total liabilities					42,002,480
Other segment information:					
Capital expenditure	6,680,506	801,567	588,154	590,479	8,660,706
Depreciation of property, plant and equipment and amortisation of intangible assets	2,034,746	552,980	344,491	378,401	3,310,618
Impairment of accounts receivable (reversed)/ recognised in profit or loss	(2,850)	661	331	306	(1,552)
Impairment of other receivables	1,959	872	436	403	3,670
Impairment of inventories	7,530	3,349	1,676	1,551	14,106
Share of profits/(losses) of joint ventures	–	246,242	(3,190)	54,169	297,221
Investments in joint ventures	–	487,641	76,184	146,640	710,465

5. Operating segment information (continued)

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
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
Segment revenue	13,123,713	5,394,859	3,096,619	3,203,052	24,818,243
Elimination	(1,872,129)	(536,923)	(151,404)	(153,088)	(2,713,544)
Group revenue	11,251,584	4,857,936	2,945,215	3,049,964	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
As at 31 December 2012					
Segment assets	51,813,934	4,435,934	4,563,141	3,491,318	64,304,327
Unallocated assets					10,344,201
Total assets					74,648,528
Segment liabilities	4,460,006	1,737,881	1,126,158	504,644	7,828,689
Unallocated liabilities					34,614,925
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
Impairment of accounts receivable	14,007	(1,051)	(637)	(664)	11,655
Impairment of other receivables	729	317	192	200	1,438
Impairment of inventories	(237)	(103)	(62)	(65)	(467)
Impairment of property, plant and equipment	77,420	19,000	–	–	96,420
Share of profits of joint ventures	–	204,330	(1,634)	40,497	243,193
Investments in joint ventures	–	370,773	20,872	117,200	508,845

5. Operating segment information (continued)

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, Philippines, Vietnam, United Arab Emirates, and certain countries in the Middle-East.

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

The following table presents revenue and non-current assets (excluding goodwill, investments in joint ventures and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2013 and 2012.

Year ended/as at 31 December 2013	**China Offshore RMB'000**	**North sea RMB'000**	**Others RMB'000**	**Total RMB'000**
Segment revenue:				
Sales to external customers	**18,465,469**	**3,679,453**	**5,218,890**	**27,363,812**
Non-current assets:	**25,518,184**	**11,949,617**	**15,378,262**	**52,846,063**

Year ended/as at 31 December 2012	China Offshore RMB'000	North sea RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	15,225,311	1,925,468	4,953,920	22,104,699
Non-current assets:	25,334,835	9,035,260	13,296,449	47,666,544

Information about a major customer

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control with CNOOC Limited, accounted for 62% (2012: 65%) of the total sales of the Group for the year ended 31 December 2013, details of the segments with such revenue are given in note 40(A).

6. 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 2013 RMB'000	2012 RMB'000
Revenue:		
Rendering of services (a)	27,284,635	21,910,140
Gross rental income	79,177	194,559
Total revenue	27,363,812	22,104,699
Other revenues:		
Insurance claims received	22,967	28,058
Government grants (a)	124,685	133,775
Others	15,654	12,210
Total other revenues	163,306	174,043

(a) Included in the amount recognised as revenue is deferred revenue of RMB249,391,000 (2012: RMB226,514,000) (note 34).

7. Profit before tax

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

	Group 2013 RMB'000	2012 RMB'000
Employee compensation costs		
(including Directors and chief executive's remuneration):		
Wages, salaries and bonuses	3,135,713	2,892,129
Social security costs	538,010	484,855
Retirement benefits and pensions	406,369	294,373
	4,080,092	3,671,357

7. Profit before tax (continued)

	Note	Group 2013 RMB'000	2012 RMB'000
Loss on disposal of property, plant and equipment, net		20,090	49,366
Lease payments under operating leases in respect of land and buildings, berths and equipment		1,093,744	709,645
Impairment of property, plant and equipment		–	96,420
Impairment of accounts receivable (reversed)/recognised in profit or loss	*24*	(1,552)	11,655
Impairment of other receivables, net	*23*	3,670	1,438
Impairment of inventories	*22*	14,106	(467)
Gain on disposal of joint ventures		–	24,440
Investment income from available-for-sale		94,302	2,169
Cost of inventories recognised as an expense		2,530,410	1,962,846
Research and development costs, included in:		559,423	458,113
Depreciation of property, plant and equipment		53,567	50,659
Employee compensation costs		107,385	76,754
Consumption of supplies, materials, fuel, services and others		398,471	330,700

8. Finance costs

An analysis of finance costs is as follows:

	Group 2013 RMB'000	2012 RMB'000
Interest on bank borrowings		
Wholly repayable within five years	313,196	383,974
Wholly repayable after five years	95,471	109,539
Interest on long term bonds	270,301	134,628
Total interests	678,968	628,141
Less: Interest capitalised *(note 16)*	(48,508)	(123,059)
	630,460	505,082
Other finance costs:		
Others	7,868	7,636
	638,328	512,718

9. Directors', chief executive's and supervisors remuneration

Directors', chief executive's and supervisors' remuneration for the year, disclosed pursuant to the Hong Kong Listing Rules ("Listing Rules") and Section 161 of the Hong Kong Companies Ordinance, is as follows:

	Group 2013 RMB'000	2012 RMB'000
Fees	1,280	1,280
Other emoluments:		
Basic salaries, allowances and benefits in kind	926	921
Bonuses*	942	910
Pension scheme contributions	167	155
	2,035	1,986
	3,315	3,266

* Certain Directors and supervisors of the Company are entitled to bonus payments which are determined based on the duties and responsibilities of the Directors and supervisors, as well as the operating results of the Group.

(a) Independent non-executive directors and supervisor

The fees paid/payable to independent non-executive directors and an independent supervisor of the Company during the year are as follows:

	Group 2013 RMB'000	2012 RMB'000
Independent non-executive directors:		
Tsui Yiu Wa	400	400
Fong Wo, Felix (i)	400	400
Chen Quansheng (i)	400	400
	1,200	1,200
Independent supervisor:		
Wang Zhile	80	80
	1,280	1,280

There were no other emoluments payable to the independent non-executive directors and the independent supervisor during the year (2012: Nil).

Note:

(i) Mr. Fong Wo, Felix and Mr. Chen Quansheng were re-elected as independent non-executive directors, respectively, with effect from 24 May 2013.

9. Directors, chief executive's and supervisors remuneration (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive

	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Share appreciation rights RMB'000	Total RMB'000
2013					
Executive director and chief executive:					
Li Yong	354	356	59	–	769
Executive director:					
Li Feilong *(Note 4)*	343	316	58	–	717
Non-executive directors:					
Liu Jian	–	–	–	–	–
Wu Mengfei *(Note 2)*	–	–	–	–	–
Zeng Quan *(Note 2)*	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Zhang Zhaoshan *(Note 3)*	–	–	–	–	–
An Xuefen *(Note 3)*	–	–	–	–	–
Zi Shilong *(Note 1)*	96	212	20	–	328
Li Zhi *(Note 1)*	133	58	30	–	221
	229	270	50	–	549
Total	926	942	167		2,035
2012					
Executive director and chief executive:					
Li Yong	348	358	54	–	760
Executive director:					
Li Feilong	337	304	54	–	695
Non-executive directors:					
Liu Jian	–	–	–	–	–
Wu Mengfei	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
An Xuefen	–	–	–	–	–
Zi Shilong	236	248	47	–	531
	236	248	47	–	531
Total	921	910	155	–	1,986

9. Directors, chief executive's and supervisors remuneration (continued)

(b) Executive directors, non-executive directors, supervisors and the chief executive (continued)

Notes:

(1) Li Zhi was appointed and Zi Shilong resigned as a supervisor on 16 May 2013.
(2) Zeng Quan was appointed and Wu Mengfei was not re-elected as a non-executive director on 24 May 2013.
(3) Zhang Zhaoshan was appointed and An Xuefen was not re-elected as a supervisor on 24 May 2013.
(4) Li Feilong was re-elected as executive director on 20 December 2013.

Mr Li Yong is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

In prior years, share appreciation rights were granted to certain executive directors in respect of their services to the Group, further details of which are disclosed in note 30.

There was no arrangement under which a Director or a supervisor or the chief executive waived or agreed to waive any remuneration during the year.

10. Five highest paid employees

The five highest paid employees during the year do not include any Directors and the chief executive (2012: Nil), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the five (2012: Five) non-director, non-supervisor, and non-chief executive highest paid employees for the year are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Basic salaries, allowances and benefits in kind	13,730	14,363
Bonuses	5,233	10,098
Pension scheme contributions	133	277
	19,096	24,738

The number of non-director, non-supervisor, and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2013	2012
HK$3,500,001 to HK$4,000,000	1	1
HK$4,000,001 to HK$4,500,000	2	1
HK$4,500,001 to HK$5,000,000	1	1
HK$6,500,001 to HK$7,000,000	1	1
HK$11,000,001 to HK$11,500,000	–	1
	5	5

11. Pensions and defined benefit plan

All the Group's full-time employees in Mainland China are covered by a government-regulated pension scheme, and are entitled to an annual pension determined by their basic salaries upon their retirement. The PRC government is responsible for the pension liabilities to these retired employees. The Group is required to make annual contributions to the government-regulated pension at rates ranging from 19% to 22% of the employees' basic salaries. The related pension costs are expensed as incurred.

In addition, the Group also has a defined benefit plan with a life insurance company to provide pension benefits for certain employees in Norway.

The retirement expenses of the Group are as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Contributions to the PRC government-regulated pension scheme	224,028	202,489
Contributions to overseas subsidiaries' pension scheme	182,341	91,884
	406,369	294,373

At 31 December 2013, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2012: Nil).

12. Income tax

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

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

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 CIT rate was approved to be 15% for the years 2009 and 2010. The Company has applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was re-certified as an HNTE on 8 October 2011, which is effective for three years commencing from 1 January 2011, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the year ended 31 December 2013 (2012: 15%).

Certain overseas subsidiaries of the Group with permanent establishment status in the PRC are subject to deemed income tax calculated at 3.75% (2012: 3.75%) of service income generated from drilling activities in the PRC. The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (2012: 25%). The Group's activities in Australia are subject to income tax of 30% (2012: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to income tax of 3.5% (2012: 3.5%). The Group's activities in Mexico are subject to the higher of income tax of 30% or business flat tax of 17.5% (2012: 30% and 17.5%, respectively). The Group's activities in Norway are mainly subject to corporate income tax of 28% (2012: 28%). The Group's activities in the U.K. are subject to income tax of 28% (2012: 28%). The Group's activities in the Philippines are subject to income tax of 30% (2012: 30%). The Group's activities in Iraq are subject to income tax of 35% (2012: 35%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's taxes pertaining to drilling activities in Iran are borne by the customers. The Group's taxes pertaining to operating lease activities of jack-up rig in Saudi Arabia are borne by the customers unless otherwise provided in the drilling contracts.

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

	Group	
	2013	2012
	RMB'000	RMB'000
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**210,557**	379,635
Deferred	**(89,344)**	(399,457)
PRC corporate income taxes:		
Current	**943,860**	604,565
Deferred	**(464,254)**	271,756
Under provision in prior year	**192,352**	10,539
Total tax charge for the year	**793,171**	867,038

12. Income tax (continued)

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China, where the Company and its key joint ventures are domiciled, to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2013		2012	
	RMB'000	%	RMB'000	%
Profit before tax	7,519,605		5,436,808	
Tax at the statutory tax rate of 25% (2012: 25%)	1,879,901	25.0	1,359,202	25.0
Tax reduction as an HNTE	(628,206)	(8.4)	(390,755)	(7.2)
Income not subject to tax	(79,477)	(1.1)	(71,785)	(1.3)
Expense not deductible for tax	13,242	0.2	33,356	0.6
Tax benefit for qualifying research and development expenses	(48,912)	(0.7)	(48,605)	(0.9)
Effect of different tax rates for overseas subsidiaries	(153,105)	(2.0)	(193,891)	(3.6)
Effect on change in tax rates	(21,159)	(0.3)	(290,791)	(5.3)
Tax losses unrecognised/(utilised)	384,752	5.1	(197,127)	(3.6)
Deductible translation adjustment (a)	(477,221)	(6.3)	420,180	7.7
Adjustments in respect of current tax of previous year (b)	192,352	2.6	10,539	0.2
Others (c)	(268,996)	(3.6)	236,715	4.4
Total tax charge at the Group's effective rate	793,171	10.5	867,038	16.0

The estimated useful life of certain of the Company's equipment including drilling rigs, well service equipment and vessels are longer than the tax depreciable year regulated by tax law. The Company has previously recognised temporary difference between tax base and accounting base of the subject equipment as deferred tax liabilities, which was deducted from profit before taxation in each year's income tax computation for financial statements preparation purpose. Upon completion of the Company's 2012 fiscal year income tax filing in May 2013, and pursuant to relevant tax rules and communication with local tax authority, starting from the beginning of 2012, the Company should recognise depreciation expense based on the estimated useful life of the equipment for the purpose of calculating income tax expense as long as the estimated useful life of the equipment is not shorter than the tax depreciable year regulated by tax law, and all temporary difference between tax base and accounting base of equipment established prior to 2012 will be reversed on an equal-amount basis over the future years starting from 2012, and adjusted from profit before taxation in each year's income tax computation. There will not be any difference on depreciation between tax base and accounting base as explained above.

(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) Adjustments in respect of current tax of previous year mainly included an one-off income tax expense of RMB218,197,000 for fiscal 2012 due to the change in above tax practice during the year.

(c) Others for the year mainly include an adjustment of RMB383,745,000 to the opening deferred taxation at 1 January 2013 based on the applicable tax rate for the relevant period in which the aforesaid equipment are realised due to the change in above tax practice.

Included in others for the year ended 31 December 2012 were provisions for taxes related to certain Norwegian subsidiaries. In 2009 and 2010, certain overseas subsidiaries received notifications from the Norwegian tax authorities ("NTA") 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. On 15 August 2013, the Norwegian subsidiaries has agreed with the NTA to settle the above tax dispute, the expected aggregate income tax payable by the Norwegian subsidiaries to NTA in this respect would amount to approximately NOK173 million (equivalent to approximately RMB181 million), and the aforesaid tax liability has been fully provided for in the Group's consolidated financial statements for the year ended 31 December 2012.

12. Income tax (continued)

The share of tax attributable to joint ventures amounting to approximately RMB105,451,000 (2012: RMB84,159,000) is included in “Share of profits of joint ventures” in the consolidated statement of profit or loss.

13. Other comprehensive income

	Group 2013 RMB’000	Group 2012 RMB’000
Other comprehensive income includes:		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	(50,965)	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	(262,938)	(14,852)
Available-for-sale investments:		
Gains arising during the year	136,017	–
Reclassification adjustments for the cumulative gain/loss included in profit or loss upon disposal	(93,774)	–
	42,243	–
Income tax relating to items that may be reclassified subsequently	(6,336)	–
Other comprehensive income, net of income tax	(277,996)	(14,852)

14. Dividends

	Group and Company 31 December 2013 RMB’000	Group and Company 31 December 2012 RMB’000
Proposed final dividend – RMB0.43 per ordinary share (2012: RMB0.31 per ordinary share)	2,051,785	1,393,549

The proposed final dividend for the year, calculated based on RMB0.43 per ordinary share of the Company comprising 4,495,320,000 ordinary shares existed as at 31 December 2013 together with 276,272,000 new ordinary shares issued by the Company on 15 January 2014, is subject to the approval of the Company’s shareholders at the forthcoming annual general meeting.

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

14. Dividends (continued)

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

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

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

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

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

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

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

15. Earnings per share attributable to ordinary equity holders of the company

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2013 RMB'000	2012 RMB'000
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to ordinary equity holders of the Company)	6,715,967	4,559,354

	2013	2012
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	4,495,320,000	4,495,320,000

No diluted earnings per share is presented for the years ended 31 December 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those years.

16. Property, plant and equipment

Group

31 December 2013	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2012 and at 1 January 2013							
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)
Carrying amount	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
Carrying amount							
At 1 January 2013	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
Additions	12,468	163,478	476,778	9,037	1,429	7,929,801	8,592,991
Depreciation provided during the year	(500,253)	(1,686,372)	(1,068,159)	(8,504)	(3,475)	–	(3,266,763)
Disposals/write-offs	(13,934)	(4,403)	(95,525)	(310)	–	–	(114,172)
Transfers from/(to) construction in progress ("CIP")	244,424	7,957,040	720,420	9,144	–	(8,931,028)	–
Reclassifed as held for sale (note 28)	–	(129,128)	–	–	–	–	(129,128)
Impairment write-off	–	50	19,000	–	–	–	19,050
Exchange realignment	(14,795)	(700,471)	(14,185)	1	(3)	(155,795)	(885,248)
At 31 December 2013	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
At 31 December 2013							
Cost	10,663,122	47,577,582	12,207,577	107,318	67,891	6,410,122	77,033,612
Accumulated depreciation and impairment	(4,770,455)	(13,258,952)	(7,487,289)	(71,488)	(18,890)	(134,132)	(25,741,206)
Carrying amount	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406

16. Property, plant and equipment (continued)

Group (continued)

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 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)
Carrying amount	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
Carrying amount							
At 1 January 2012	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	3,373,471	4,147,500
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	4,339,892	882,203	4,875	55	(6,823,207)	–
Impairment	–	(77,420)	(19,000)	–	–	–	(96,420)
Impairment write-off	29,888	–	–	–	–	–	29,888
Exchange realignment	904	(66,306)	(1,647)	–	–	(9,506)	(76,555)
At 31 December 2012	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)
Carrying amount	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676

As at 31 December 2013, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,520,518,000 (2012: RMB7,689,721,000).

Included in the current year's additions was an amount of approximately RMB48,508,000 (2012: RMB123,059,000) in respect of interest capitalised in property, plant and equipment (note 8), with a capitalisation rate of 1.52% (2012: 1.57%).

A write-off of impairment of approximately RMB19,050,000 was recognised in 2013, arising from the disposal of the oilfield service related machinery and equipment.

16. Property, plant and equipment (continued)

Company

31 December 2013	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2012 and at 1 January 2013							
Cost	10,105,895	15,262,301	10,469,483	91,672	61,888	1,276,073	37,267,312
Accumulated depreciation and impairment	(4,441,972)	(6,829,441)	(6,281,214)	(65,377)	(13,686)	–	(17,631,690)
Carrying amount	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622
Carrying amount							
At 1 January 2013	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622
Additions	–	–	343,288	9,037	–	3,580,365	3,932,690
Depreciation provided during the year	(459,902)	(413,633)	(968,041)	(8,431)	(3,039)	–	(1,853,046)
Disposals/write-offs	(13,934)	(2,140)	(93,089)	(279)	–	–	(109,442)
Transfers from/(to) CIP	244,424	1,391,980	687,656	9,144	–	(2,333,204)	–
Reclassifed as held for sale *(note 28)*	–	(129,128)	–	–	–	–	(129,128)
Impairment write-off	–	50	19,000	–	–	–	19,050
At 31 December 2013	5,434,511	9,279,989	4,177,083	35,766	45,163	2,523,234	21,495,746
At 31 December 2013							
Cost	10,041,732	16,178,838	11,215,233	106,120	61,888	2,523,234	40,127,045
Accumulated depreciation and impairment	(4,607,221)	(6,898,849)	(7,038,150)	(70,354)	(16,725)	–	(18,631,299)
Carrying amount	5,434,511	9,279,989	4,177,083	35,766	45,163	2,523,234	21,495,746

16. Property, plant and equipment (continued)

Company (continued)

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 RMB'000	Total RMB'000
At 31 December 2011 and at 1 January 2012							
Cost	8,776,697	14,596,076	9,528,607	83,152	61,888	2,826,571	35,872,991
Accumulated depreciation and impairment	(4,198,037)	(6,368,009)	(5,463,574)	(55,955)	(10,648)	–	(16,096,223)
Carrying amount	4,578,660	8,228,067	4,065,033	27,197	51,240	2,826,571	19,776,768
Carrying amount							
At 1 January 2012	4,578,660	8,228,067	4,065,033	27,197	51,240	2,826,571	19,776,768
Additions	–	–	443,684	4,357	–	1,373,172	1,821,213
Depreciation provided during the year	(430,457)	(438,195)	(940,503)	(10,063)	(3,038)	–	(1,822,256)
Disposals/write-offs	(7,923)	(326)	(35,363)	(71)	–	–	(43,683)
Transfers from/(to) CIP	1,523,643	720,734	674,418	4,875	–	(2,923,670)	–
Impairment	–	(77,420)	(19,000)	–	–	–	(96,420)
At 31 December 2012	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622
At 31 December 2012							
Cost	10,105,895	15,262,301	10,469,483	91,672	61,888	1,276,073	37,267,312
Accumulated depreciation and impairment	(4,441,972)	(6,829,441)	(6,281,214)	(65,377)	(13,686)	–	(17,631,690)
Carrying amount	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622

17. Goodwill

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

Group	2013 RMB'000	2012 RMB'000
COST AND CARRYING VALUE		
At 1 January	**4,234,831**	4,245,207
Exchange realignment	**(127,068)**	(10,376)
At 31 December	**4,107,763**	4,234,831

Impairment testing of goodwill

Goodwill acquired through a business combination has been allocated to a group of the drilling services cash-generating units, which is reportable in the "drilling services" segment as disclosed in note 5, for impairment testing.

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend of Asia Pacific and Norway for Jack-up and Semis Rigs with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8%. The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for drilling services cash-generating units. Other key assumption for the value in use calculations reflect management's judgments and expectation's regarding the unit's past performance, as well as future industry conditions and operations, including expected utilization rates, day rates, cost level and capital requirements. Based on quantitative assessments of value in use performed as of 31 December 2013 and 2012, management believes that there was no impairment of goodwill.

18. Other intangible assets

Group

31 December 2013	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Cost at 1 January 2013	367	239,936	130,875	–	371,178
Additions	–	–	67,715	–	67,715
Amortisation provided during the year	(41)	(5,234)	(38,580)	–	(43,855)
Exchange realignment	–	–	(1,818)	–	(1,818)
At 31 December 2013	326	234,702	158,192	–	393,220
At 31 December 2013:					
Cost	411	261,468	360,978	109,720	732,577
Accumulated amortisation	(85)	(26,766)	(202,786)	(109,720)	(339,357)
Carrying amount	326	234,702	158,192	–	393,220

31 December 2012	Trademark RMB'000	Prepaid land lease payments RMB'000	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Cost at 1 January 2012	408	245,170	125,236	842	371,656
Additions	–	–	29,977	–	29,977
Transferred from CIP	–	–	12,629	–	12,629
Amortisation provided during the year	(41)	(5,234)	(36,827)	(844)	(42,946)
Exchange realignment	–	–	(140)	2	(138)
At 31 December 2012	367	239,936	130,875	–	371,178
At 31 December 2012:					
Cost	411	261,468	295,587	113,114	670,580
Accumulated amortisation	(44)	(21,532)	(164,712)	(113,114)	(299,402)
Carrying amount	367	239,936	130,875	–	371,178

18. Other intangible assets (continued)

Company

31 December 2013	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Software RMB'000	Total RMB'000
Cost at 1 January 2013	367	239,936	64,667	304,970
Additions	–	–	66,806	66,806
Amortisation provided during the year	(41)	(5,234)	(26,616)	(31,891)
At 31 December 2013	326	234,702	104,857	339,885
At 31 December 2013				
Cost	411	261,468	244,781	506,660
Accumulated amortisation	(85)	(26,766)	(139,924)	(166,775)
Carrying amount	326	234,702	104,857	339,885

31 December 2012	Trademark RMB'000	Prepaid land lease payments RMB'000	Software RMB'000	Total RMB'000
Cost at 1 January 2012	408	245,170	48,575	294,153
Additions	–	–	29,092	29,092
Transferred from CIP	–	–	12,629	12,629
Amortisation provided during the year	(41)	(5,234)	(25,629)	(30,904)
At 31 December 2012	367	239,936	64,667	304,970
At 31 December 2012:				
Cost	411	261,468	176,708	438,587
Accumulated amortisation	(44)	(21,532)	(112,041)	(133,617)
Carrying amount	367	239,936	64,667	304,970

Note: Pursuant to the announcement of the Company dated on 20 March 2012 in respect of connected transaction, land use right with carrying amount of approximately RMB131,890,000 included in prepaid land lease payments will be transferred to CNOOC Infrastructure Management Co., Ltd., with the consideration of RMB157,032,500. Such land use right transfer agreement have already been signed and approved by the board of directors of the Company, and will become effective upon receiving the relevant government body's approval.

At the end of this reporting period, the Director did not anticipate to obtain the government approval for the transfer of the land use right within one year from the end of this reporting period, hence such land use right was not classified as assets held for sale at 31 December 2013.

19. Investments in subsidiaries

	Company 31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted shares, at cost	7,323,799	7,303,799

As at 31 December 2013, loans to subsidiaries representing other long term receivables of the Company of approximately RMB21,406,938,000 (2012: RMB22,951,721,000) are unsecured, have a floating interest rate of LIBOR plus 300 basis points, and are repayable within two years.

As at 31 December 2013, the amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB1,619,912,000 (2012: RMB1,415,869,000) and RMB109,095,000 (2012: RMB100,944,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital paid-in capital	Percentage of equity attributable to the Group 2013	2012	Principal activities
COSL Chemicals (Tianjin), Ltd. (formerly known as Tianjin Jinlong Petro-Chemical Company Ltd.) ("COSL Chemical")	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	100%	100%	Provision of drilling fluids services
COSL Mexico S.A.de C.V ("COSL Mexico")	Mexico 26 May 2006	Mexico	US$8,504,525	100%	100%	Provision of drilling services
PT Samudra Timur Santosa ("PT STS")(a)	Indonesia 27 July 2010	Indonesia	US$250,000	49%	49%	Provision of marine support and transportation services
COSL Oil-Tech (Singapore) Ltd. ("OIL TECH")	Singapore 31 January 2011	Singapore	US$100,000	100%	100%	Provision of marine support and transportation services
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1	100%	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$1	100%	100%	Management of jack-up drilling rigs
COSL Norwegian AS ("COSL Norwegian")	Norway 23 June 2008	Norway	NOK1,541,328,656	100%	100%	Investment holding
COSL Drillings Europe As ("CDE")	Norway 21 January 2005	Norway	NOK1,494,415,487	100%	100%	Investment holding
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	100%	100%	Bond Issuance

19. Investments in subsidiaries (continued)

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital paid-in capital	Percentage of equity attributable to the Group 2013	2012	Principal activities
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	US$280,000	100%	100%	Provision of drilling services
COSL (Australia) Pty Ltd. ("COSL Australia")	Australia 11 January 2006	Australia	A$10,000	100%	100%	Provision of drilling services in Australia
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US$400,000	100%	100%	Provision of drilling services
COSL HongKong Ltd ("COSL HongKong")	Hong Kong 1 December 2005	Hong Kong	HK$10,000	100%	100%	Investment holding

(a) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the year ended 31 December 2013.

An overseas subsidiary of the Group has been providing drilling services in certain countries in the Middle East. The Directors note that some administrative rules of the country, in which such overseas subsidiary is located, in respect of the service operations in a country in the Middle East have been amended at the beginning of 2013, which impose further restrictions on the business operations in that country in the Middle East. Based on the available information, the Directors are of the view that the impact of the above events on the operating results and financial position of the Group cannot be reliably estimated. As at 31 December 2013, those operations and assets of the Group have been fully transferred out of that overseas subsidiary as mentioned above. As such, that overseas subsidiary is complied with the laws and regulations of that country in which such overseas subsidiary is located.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the operating results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

20. Investments in joint ventures

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted investments, at cost	–	–	148,682	148,682
Share of net assets	710,465	565,252	–	–
Due from joint ventures	–	4,609	–	4,609
Due to joint ventures	–	(61,016)	–	(110)
	710,465	508,845	148,682	153,181

The amounts due from and due to joint ventures are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal joint ventures are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2013	Percentage of Ownership interest 2012	Percentage of Voting rights held 2013	Percentage of Voting rights held 2012	Principal activities
China France Bohai Geoservices Co., Ltd. ("China France")	US$6,650,000	Tianjin, PRC 30 November 1983	50	50	50	50	Provision of logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	60	60	50	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd. ("CNOOC-OTIS")	US$2,000,000	Tianjin, PRC 14 April 1993	50	50	50	50	Provision of well completion services
China Petroleum Logging-Atlas Cooperation Service Company ("Logging-Atlas")	US$2,000,000	Shenzhen, PRC 10 May 1984	50	50	50	50	Provision of logging services
China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd. ("China Offshore Fugro")	US$6,000,000	Shenzhen, PRC 24 August 1983	50	50	50	50	Provision of geophysical and surveying services
COSL-Expro Testing Services (Tianjin) Company Ltd. ("COSL-Expro")	US$5,000,000	Tianjin, PRC 28 February 2007	50	50	50	50	Provision of well testing services
Eastern Marine Services Ltd. ("Eastern Marine") (a)	HK$1,000,000	Hong Kong 10 March 2006	51	51	50	50	Marine transportation services

20. Investments in joint ventures (continued)

(a) The Group has 60% and 51% of the equity interests in Magcobar and Eastern Marine respectively, and other equity interests are held by the other respective sole investor of Magcobar and Eastern Marine. Pursuant to the articles of associations of Magcobar and Eastern Marine, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of these entities. In the opinion of the Directors, the Group does not have control over Magcobar and Eastern Marine and the investments in these joint arrangements constitute interests in joint ventures based on the rights and obligations of the parties to these joint arrangements. Accordingly, Magcobar and Eastern Marine have been accounted for in the Group's consolidated financial statements using the equity method.

All of the above investments in joint ventures are directly held by the Company except for Eastern Marine, which is indirectly held through China Oilfield Services (BVI) Limited.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

The aggregate financial information in respect of the Group's joint ventures is set out below since none of the joint ventures is individually material.

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
The Group's share of profit	297,221	243,193
The Group's share of other comprehensive income	–	–
The Group's share of total comprehensive income	297,221	243,193
Aggregate carrying amount of the Group's interests in these joint ventures	710,465	565,252

21. Available-for-sale investments

	Group and Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Unlisted equity investment, at cost (a)	125,515	129,398
Less: Provision for impairment	(125,515)	(129,398)
Total net carrying amount at 31 December	–	–

(a) As at 31 December 2013 and 2012, the equity investment in an equity's security, Petrojack ASA, was an unlisted investment. Petrojack ASA had withdrawn its listing status from the stock market since March 2010. Full provision against the equity investment in Petrojack ASA had been made.

22. Inventories

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Gross inventories	1,083,053	966,296	602,690	615,904
Less: Provisions	(31,526)	(17,446)	(17,462)	(17,446)
	1,051,527	948,850	585,228	598,458

As at 31 December 2013 and 2012, the Group's and the Company's inventories consisted of materials and supplies.

23. Prepayments, deposits and other receivables

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Prepayments	121,574	92,006	49,875	41,715
Deposits	91,495	98,344	83,554	32,403
Other receivables	223,870	466,652	330,535	462,511
	436,939	657,002	463,964	536,629
Less: Provision for impairment of other receivables	(10,084)	(6,414)	(10,084)	(6,414)
	426,855	650,588	453,880	530,215

An analysis of other receivables is as follows:

	Group	
	2013 RMB'000	2012 RMB'000
Value-added tax recoverable	–	274,397
Withholding tax	112,789	112,284
Insurance claim receivables	9,021	7,160
Advance to employees	6,275	10,673
Dividend receivable	12,136	–
Interest receivable	8,939	26,623
Others	74,710	35,515
	223,870	466,652

24. Accounts receivable

The general credit terms of the Group range from 30 to 45 days upon the issuance of invoices to its trade customers with good trading history in Mainland China and no more than 6 months upon the issuance of invoices to its trade customers with good trading history in overseas. The Group's accounts receivable relate to a large number of diversified customers. Other than the accounts receivable related to CNOOC and its subsidiaries, excluding the CNOOC Limited Group (the "CNOOC Group") and the CNOOC Limited Group as disclosed below, there was no significant concentration of credit risk of the Group's accounts receivable during the reporting period. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. All accounts receivable are non-interest-bearing.

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

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Outstanding balances aged:				
Within six months	5,497,125	4,038,170	4,528,198	3,506,069
Six months to one year	364,568	87,433	7,270	71,762
One to two years	10,759	18,873	10,759	3,566
Two to three years	528	760	286	760
	5,872,980	4,145,236	4,546,513	3,582,157

Included in the Group's accounts receivables balance are debtors with a carrying amount of approximately RMB375,855,000 (2012: RMB107,066,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of accounts receivables which are past due but not impaired:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Outstanding balances aged:				
Six months to one year	364,568	87,433	7,270	71,762
One to two years	10,759	18,873	10,759	3,566
Two to three years	528	760	286	760
	375,855	107,066	18,315	76,088

24. Accounts receivable (continued)

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

	Group		Company	
	2013 RMB'000	2012 RMB'000	2013 RMB'000	2012 RMB'000
At 1 January	203,603	313,161	65,349	152,716
Impairment losses recognised	4,106	40,021	3,924	39,772
Impairment losses reversed	(5,658)	(28,366)	(1,254)	(7,105)
Impairment losses written-off	(11,256)	(120,034)	–	(120,034)
Exchange realignment	(4,141)	(1,179)	–	–
At 31 December	186,654	203,603	68,019	65,349

As at 31 December 2012, since Atlantis Deepwater Orient Ltd, one of the joint ventures of the Group,was liquidated, and the investment was written off by the Group, the impairment losses of RMB120,034,000 was written off accordingly.

25. Notes receivable

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Trade acceptances	1,473,412	616,740	1,473,412	616,740
Bank acceptances	39,963	3,200	19,463	3,200
	1,513,375	619,940	1,492,875	619,940

All the notes receivable are of trading nature and will be due within six months from the date of issuance, in which the trade acceptances are normally settled within 30 days from the date of issuance. As of the date of approving for issuance of these consolidated financial statements, all the trade acceptances as at 31 December 2013 have been fully settled.

26. Other current assets/liabilities and other non-current assets

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Assets classified as held-to-maturity (a)	–	300,000
Assets classified as available-for-sale (a)	2,226,360	1,702,169
Current portion of deferred expenses (b)	55,950	56,828
Value-added tax recoverable	81,136	–
Other current assets	2,363,446	2,058,997
Current portion of deferred revenue *(note 34)*	(112,876)	(60,219)
Other current liabilities	(112,876)	(60,219)
Non-current portion of deferred expenses (b)	211,049	219,690
Value-added tax recoverable	156,994	–
Deposits paid for the acquisition of property, plant and equipment	735,692	–
Others	56,702	–
Other non-current assets (b)	1,160,437	219,690

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Assets classified as held-to-maturity (a)	–	300,000
Assets classified as available-for-sale (a)	2,226,360	1,702,169
Other current assets	2,226,360	2,002,169
Deposits paid for the acquisition of property, plant and equipment	735,692	–
Other non-current assets (b)	735,692	–

(a) Assets classified as held-to-maturity and available-for-sale represent the Group's investments in corporate wealth management products issued by banks in the PRC and liquidity funds. The liquidity funds included in available-for-sale have no fixed maturity date and no coupon rate.

(b) Other non-current assets mainly consisted of deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, and deposits paid for the acquisition of property, plant and equipment. The current portion of deferred expenses was recorded as other current assets. The deferred expenses are amortised over their respective drilling contract periods.

27. Cash and cash equivalents, pledged deposits and time deposits

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and balances with banks	2,766,843	4,674,399	1,110,556	50,283
Deposit with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	1,205,463	1,097,835	1,205,463	1,097,835
Time deposits at banks	6,261,121	8,027,599	4,409,916	6,121,949
Cash and balances with banks and financial institutions	10,233,427	13,799,833	6,725,935	7,270,067
Less:				
Pledged deposits – current	(32,630)	(30,755)	(29,591)	(29,564)
Time deposit with original maturity over three months	(600,000)	(3,954,185)	(600,000)	(2,068,535)
Cash and cash equivalents	9,600,797	9,814,893	6,096,344	5,171,968

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 RMB5,842,256,000 (2012:RMB5,044,943,000). 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 2013, 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 RMB600,000,000 (2012: RMB3,954,185,000).

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.

28. Non-current assets classified as held for sale

On 6 November 2013, the management of the Company resolved to dispose of certain land drilling equipment in Libya soon after 31 December 2013. As such, these assets were classified as held for sale and separately presented in the consolidated and the Company statements of financial position at 31 December 2013. Those assets were previously included in the Group's drilling service for segment reporting purposes (see note 5) before disposal. Based on the contract with interested party on disposal of this equipment being signed, the net proceeds of disposal are higher than the net carrying amounts of the relevant assets and accordingly, no impairment loss has been recognised.

The assets classified as held for sale represent:

	31 December 2013 RMB'000
Property, plant and equipment	129,128

29. 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		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Outstanding balances aged:				
Within one year	6,955,745	4,862,798	4,539,831	3,548,123
One to two years	113,148	74,262	111,095	43,505
Two to three years	18,084	27,595	18,445	27,595
Over three years	72,349	57,136	71,136	57,136
	7,159,326	5,021,791	4,740,507	3,676,359

30. Share appreciation rights plan

The share appreciation rights plan for senior officers (the "SAR Plan") was approved by the shareholders of the Company in an extraordinary general meeting on 22 November 2006. A total of five million share appreciation rights with an exercise price of HK$4.09 per share were awarded under the SAR Plan to seven senior officers, including the chief executive officer (president), three executive vice presidents, and three other vice presidents. The share appreciation rights will become vested upon completion of a two-year service period from the approval date, and the senior officers can exercise their rights in four equal batches, beginning year 3 (first exercisable date: the first trading day after 22 November 2008), 4, 5 and 6 from the approval date of the SAR Plan. The share appreciation rights will be settled in cash. According to the SAR Plan, the exercise gain for excisable share appreciation rights will be determined by the difference between the average closing price of the shares on the HKSE as stated in the HKSE's quotation from the 30th day immediately after the date of its annual report published to the last transaction date of that year, and the exercise price.

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

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

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

The SAR is recorded as a financial liability at fair value through profit and loss and included in the salary and bonus payable account. The liability is re-measured at the end of the reporting period and the settlement date with changes in fair value recognised in profit or loss. At 31 December 2013, the salary and bonus payable arising from the share appreciation rights was RMB1.4 million (2012: RMB1.4 million).

30. Share appreciation rights plan (continued)

Details of movements in the share appreciation rights during the year are as follows:

	2013 Number of shares	2012 Number of shares
Outstanding at 1 January	1,173,075	1,173,075
Granted during the year	–	–
Exercised during the year	–	–
Forfeited during the year	–	–
Outstanding at 31 December	1,173,075	1,173,075
Exercisable at 31 December	1,173,075	1,173,075

31. Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	31 December 2013 RMB'000	31 December 2012 RMB'000
Deferred tax assets	7,254	–	–	–
Deferred tax liabilities	(1,128,733)	(1,688,281)	(531,954)	(990,265)
	(1,121,479)	(1,688,281)	(531,954)	(990,265)

31. Deferred taxation (continued)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Group

	Balance at 1 January 2012 RMB'000	Recognised in profit or loss RMB'000	Exchange realignment RMB'000	Balance at 31 December 2012 and 1 January 2013 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Exchange realignment RMB'000	Balance at 31 December 2013 RMB'000
Deferred tax assets:								
Provision for staff bonus	110,408	7,452	–	117,860	39,252	–	–	157,112
Impairment of assets	44,138	11,786	(10)	55,914	(4,355)	–	(36)	51,523
Amortisation of intangible assets	439	939	–	1,378	2,785	–	–	4,163
Accrued liabilities	–	15	–	15	(15)	–	–	–
Others	11,482	3,861	(41)	15,302	(6,300)	–	(317)	8,685
	166,467	24,053	(51)	190,469	31,367	–	(353)	221,483
Deferred tax liabilities:								
Accelerated depreciation of property, plant and equipment	1,134,963	259,757	(498)	1,394,222	(433,510)	–	(6,762)	953,950
Revaluation surplus on Reorganisation	6,015	(6,015)	–	–	–	–	–	–
Fair value adjustment arising from acquisition of a subsidiary	841,876	(356,920)	(531)	484,425	(89,073)	–	(13,124)	382,228
Fair value change in available for sale investment	–	–	–	–	–	6,336	–	6,336
Others	613	(470)	(40)	103	352	–	(7)	448
	1,983,467	(103,648)	(1,069)	1,878,750	(522,231)	6,336	(19,893)	1,342,962
	1,817,000	(127,701)	(1,018)	1,688,281	(553,598)	6,336	(19,540)	1,121,479

31. Deferred taxation (continued)

Company

	Balance at 1 January 2012 RMB'000	Recognised in profit or loss RMB'000	Balance at 31 December 2012 and 1 January 2013 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Balance at 31 December 2013 RMB'000
Deferred tax assets:						
Provision for staff bonus	110,408	7,452	117,860	39,252	–	157,112
Impairment of assets	44,138	9,249	53,387	(1,909)	–	51,478
Amortisation of intangible assets	439	939	1,378	2,785	–	4,163
Others	1,090	(80)	1,010	421	–	1,431
	156,075	17,560	173,635	40,549	–	214,184
Deferred tax liabilities:						
Accelerated depreciation of property, plant and equipment	868,131	295,769	1,163,900	(424,098)	–	739,802
Revaluation surplus on Reorganisation	6,015	(6,015)	–	–	–	–
Fair value change in available for sale investment	–	–	–	–	6,336	6,336
	874,146	289,754	1,163,900	(424,098)	6,336	746,138
	718,071	272,194	990,265	(464,647)	6,336	531,954

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's joint ventures for which deferred tax liabilities have not been recognised was RMB984,972,000 (31 December 2012: RMB711,138,000). No liability has been recognised in respect of these differences as those joint ventures are all located in the PRC.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,931,932,000 (31 December 2012: RMB599,320,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2013, accumulated tax losses arising in subsidiaries of the Company of approximately RMB3,947,881,000 (2012: RMB3,266,204,000) were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available aginst which the tax losses can be utilised in near future.

At 31 December 2013, the Group has deductible temporary differences of RMB1,123,795,000 (31 December 2012: RMB1,151,760,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

32. Interest-bearing bank borrowings

Current:

	Group and Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Current portion of long term bank loans	3,803,582	1,659,906

Non-current:

	Contractual interest rate (%)	Year of maturity	31 December 2013 RMB'000	31 December 2012 RMB'000
Export-Import Bank of China – unsecured (a)	LIBOR+170pts	2020	3,560,020	4,182,422
Bank of China – unsecured (b)	LIBOR+138pts	2017	12,051,436	13,109,908
Bank of China – unsecured (c)	LIBOR+90pts	2017	4,389,768	4,776,980
Industrial and Commercial Bank of China – unsecured (c)	LIBOR+90pts	2017	3,292,326	3,582,735
			23,293,550	25,652,045
Less: Current portion of long term bank loans			(3,803,582)	(1,659,906)
			19,489,968	23,992,139

(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.

(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.

(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.

32. Interest-bearing bank borrowings (continued)

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2013 was 1.67% per annum (2012: 1.80% per annum).

	Group and Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Bank borrowings repayable:		
Within one year	3,803,582	1,659,906
In the second year	3,781,258	3,856,068
In the third to fifth year, inclusive	14,683,998	18,547,725
Beyond five years	1,024,712	1,588,346
	23,293,550	25,652,045

There were no assets pledged for any of the above bank borrowings as at 31 December 2013 (2012: Nil).

33. Long term bonds

Group

	Year of maturity	31 December 2013 RMB'000	31 December 2012 RMB'000
Corporate bonds (a)	2022	1,500,000	1,500,000
Senior unsecured USD bonds (b)	2022	6,036,622	6,217,913
		7,536,622	7,717,913

Company

	Year of maturity	31 December 2013 RMB'000	31 December 2012 RMB'000
Corporate bonds (a)	2022	1,500,000	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 effective interest rate of 4.48% per annum (2012: 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. Interest of the bonds is payable semi-annually in arrears on March 6 and September 6 of each year, and the redemption or maturity date is 6 September 2022. The effective interest rate for the year ended 31 December 2013 was 3.38% per annum (2012: 3.38% per annum).

34. Deferred revenue

	Group 2013 RMB'000	Group 2012 RMB'000
Balance at beginning of the year	**1,182,456**	1,011,165
Additions	**475,490**	397,477
Credited to profit or loss during the year	**(249,391)**	(226,514)
Exchange realignment	**(30,010)**	328
Balance at end of the year	**1,378,545**	1,182,456

The following is the analysis of the deferred income balances for financial reporting purposes:

	Group 2013 RMB'000	Group 2012 RMB'000
Current portion	**112,876**	60,219
Non-current portion	**1,265,669**	1,122,237
Balance at end of the year	**1,378,545**	1,182,456

	Company 2013 RMB'000	Company 2012 RMB'000
Balance at beginning of the year	**288,963**	202,089
Additions	**113,510**	158,009
Credited to profit or loss during the year	**(90,207)**	(71,135)
Balance at end of the year	**312,266**	288,963

Deferred revenue consists of the contract value generated in the process of the acquisition of CDE, the deferred mobilisation revenue and government grants. The deferred revenue generated from contract value and deferred mobilisation revenue are amortised according to the related drilling contract periods. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred.

34. Deferred revenue (continued)

As at 31 December 2013, government grants of the Group of RMB113,539,000 (2012: RMB110,090,000) were recognised as deferred revenue and will be credited to the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred. Furthermore, part of mobilisation revenue of the Group of RMB134,150,000 (2012: RMB141,526,000) was recognised as deferred revenue at 31 December 2013 and will be credited to the consolidated statement of profit or loss according to the related contracts periods. In addition, subsidies received for acquisition of machinery required by the customers of the Group of RMB227,801,000 (2012: RMB145,861,000) were recognised as deferred revenue at 31 December 2013 and will be credited to the consolidated statement of profit or loss according to the related contracts periods.

As at 31 December 2013, government grants of the Company of RMB113,510,000 (2012: RMB109,847,000) were recognised as deferred revenue and will be credited to profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred. As at 31 December 2013, no addition of mobilisation revenue was recognised as deferred revenue (2012: RMB48,162,000).

In 2013, government grants of RMB76,841,000 (2012: RMB69,940,000) and mobilisation revenue of RMB99,804,000 (2012: RMB123,635,000) were credited to other revenue and revenues, respectively. In addition, amounts of RMB66,503,000 (2012: RMB18,152,000) and RMB6,243,000 (2012: RMB14,787,000) arising from the amortisation of the contract value and subsidies received for acquisition of machinery were credited to revenue during the year.

35. Issued capital

	31 December 2013 RMB'000	31 December 2012 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 (note 30).

36. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Cumulative translation reserve RMB'000	Total RMB'000
Balance at 1 January 2012	8,074,565	2,070,837	–	13,130,438	809,158	(45,838)	24,039,160
Profit for the year	–	–	–	4,309,234	–	–	4,309,234
Other Comprehensive income for the year	–	–	–	–	–	2,910	2,910
Total comprehensive income for the year	–	–	–	4,309,234	–	2,910	4,312,144
Final 2011 dividend paid	–	–	–	–	(809,158)	–	(809,158)
Proposed final 2012 dividend	–	–	–	(1,393,549)	1,393,549	–	–
Transfer from retained profits (i)	–	437,819	–	(437,819)	–	–	–
At 31 December 2012	8,074,565	2,508,656	–	15,608,304	1,393,549	(42,928)	27,542,146
Balance at 1 January 2013	8,074,565	2,508,656	–	15,608,304	1,393,549	(42,928)	27,542,146
Profit for the year	–	–	–	5,338,605	–	–	5,338,605
Other Comprehensive income for the year	–	–	35,907	–	–	(41,879)	(5,972)
Total comprehensive income for the year	–	–	35,907	5,338,605	–	(41,879)	5,332,633
Final 2012 dividend paid	–	–	–	–	(1,393,549)	–	(1,393,549)
Proposed final 2013 dividend	–	–	–	(2,051,785)	2,051,785	–	–
At 31 December 2013	8,074,565	2,508,656	35,907	18,895,124	2,051,785	(84,807)	31,481,230

(i) As detailed in note 14, the Company is required to transfer a minimum percentage of after-tax profit, if any, to the statutory common reserve fund, until the fund aggregates 50% of the Company's registered capital. The Company transferred 10% of after-tax profit under the PRC accounting principles to the statutory common reserve fund in 2012. As the aggregate amount of the statutory reserve funds is in excess of 50% of the Company's registered capital, the Directors are of the view that no further provision of these funds is required for this year.

36. Reserves (continued)

As at 31 December 2013, in accordance with the PRC Company Law, an amount of approximately RMB8,075 million (2012: RMB8,075 million) standing to the credit of the Company's capital reserve account and an amount of approximately RMB2,509 million (2012: RMB2,509 million) standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting principles and financial regulations in the PRC, were available for distribution by way of a future capitalisation issue. In addition, the Company had retained profits of approximately RMB20,947 million (2012: RMB15,608 million) available for distribution as dividends. Save as the aforesaid, the Company did not have any reserves available for distribution to its shareholders at 31 December 2013.

The retained profits of the Company determined under the relevant PRC accounting principles and financial regulations in the PRC amounted to approximately RMB21,433 million as at 31 December 2013 (2012: RMB17,337 million).

37. Operating lease arrangements

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

At 31 December 2013 and 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Within one year	**569,594**	192,145	**562,870**	185,071
In the second to fifth year, inclusive	**900,234**	21,182	**881,740**	383
After five years	**–**	12,133	**–**	–
	1,469,828	225,460	**1,444,610**	185,454

38. Capital commitments

In addition to the operating lease commitments detailed in note 37 above, the Group and the Company had the following capital commitments, principally for the construction and purchases of property, plant and equipment at the end of the reporting period:

	Group		Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Contracted, but not provided for	**9,935,575**	1,973,891	**9,739,913**	914,997
Authorised, but not contracted for	**8,149,329**	10,529,513	**7,752,323**	10,529,513
	18,084,904	12,503,404	**17,492,236**	11,444,510

At the end of the reporting period, the Group's and the Company's share of joint ventures' own capital commitments were insignificant.

39. Notes to the consolidated statement of cash flows

Reconciliation of profit before tax to cash generated from operations

	Notes	2013 RMB'000	2012 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		7,519,605	5,436,808
Adjustments for:			
Finance costs	8	630,460	505,082
Interest income		(124,555)	(127,460)
Investment income		(94,302)	(2,169)
Share of profits of joint ventures	20	(297,221)	(243,193)
Exchange loss, net		6,403	41,913
Gain on disposal of joint ventures	7	–	(24,440)
Loss on disposal of items of property, plant and equipment, net	7	20,090	49,366
Depreciation of property, plant and equipment and amortisation of intangible assets		3,310,618	3,173,463
Impairment of accounts receivable and other receivables	7	2,118	13,093
Provision of inventories	7	14,106	(467)
Impairment of property, plant and equipment	7	–	96,420
		10,987,322	8,918,416
Increase in inventories		(116,757)	(53,830)
Increase in accounts receivable		(1,722,051)	(204,903)
(Increase)/decrease in notes receivable		(893,435)	599,444
Increase in prepayments, deposits and other receivables, net of receivables for property, plant and equipment		(116,697)	(252,112)
Increase in trade and other payables, net of payables for purchases of property, plant and equipment		1,418,303	337,739
Increase in salary and bonus payables		296,948	76,628
Increase/(decrease) in deferred revenue		(53,256)	96,168
Cash generated from operations		9,800,377	9,517,550

40. Related party transactions

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is an SOE subject to the control of the State Council of the PRC Government.

(A) Related party transactions and outstanding balances with related parties

The Group

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

In addition to the transactions and balances detailed elsewhere in these financial statements, the following is a summary of significant transactions carried out between the Group and (i) the CNOOC Limited Group; (ii) the CNOOC Group; and (iii) the Group's joint ventures.

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

		Group	
		2013	2012
		RMB'000	RMB'000
i	CNOOC Limited Group		
	– Provision of drilling services	**7,194,811**	6,047,316
	– Provision of well services	**4,999,328**	3,733,610
	– Provision of marine support and transportation services	**2,587,913**	2,169,885
	– Provision of geophysical and surveying services	**2,189,555**	2,396,153
		16,971,607	14,346,964
ii	CNOOC Group		
	– Provision of drilling services	**13,163**	77,109
	– Provision of well services	**121,394**	36,214
	– Provision of marine support and transportation services	**437,148**	436,563
	– Provision of geophysical and surveying services	**218,743**	291,261
		790,448	841,147
iii	Joint ventures		
	– Provision of drilling services	**1,040**	2,710
	– Provision of well services	**18,628**	16,475
	– Provision of geophysical and surveying services	**3,409**	3,064
		23,077	22,249

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

b. Included in operating expenses

	Group 2013 RMB'000	2012 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	2,342	176
ii CNOOC Group		
Labour services	32,807	42,275
Materials, utilities and other ancillary services	961,899	740,921
Transportation services	36,573	48,497
Leasing of equipment	355,440	246,093
Repair and maintenance services	2,975	6,120
Management services	1,151	48,886
	1,390,845	1,132,792
Property services	106,017	106,719
	1,496,862	1,239,511
iii Joint ventures		
Materials, utilities and other ancillary services	153,716	13,176
Property services	37,002	–
	190,718	13,176

c. Included in interest income/expenses

	Group 2013 RMB'000	2012 RMB'000
CNOOC Finance (a subsidiary of CNOOC)		
Interest income	40,239	18,293

Deposits in CNOOC Finance carry interest at market rates of 3.3% per annum.

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

d. Disposal of assets

On 13 May 2013, the Company signed an agreement to dispose of a module rig, R5001 with the carrying amount of approximately RMB47,727,000, to CNOOC China Limited, a wholly-owned subsidiary of CNOOC Limited, at the consideration of approximately RMB51,500,000. Such disposal has been completed as of 31 December 2013 and a net gain of RMB2,654,000 is recognised in profit or loss.

e. Deposits

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Deposits placed with CNOOC Finance as at the end of the reporting period	**1,205,463**	1,097,835

Except for items a(iii) and b(iii) in note 40(A) above, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

f. Commitments with related parties

(a) Operating lease commitments
The Group has the following significant operating lease commitments with related parties principally for properties and equipment, which have been included in note 37:

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Within one year	**283,285**	169,507

(b) Capital commitments
The Group has no capital commitments with related parties as of 31 December 2013 and 2012.

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

g. Outstanding balances with related parties

Accounts receivable

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

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	2,806,822	1,992,717
Due from CNOOC Group	155,659	148,764
Due from joint ventures	1,218	1,508
	2,963,699	2,142,989

Prepayments, deposits and other receivables

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	15,929	1,185
Due from CNOOC Group	921	865
Due from joint ventures	1,235	–
	18,085	2,050
Less: Provision for impairment of other receivables	(500)	(500)
	17,585	1,550

Dividend receivable

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Dividend receivable from joint ventures	12,136	–

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

g. Outstanding balances with related parties (continued)

Included in investments in joint ventures

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from joint ventures	–	4,609
Due to joint ventures	–	61,016

Notes receivable

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	1,473,412	616,740

Included in trade and other payables

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due to the ultimate holding company	216,889	144,125
Due to CNOOC Limited Group	3,223	1,577
Due to other CNOOC Group companies	290,069	495,987
Due to joint ventures	193,483	146,532
	703,664	788,221

The Company and the above related parties are within the CNOOC Group and are under common control (except for the joint ventures of the Group) by the same ultimate holding company.

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

g. *Outstanding balances with related parties (continued)*

The balances with related parties at 31 December 2013 included in accounts receivables, prepayments, deposits and other receivables, notes receivables, balances with joint ventures and trade and other payables of the Group, are unsecured and interest-free, and have no fixed terms of repayment.

In connection with the Reorganisation of CNOOC in preparation for the listing of the Company's shares on the HKSE, the Company entered into several agreements with the CNOOC Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

Prior to the Reorganisation, the Group occupied certain properties owned by CNOOC at nil consideration. The Company entered into various property lease agreements in September 2002 with the CNOOC Group to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually.

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

h. *Transactions with other SOEs in the PRC*

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services of vessels and drilling rigs, purchases of goods, services or property, plant and equipment in the PRC, other than the CNOOC Group, in the normal course of business at terms comparable to those with other non-SOEs. None of these transactions are material related party transactions, individually or collectively, that require separate disclosure.

In addition, the Group has certain of its cash and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2013, as summarised below:

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Cash and cash equivalents	**1,908,240**	4,463,803
Time deposits with financial institutions	**4,351,205**	5,483,414
	6,259,445	9,947,217
Long-term bank loans *(note 32)*	**19,489,968**	23,992,139
Current portion of long term bank loans *(note 32)*	**3,803,582**	1,659,906
	23,293,550	25,652,045

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

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Company

The Company has the following outstanding balances with the members of CNOOC, its subsidiaries and joint ventures.

Accounts receivable

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	2,615,477	1,654,897
Due from CNOOC Group	155,659	148,764
Due from joint ventures	1,218	1,508
Due from subsidiaries of the Company:		
CDE	2,579	22,326
COSL Drilling Craft Pte. Ltd.	4,977	–
COSL Drilling Power Pte. Ltd.	4,983	–
OIL TECH	13,270	–
COSL Australia	296,655	237,973
COSL (Middle East) FZE	276,920	156,269
PT COSL INDO	596,547	461,864
COSL Mexico	59,258	91,922
COSL Chemical	41,757	11,622
Other subsidiaries	136,459	155,197
	1,433,405	1,137,173
	4,205,759	2,942,342

Prepayments, deposits and other receivables

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	15,876	1,131
Due from CNOOC Group	921	865
Due from joint ventures	1,235	–
Due from subsidiaries of the Company:		
COSL Australia	10,281	2,292
PT STS	20,434	16,588
COSL HongKong	3,328	150,770
COSL (Middle East) FZE	952	8,037
PT COSL INDO	924	953
COSL Norwegian	108,483	47,059
COSL Drilling Craft Pte. Ltd.	6,008	–
COSL Drilling Power Pte. Ltd.	9,547	–
OIL TECH	1,404	546
Other subsidiaries	25,006	52,310
	186,367	278,555
	204,399	280,551
Less: Provision for impairment of other receivables	(500)	(500)
	203,899	280,051

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Company (continued)

Included in investments in joint ventures

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from joint ventures	–	4,609
Due to joint ventures	–	110

Notes receivable

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from CNOOC Limited Group	1,473,412	616,740

Long-term receivables

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due from subsidiaries of the Company:		
COSL Norwegian	18,325,531	22,424,367
PT STS	201,198	238,849
COSL (Middle East) FZE	243,876	265,248
COSL HongKong	97,550	–
OIL TECH	154,252	23,257
COSL Drilling Craft Pte. Ltd.	1,175,360	–
COSL Drilling Power Pte. Ltd.	1,175,360	–
Other subsidiaries	33,811	–
	21,406,938	22,951,721

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Company (continued)

Included in trade and other payables

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
Due to the ultimate holding company	216,889	144,125
Due to CNOOC Limited Group	1,546	1,577
Due to other CNOOC Group companies	229,653	463,695
Due to joint ventures	121,712	85,018
Due to subsidiaries of the Company:		
COSL Chemical	86,301	68,957
PT COSL INDO	10,575	10,782
Other subsidiaries	12,219	21,205
	109,095	100,944
	678,895	795,359

(B) Compensation of key management personnel of the Group

	2013 RMB'000	2012 RMB'000
Short-term employee benefits	5,078	4,781
Post-employment benefits	463	403
Total compensation paid to key management personnel	5,541	5,184

Further details of Directors' and the chief executive's emoluments are included in note 9.

41. Financial instruments

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

	Group						
	31 December 2013			31 December 2012			
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Held-to-maturity investments RMB'000	Total RMB'000
Due from joint ventures *(note 20)*	–	–	–	4,609	–	–	4,609
Financial assets included in deposits and other receivables *(note 23)*	186,217	–	186,217	558,582	–	–	558,582
Accounts receivable *(note 24)*	5,872,980	–	5,872,980	4,145,236	–	–	4,145,236
Notes receivable *(note 25)*	1,513,375	–	1,513,375	619,940	–	–	619,940
Pledged deposits *(note 27)*	32,630	–	32,630	30,755	–	–	30,755
Time deposits with original maturity over three months *(note 27)*	600,000	–	600,000	3,954,185	–	–	3,954,185
Cash and cash equivalents *(note 27)*	9,600,797	–	9,600,797	9,814,893	–	–	9,814,893
Financial assets included in other current assets *(note 26)*	–	2,226,360	2,226,360	–	1,702,169	300,000	2,002,169
Total	17,805,999	2,226,360	20,032,359	19,128,200	1,702,169	300,000	21,130,369

41. Financial instruments (continued)

(a) Financial instruments by category (continued)

Financial liabilities

	Group	
	31 December 2013 RMB'000	31 December 2012 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	6,726,152	4,769,445
Salary and bonus payables	1,210,005	914,435
Interest-bearing bank borrowings		
– current portion *(note 32)*	3,803,582	1,659,906
Subtotal	11,739,739	7,343,786
Non-current		
Due to joint ventures *(note 20)*	–	61,016
Interest-bearing bank borrowings *(note 32)*	19,489,968	23,992,139
Long term bonds *(note 33)*	7,536,622	7,717,913
Subtotal	27,026,590	31,771,068
Total	38,766,329	39,114,854

The carrying amounts of each of the categories of financial instruments of the Company as the end of the reporting period are as follows:

Financial assets

	Company						
	31 December 2013			31 December 2012			
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Held-to-maturity investments RMB'000	Total RMB'000
Due from joint ventures *(note 20)*	-	-	-	4,609	–	–	4,609
Financial assets included in deposits and other receivables *(note 23)*	323,204	-	323,204	488,500	–	–	488,500
Accounts receivable *(note 24)*	4,546,513	-	4,546,513	3,582,157	–	–	3,582,157
Notes receivable *(note 25)*	1,492,875	-	1,492,875	619,940	–	–	619,940
Pledged deposits *(note 27)*	29,591	-	29,591	29,564	–	–	29,564
Time deposits with original maturity over three months *(note 27)*	600,000	-	600,000	2,068,535	–	–	2,068,535
Cash and cash equivalents *(note 27)*	6,096,344	-	6,096,344	5,171,968	–	–	5,171,968
Financial assets included in other current assets *(note 26)*	-	2,226,360	2,226,360	–	1,702,169	300,000	2,002,169
Total	13,088,527	2,226,360	15,314,887	11,965,273	1,702,169	300,000	13,967,442

41. Financial instruments (continued)

(a) Financial instruments by category (continued)
Financial liabilities

	Company	
	31 December 2013 RMB'000	31 December 2012 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	4,495,354	3,547,745
Salary and bonus payables	1,063,553	799,909
Interest-bearing bank borrowings		
– current portion *(note 32)*	3,803,582	1,659,906
Subtotal	9,362,489	6,007,560
Non-current		
Due to joint ventures *(note 20)*	–	110
Interest-bearing bank borrowings *(note 32)*	19,489,968	23,992,139
Long term bonds *(note 33)*	1,500,000	1,500,000
Subtotal	20,989,968	25,492,249
Total	30,352,457	31,499,809

(b) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2013 RMB'000	Fair value as at 31/12/2012 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments – money market fund	711,991	1,202,169	Level 1	Quoted bid prices in an active market
Available-for-sale investments – corporate wealth management products with underlying of debt securities	1,514,369	500,000	Level 2	Discounted cash flow using the rate that reflects the expected yield and the credit risk of the counterparties

41. Financial instruments (continued)

(c) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Group

	Carrying amounts		Fair values	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial liabilities				
Non-current				
Long term bonds *(note 33)*	**7,536,622**	7,717,913	**6,797,701**	7,648,716
Total	**7,536,622**	7,717,913	**6,797,701**	7,648,716

Company

	Carrying amounts		Fair values	
	31 December 2013 RMB'000	31 December 2012 RMB'000	**31 December 2013 RMB'000**	31 December 2012 RMB'000
Financial liabilities				
Non-current				
Long term bonds *(note 33)*	**1,500,000**	1,500,000	**1,324,758**	1,415,511
Total	**1,500,000**	1,500,000	**1,324,758**	1,415,511

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Corporate bonds issued by the Company, with fair value hierarchy of level 2, is traded on China Interbank Bond Market of which its fair value is provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the discount rate that reflect its own credit spread as the key input and the fair value of senior unsecured USD bonds with fair value hierarchy of level 2 is using the present value valuation technique under income approach and applying treasury bond rate as adjusted its own credit spread as key input.

42. Financial risk management objectives and policies

The Group's principal financial instruments comprise short term bank borrowings, long term bank borrowings, long-term bonds, cash and short term deposits and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB and USD, the aforesaid currency is defined as the functional currency of the Company and some subsidiaries respectively. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has foreign currency sales, purchases, bank borrowings, long term bonds, pledged deposits, time deposits with original maturity over three months and cash and cash equivalents denominated in US$, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values of monetary assets and liabilities) and considered such exposure is insignificant.

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate long-term bonds (see note 33 for details of the bonds). The cash flow interest rate risk of the Group relates primarily to variable-rate bank borrowings (see note 32 for details of these borrowings). The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on pledged deposits, time deposits with original maturity over three months is insignificant as the fixed deposits are short-term.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2012: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 50 basis points (2012: 50 basis points) and all other variables were held constant, the Group's net profit would decrease (increase) by approximately RMB104,000,000 for the year ended 31 December 2013 (2012: RMB108,000,000).

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and available-for-sale investments, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages this credit risk by only dealing with reputable financial institutions.

42. Financial risk management objectives and policies (continued)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are analysed by customer/counterparty, by geographical region and by industry sector. The Group has concentration of credit risk in respect of accounts receivable as the Group's largest trade receivable and the five largest trade receivables represent 48% (2012: 46%) and 83% (2012: 77%) of the total trade receivables respectively.

No other financial assets carry a significant exposure to credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's objective is to maintain a balance between continuity of funding and flexibility through long term bonds and interest-bearing loans. 12% of the Group's borrowings would mature in less than one year as at 31 December 2013 (2012: 5%) based on the carrying value of interest-bearing bank and other borrowings reflected in the financial statements.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Group

	31 December 2013					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	4,160,907	4,103,106	15,236,961	1,069,380	24,570,354
Long term bonds	–	265,349	265,349	796,048	8,658,297	9,985,043
Financial liabilities included in trade and other payables	–	6,726,152	–	–	–	6,726,152
Salary and bonus payables	–	1,210,005	–	–	–	1,210,005
	–	12,362,413	4,368,455	16,033,009	9,727,677	42,491,554

	31 December 2012					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	2,125,657	4,290,369	19,372,243	1,659,515	27,447,784
Long term bonds	–	271,479	271,479	814,436	9,034,883	10,392,277
Financial liabilities included in trade and other payables	–	4,769,445	–	–	–	4,769,445
Salary and bonus payables	–	914,435	–	–	–	914,435
Due to joint ventures	61,016	–	–	–	–	61,016
	61,016	8,081,016	4,561,848	20,186,679	10,694,398	43,584,957

42. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company

	31 December 2013					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	4,160,907	4,103,106	15,236,961	1,069,380	24,570,354
Long term bonds	–	67,200	67,200	201,600	1,768,800	2,104,800
Financial liabilities included in trade and other payables	–	4,495,354	–	–	–	4,495,354
Salary and bonus payables	–	1,063,553	–	–	–	1,063,553
	–	9,787,014	4,170,306	15,438,561	2,838,180	32,234,061

	31 December 2012					
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	–	2,125,657	4,290,369	19,372,243	1,659,515	27,447,784
Long term bonds	–	67,200	67,200	201,600	1,793,471	2,129,471
Financial liabilities included in trade and other payables	–	3,547,745	–	–	–	3,547,745
Salary and bonus payables	–	799,909	–	–	–	799,909
Due to joint ventures	110	–	–	–	–	110
	110	6,540,511	4,357,569	19,573,843	3,452,986	33,925,019

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2013 and 2012.

42. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, long term bonds, trade and other payables, less cash and cash equivalents (not including pledged deposits). Capital represents equity attributable to equity holders of the Company and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

Group	31 December 2013 RMB'000	31 December 2012 RMB'000
Interest-bearing bank borrowings *(note 32)*	23,293,550	25,652,045
Trade and other payables *(note 29)*	7,159,326	5,021,791
Long term bonds *(note 33)*	7,536,622	7,717,913
Less: Cash and cash equivalents and time deposit with original maturity over three months *(note 27)*	(10,200,797)	(13,769,078)
Net debt	27,788,701	24,622,671
Equity attributable to equity holders of the Company	37,238,662	32,193,910
Non-controlling interests	21,141	11,004
Total capital	37,259,803	32,204,914
Capital and net debt	65,048,504	56,827,585
Gearing ratio	43%	43%

43. Events subsequent to the reporting period

On 15 January 2014, an aggregate of 276,272,000 new shares, representing approximately 5.79% of the total number of issued shares of the Company as enlarged by the allotment and issue of the placing shares, have been successfully allotted and issued by the Company at the price of HK$21.30. The gross and net proceeds raised from the placement of shares were approximately HK$5,884,593,600 and HK$5,819,392,303, respectively.

44. Comparative amounts

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

45. Approval of the financial statements

These financial statements were approved and authorised for issue by the board of directors on 18 March 2014.

Company Information

Legal name
中海油田服务股份有限公司

English Name
China Oilfield Services Limited

Short Name
中海油服/COSL

Authorised Representative
Mr. Li Yong

First registration Address
3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin

The registration date
26 September 2002

Changed registration date
4 March 2008

Business Address
Room 1110, Building B,
Kaiheng Tower
2 Chaoyangmen Inner Street
Dong Cheng District, Beijing
Postal Code: 100010
Tel: 86-10-84521687
Fax: 86-10-84521325
Website: www.cosl.com.cn
Email: cosl@cosl.com.cn

Hong Kong Office
65/F, Bank of China Tower,
One Garden Road,
Central, Hong Kong
Tel: (852)2213 2500
Fax: (852)2525 9322

Corporate Secretary & Secretary to the Board of Directors
Mr. Yang Haijiang
Tel: 010-8452 1685
Fax: 010-8452 1325
E-mail: yanghj@cosl.com.cn
Contact Address: Room 1110, Building B, Kaiheng Tower
2 Chaoyangmen Inner Street
Dong Cheng District, Beijing
Postal Code: 100010

Newspapers for disclosure of information
China Securities Journal
Shanghai Securities News
Securities Times
Securities Daily
Website designated by CSRC on which the Company's annual report is posted:
www.sse.com.cn

Legal Adviser
China:
Jun He Law Offices
China Resources Building,
20/F 8 Jiangusmembei Avenue, Beijing
Tel: 86-10-85191300
Fax: 86-10-85191350

Hong Kong:
Sidley Austin
39/F Two International Finance Centre,
8 Finance Street, Central, Hong Kong
Tel: (852)2509 7888
Fax: (852)2509 3110

Share Registrar
H Share:
Computershare Hong Kong Investor Services limited
Shops 1712-1716, 17/F,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

A Share:
China Securities Depository and Clearing Corporation Limited
Shanghai Branch
China Insurance Building, 166 East Lujiazui Road, Shanghai

Place where this annual report is available
Room 1110, Building B,
Kaiheng Tower
2 Chaoyangmen Inner Street
Dong Cheng District, Beijing

Place of Listing of Shares, Stock Name and Stock Code
Place of Listing of H Share
The Stock Exchange of Hong Kong Limited
Stock Code of H Share: 2883

Place of Listing of A Share
Shanghai Stock Exchange
Stock Name of A Share: COSL
Stock Code of A Share: 601808

Business license registration number of corporate legal person:
1000001003612

Tax Registration Number
12011871092921X

Corporate Business Number
71092921X

Name and Office Address of the Company's Auditor
Domestic: Deloitte Touche Tohmatsu Certified Public Accountants LLP
Address: 8/F, Deloitte Tower,
The Towers, Oriental Plaza,
1 East Chang An Ave.,
Beijing, China

International: Deloitte Touche Tohmatsu
Address: 35/F One Pacific Place
88 Queensway
Hong Kong

Documents for Inspection

1. Financial statements signed and sealed by authorised representative, person in charge of auditing and person in-charge of audit firm.

2. Original copy of auditors' report (PRC) with seals of audit firm and signed by certified public accountants.

3. Original copy of auditors' report (Hong Kong) signed by certified public accountants.

4. Original copy of all documents of the Company and Announcements disclosed on the newspaper designated by CSRC during the reporting period.

China Oilfield Services Limited

Liu Jian
Chairman
18 March 2014

Glossary

2D	Seismic data collected in two dimensional form, by utilizing a single sound source and one or more collection points; typically 2D is used to map geographical structures for initial analysis
3D	Seismic data collected in three-dimensional form, by utilizing two sound sources and two or more collection points; typically 3D is used to acquire refined seismic data and to raise the probability of successful exploration well drilling
AWO	Awilco Offshore ASA, known as COSL Drilling Europe AS after mergers and acquisitions, "CDE"
COSL	China Oilfield Services Limited
CDE	COSL Drilling Europe AS
CDPL	COSL Drilling Pan-Pacific Ltd
DNV	Det Norske Veritas
ELIS	Enhanced Logging Imaging System
LWD	Logging-while-drilling
MWD	Measuring-while-drilling
Crude oil	Crudeoil, including condensate and natural gas liquids
Day rate	Fixed daily fee charged with respect to the services provided by a drilling rig or offshore support vessel
Directional drilling	Intentional drilling of a well at a non-vertical or deviated angle, in order to improve reach or exposure to petroleum reservoirs; such drilling is especially common for offshore wells, given the multiple number of wells which may be drilled from a single production platform
E&P	Exploration and production
ERSC	ELIS Rotary Sidewall Coring Tool
FCT	Formation Characteristic Tool
FET	Formation Evaluation Tool
Field	A specified area within a block, which is designated under a PSC for development and production
HTHP	High-temperature and high pressure downwell conditions, which typically includes temperatures greater than 200 degrees Celsius and 10,000 psi; HTHP conditions make drilling more difficult
Jack-up rigs	Jack-up rigs are so named because they are self-elevating—with three or four movable legs that can be extended ("jacked") above or below the drilling deck, or hull. Jack-ups are towed to the drill site with the hull, which is actually a water-tight barge that floats on the water's surface, lowered to the water level, and the legs extended above the hull. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor (or onto the sea floor with mat supported jack-ups). This anchors the rig and holds the drilling deck well above the waves
Semi-submersibles	Semi-submersibles do not rest on the sea floor as jackup rigs. Instead, the working deck sits atop giant pontoons and hollow columns. These afloat above the water when the rig moves. At the drill site, the crew pumps seawater into the pontoons and columns to partially submerge the rig, hence the name semisubmersible. With much of its bulk below the water's surface, the semi-submersible becomes a stable platform for drilling, moving only slightly with wind and currents. Like jack-ups, most semi-submersibles are towed to the drill site. Because of their exceptional stability, "semis" are well suited for drilling in rough waters. Semisubmersibles can drill in water as deep as 10,000 feet Drillships are specially built seagoing vessels that also drill in water as deep as 10,000 feet Drilling equipment is installed on the deck, with the derrick normally placed in the middle of the ship. The well is drilled through an opening (called a "moon pool") that extends to the water's surface below the derrick
LWD	Logging-while-drilling; advanced logging tools which are attached near the drill bit string and measure the location of the drill bit and nature of adjacent geological structures, typically during the directional drilling process
MWD	Measuring-while-drilling; advanced tools which measure the pitch and orientation of the drill bit and other factors such as weight on the bit and rotary speed of the bit, typically during the directional drilling process
OPEC	Organization of the Petroleum Exporting Countries
PSC	A production sharing contract offshore China
PSC partners	Foreign parties to PSCs
QHSE	Quality, health, safety environment
Seismic data	Data recorded in either two dimensional (2D) or three dimensional (3D) form from sound wave reflections off of subsurface geology. This data is used to understand and map geological structures for exploratory purposes to predict the location of undiscovered reserves
SMS	Safety management system
ISMC	International Safety Management Code
DOC	Document of Compliance
Streamers	Clear flexible tubing containing numerous hydrophones used for marine seismic surveys; streamers are owed behind seismic vessels at controlled shallow water depths to collect seismic data
Well completion	Services and installation of equipment that are necessary to prepare a well for production, including casing and well treatment, such as acidizing and fracing
Well workover	Any work on a completed well designed to maintain, restore or improve production from a currently producing petroleum reservoir, this may include replacement of casing and well treatment, such as sand co\ntrol, fracing, acidizing
bbl	A barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees)
Kw	Kilowatts used to measure offshore supply vessel engine power capacity, which is equivalent to 1.36 horsepower
Standard coal	The uniform standard of thermal value, China required the thermal value of 1 kg standard coal to be 7,000 kilocalorie

CHINA OILFIELD SERVICES LIMITED

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