COSL

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

(Incorporated in the People's Republic of China as a joint stock limited liability company)
(Stock Code: 2883)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

1. Revenue was RMB32,993.2 million

2. Profit from operations was RMB8,425.9 million

3. Profit for the year was RMB7,520.2 million

4. Basic earnings per share were RMB157.36 cents

5. Total assets were RMB86,874.3 million

6. Total equity was RMB47,322.1 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	4	**32,993,239**	27,363,812
Other revenues	4	**223,721**	163,306
		33,216,960	27,527,118
Depreciation of property, plant and equipment and amortisation of intangible assets		**(3,769,586)**	(3,310,618)
Employee compensation costs	5	**(4,380,705)**	(4,080,092)
Repair and maintenance costs		**(1,094,907)**	(930,115)
Consumption of supplies, materials, fuel, services and others		**(5,955,000)**	(4,897,780)
Subcontracting expenses		**(5,445,405)**	(3,913,722)
Operating lease expenses	5	**(1,605,992)**	(1,093,744)
Other operating expenses		**(2,165,245)**	(1,652,789)
Impairment of property, plant and equipment		**(374,185)**	–
Total operating expenses		**(24,791,025)**	(19,878,860)
PROFIT FROM OPERATIONS		**8,425,935**	7,648,258
Exchange loss, net		**(5,690)**	(6,403)
Finance costs		**(587,535)**	(638,328)
Interest income		**155,033**	124,555
Investment income	5	**193,795**	94,302
Share of profits of joint ventures, net of tax		**340,954**	297,221
PROFIT BEFORE TAX	5	**8,522,492**	7,519,605
Income tax expense	6	**(1,002,309)**	(793,171)
PROFIT FOR THE YEAR		**7,520,183**	6,726,434
Attributable to:			
Owners of the Company		**7,492,058**	6,715,967
Non-controlling interests		**28,125**	10,467
		7,520,183	6,726,434
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	8	**157.36 cents**	149.40 cents

Details of the dividends payable and proposed for the year are disclosed in note 7.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	2013
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**7,520,183**	6,726,434
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	**(40,850)**	(50,965)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**24,819**	–
	(16,031)	(50,965)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**32,028**	(262,938)
Net fair value gain on available-for-sale investments	**3,802**	42,243
Share of exchange differences of joint ventures	**1,225**	–
Income tax relating to items that may be reclassified subsequently to profit or loss	**(570)**	(6,336)
	36,485	(227,031)
OTHER COMPREHENSIVE INCOME/(EXPENSE) FOR THE YEAR, NET OF INCOME TAX	**20,454**	(277,996)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**7,540,637**	6,448,438
Attributable to:		
Owners of the Company	**7,512,313**	6,438,301
Non-controlling interests	**28,324**	10,137
	7,540,637	6,448,438

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**55,338,074**	51,292,406
Goodwill	*10*	**4,122,652**	4,107,763
Other intangible assets		**383,976**	393,220
Investments in joint ventures		**750,721**	710,465
Available-for-sale investments		**–**	–
Other non-current assets		**2,514,040**	1,160,437
Deferred tax assets	*17*	**11,954**	7,254
Total non-current assets		**63,121,417**	57,671,545
CURRENT ASSETS			
Inventories		**1,300,605**	1,051,527
Prepayments, deposits and other receivables	*11*	**681,202**	426,855
Accounts receivable	*12*	**7,230,381**	5,872,980
Notes receivable	*13*	**2,775,827**	1,513,375
Other current assets		**4,985,523**	2,363,446
Pledged deposits	*14*	**39,119**	32,630
Time deposits with original maturity of over three months	*14*	**1,308,046**	600,000
Cash and cash equivalents	*14*	**5,432,187**	9,600,797
		23,752,890	21,461,610
Assets classified as held for sale		**–**	129,128
Total current assets		**23,752,890**	21,590,738
CURRENT LIABILITIES			
Trade and other payables	*15*	**8,634,342**	7,159,326
Salary and bonus payables		**1,463,861**	1,210,005
Tax payable		**279,168**	258,220
Interest-bearing bank borrowings	*18*	**3,817,369**	3,803,582
Other current liabilities		**117,016**	112,876
Total current liabilities		**14,311,756**	12,544,009

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 DECEMBER 2014

	Notes	31 December 2014 RMB'000	31 December 2013 RMB'000
NET CURRENT ASSETS		**9,441,134**	9,046,729
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,562,551**	66,718,274
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*17*	**753,081**	1,128,733
Interest-bearing bank borrowings	*18*	**15,755,490**	19,489,968
Long term bonds	*19*	**7,564,340**	7,536,622
Deferred revenue	*20*	**1,071,880**	1,265,669
Employee benefit liabilities		**95,661**	37,479
Total non-current liabilities		**25,240,452**	29,458,471
Net assets		**47,322,099**	37,259,803
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*21*	**4,771,592**	4,495,320
Reserves		**42,501,042**	32,743,342
		47,272,634	37,238,662
Non-controlling interests		**49,465**	21,141
Total equity		**47,322,099**	37,259,803

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 Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year

The Group has applied for the first time in the current year the following amendments to HKFRSs and a new Interpretation.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The Group has applied the amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities* for the first time in the current year. The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

As the Company is not an investment entity (assessed based on the criteria set out in HKFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to HKAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The Group has applied the amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting* for the first time in the current year. The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

HK(IFRIC)-Int 21 *Levies*

The Group has applied HK(IFRIC)-Int 21 *Levies* for the first time in the current year. HK(IFRIC)-Int 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

HK(IFRIC)-Int 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

2.2 New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 14	*Regulatory Deferral Accounts*[2]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[5]
Amendments to HKAS 1	*Disclosure Initiative*[5]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[5]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[4]
Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[5]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[5]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[5]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[5]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[6]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[5]

[1] Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.

[2] Effective for first annual HKFRS financial statements beginning on or after 1 January 2016, with earlier application permitted.

[3] Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.

[4] Effective for annual periods beginning on or after 1 July 2014, with earlier application permitted.

[5] Effective for annual periods beginning on or after 1 January 2016, with earlier application permitted.

[6] Effective for annual periods beginning on or after 1 July 2014, with limited exceptions. Earlier application is permitted.

Except as described below, the directors of the Company anticipate that the application of the above new and revised HKFRSs will have no material impact on the results nor the financial position of the Group.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are 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. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. 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 of financial liabilities attributable to changes in the financial liabilities' 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 was presented in profit or loss.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- 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 of the Company anticipate that the application of HKFRS 9 in the future may have a material impact on amounts reported in respect of the Group's financial assets classified as available-for-sale investments. However it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 ***Revenue from Contracts with Customers***

In July 2014, HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors of the Company anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The directors of the Company believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the directors of the Company do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The directors of the Company do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

- At cost

- In accordance with HKFRS 9 *Financial Instruments* (or HKAS 39 *Financial Instruments: Recognition and Measurement* for entities that have not yet adopted HKFRS 9), or

- Using the equity method as described in HKAS 28 *Investments in Associates and Joint Ventures*.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 *Consolidated Financial Statements* and to HKFRS 1 *First time Adoption of Hong Kong Financial Reporting Standards*.

The directors of the Company do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

Amendments to HKAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The directors of the Company do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 *Disclosure – Offsetting Financial Assets and Financial Liabilities* issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with *HKAS 34 Interim Financial Reporting*.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross-reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The directors of the Company do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

3. 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;

(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, certain other current assets 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.

Year ended 31 December 2014	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	**17,389,057**	**9,533,384**	**3,468,884**	**2,601,914**	**32,993,239**
Intersegment sales	**2,427,910**	**1,025,928**	**92,859**	**74,316**	**3,621,013**
Segment revenue	**19,816,967**	**10,559,312**	**3,561,743**	**2,676,230**	**36,614,252**
Elimination	**(2,427,910)**	**(1,025,928)**	**(92,859)**	**(74,316)**	**(3,621,013)**
Group revenue	**17,389,057**	**9,533,384**	**3,468,884**	**2,601,914**	**32,993,239**
Segment results	**6,571,798**	**1,632,108**	**319,195**	**243,788**	**8,766,889**
Reconciliation:					
Exchange loss, net					**(5,690)**
Finance costs					**(587,535)**
Interest income					**155,033**
Investment income					**193,795**
Profit before tax					**8,522,492**
Income tax					**1,002,309**
As at 31 December 2014					
Segment assets	**55,215,281**	**8,222,315**	**8,054,086**	**5,561,140**	**77,052,822**
Unallocated assets					**9,821,485**
Total assets					**86,874,307**
Segment liabilities	**4,586,726**	**3,922,886**	**1,772,449**	**957,686**	**11,239,747**
Unallocated liabilities					**28,312,461**
Total liabilities					**39,552,208**
Other segment information:					
Capital expenditure	**3,482,859**	**1,181,169**	**2,231,351**	**1,183,501**	**8,078,880**
Depreciation of property, plant and equipment and amortisation of intangible assets	**2,368,552**	**572,360**	**419,853**	**408,821**	**3,769,586**
Impairment of accounts receivable recognised in profit or loss	**105,376**	**982**	**356**	**270**	**106,984**
Impairment of other receivables	**635**	**350**	**127**	**96**	**1,208**
Impairment of inventories	**2,731**	**1,508**	**547**	**415**	**5,201**
Provision for impairment of property, plant and equipment	**214,998**	**7,903**	**151,284**	**–**	**374,185**
Share of (losses)/profits of joint ventures	**(3,798)**	**267,829**	**(495)**	**77,418**	**340,954**
Investments in joint ventures	**(3,553)**	**484,313**	**75,966**	**193,995**	**750,721**

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

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, Norway, and certain countries in the Middle-East.

In determining the Group's geographical information, revenue is presented below based on the location of operations. 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 2014 and 2013.

Year ended/as at 31 December 2014	**China Offshore**	**North sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**22,900,931**	**4,073,245**	**6,019,063**	**32,993,239**
Non-current assets:	**31,936,564**	**11,385,026**	**14,914,500**	**58,236,090**

Year ended/as at 31 December 2013	China Offshore	North sea	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*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

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 66% (2013: 62%) of the total sales of the Group for the year ended 31 December 2014.

4. REVENUE AND OTHER REVENUES

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

An analysis of revenue and other revenues is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Revenue:		
Rendering of services	**32,993,239**	27,284,635
Gross rental income	**–**	79,177
Total revenue	**32,993,239**	27,363,812
Other revenues:		
Insurance claims received	**39,834**	22,967
Government grants (a)	**167,762**	124,685
Others	**16,125**	15,654
Total other revenues	**223,721**	163,306

(a) Including release of deferred revenue of RMB84,082,000 for the year (2013: RMB76,841,000) (note 20).

5. PROFIT BEFORE TAX

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Employee compensation costs (including Directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**3,342,584**	3,135,713
Social security costs	**587,849**	538,010
Retirement benefits and pensions	**450,272**	406,369
	4,380,705	4,080,092

		Group	
		2014	2013
	Notes	***RMB'000***	*RMB'000*
Loss on disposal of property, plant and equipment, net		**32,096**	20,090
Lease payments under operating leases in respect of land and buildings, berths and equipment		**1,605,992**	1,093,744
Impairment of accounts receivable recognised/(reversed) in profit or loss	*12*	**106,984**	(1,552)
Impairment of other receivables, net	*11*	**1,208**	3,670
Impairment of inventories		**5,201**	14,106
Income from available-for-sale investments		**193,795**	94,302
Cost of inventories recognised as an expense		**3,590,729**	2,530,410
Research and development costs, included in:		**827,791**	559,423
Depreciation of property, plant and equipment		**64,654**	53,567
Employee compensation costs		**111,636**	107,385
Consumption of supplies, materials, fuel, services and others		**651,501**	398,471

6. INCOME TAX

The Group is subject to income tax on an entity basis on the profit arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Group is not liable for 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 a High-New Technical Enterprise ("HNTE") by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT"), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the 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. The Company has applied to renew its HNTE certificate for three years commencing from 1 October 2014, and was re-certified as an HNTE on 21 October 2014, which is effective for three years commencing from 1 October 2014, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in January 2015. According to the approval, the CIT rate was approved to be 15% for the period from October 2014 to September 2017. 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 2014 (2013: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (2013: 25%). The Group's activities in Australia are subject to income tax of 30% (2013: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to deemed income tax calculated at 3.5% (2013: 3.5%) of service income generated from drilling activities in Myanmar. The Group's activities in Mexico are subject to income tax of 30% (2013: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 27% (2013: 28%). The Group's activities in the U.K. are subject to income tax of 21% (2013: 28%). The Group's activities in the Philippines are subject to income tax of 30% (2013: 30%). The Group's activities in Thailand are subject to income tax of 20% and withhold based on 3% of revenue generated every month. The Group's activities in Qatar are subject to income tax of 10%. The Group's activities in Iraq are subject to income tax of 35% (2013: 35%). The Group's activities in Singapore are subject to income tax of 17% (2013: 17%). 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. The Group's activities in Denmark commencing in the current year are subject to income tax of 24.5%. The Group's activities in the United States commencing in the current year are subject to income tax of 34%.

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

	Group	
	2014	2013
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**296,660**	210,557
Deferred	**(217,818)**	(89,344)
PRC corporate income taxes:		
Current	**1,088,664**	943,860
Deferred	**(166,085)**	(464,254)
Under provision in prior year	**888**	192,352
Total tax charge for the year	**1,002,309**	793,171

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:

	2014		2013	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**8,522,492**		7,519,605	
Tax at the statutory tax rate of 25% (2013: 25%)	**2,130,623**	**25.0**	1,879,901	25.0
Tax reduction as an HNTE	**(722,717)**	**(8.5)**	(628,206)	(8.4)
Tax effect of income not subject to tax	**(85,362)**	**(1.0)**	(79,477)	(1.1)
Tax effect of expense not deductible for tax	**60,325**	**0.7**	13,242	0.2
Tax benefit for qualifying research and development expenses	**(69,871)**	**(0.8)**	(48,912)	(0.7)
Effect of different tax rates for overseas subsidiaries	**(134,229)**	**(1.6)**	(153,105)	(2.0)
Effect on change in tax rates	**–**	**–**	(21,159)	(0.3)
Tax effect of tax losses and deductible temporary differences unrecognised	**788,631**	**9.3**	384,752	5.1
Deductible translation adjustment (a)	**(914,269)**	**(10.7)**	(477,221)	(6.3)
Adjustments in respect of current tax of previous year (b)	**888**	**–**	192,352	2.6
Others (c)	**(51,710)**	**(0.6)**	(268,996)	(3.6)
Total tax charge at the Group's effective rate	**1,002,309**	**11.8**	793,171	10.5

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 for the year ended 31 December 2013 mainly included a one-off income tax expense of RMB218,197,000 for fiscal 2012 due to the change in above tax practice during the year ended 31 December 2013.

(c) Others for the year ended 31 December 2013 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.

The share of tax attributable to joint ventures amounting to approximately RMB116,417,000 (2013: RMB105,451,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

7. DIVIDENDS

	Group and Company	
	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.48 per ordinary share (2013: RMB0.43 per ordinary share)	**2,290,364**	2,051,785

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

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

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

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

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

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

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

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

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE 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	
	2014	2013
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to ordinary equity holders of the Company)	**7,492,058**	6,715,967

	2014	2013
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,760,995,266**	4,495,320,000

The weighted average number of ordinary shares for the purpose of basic earnings per share has taken into account for the new H shares issue that took place on 15 January 2014.

No diluted earnings per share is presented for the years ended 31 December 2014 and 2013 as the Group had no potential ordinary shares in issue during those years.

9. PROPERTY, PLANT AND EQUIPMENT

Group

31 December 2014	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 2013 and at 1 January 2014							
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**
Carrying amount							
At 1 January 2014	**5,892,667**	**34,318,630**	**4,720,288**	**35,830**	**49,001**	**6,275,990**	**51,292,406**
Additions	**17,713**	**122,245**	**884,503**	**4,992**	**2,161**	**7,004,292**	**8,035,906**
Depreciation provided during the year	**(606,047)**	**(1,962,075)**	**(1,135,922)**	**(8,833)**	**(4,255)**	**–**	**(3,717,132)**
Disposals/write-offs	**(97,935)**	**(12,112)**	**(26,390)**	**(377)**	**(593)**	**–**	**(137,407)**
Transfers from/(to) construction in progress ("CIP")	**1,418,016**	**710,399**	**801,038**	**2,593**	**1,146**	**(2,933,192)**	**–**
Reclassified from held for sale	**–**	**129,128**	**–**	**–**	**–**	**–**	**129,128**
Impairment provided	**(151,284)**	**(214,998)**	**(7,903)**	**–**	**–**	**–**	**(374,185)**
Exchange realignment	**1,832**	**95,019**	**1,980**	**–**	**(4)**	**10,531**	**109,358**
At 31 December 2014	**6,474,962**	**33,186,236**	**5,237,594**	**34,205**	**47,456**	**10,357,621**	**55,338,074**
At 31 December 2014							
Cost	**11,633,754**	**48,883,546**	**13,343,021**	**109,915**	**70,597**	**10,492,239**	**84,533,072**
Accumulated depreciation and impairment	**(5,158,792)**	**(15,697,310)**	**(8,105,427)**	**(75,710)**	**(23,141)**	**(134,618)**	**(29,194,998)**
Carrying amount	**6,474,962**	**33,186,236**	**5,237,594**	**34,205**	**47,456**	**10,357,621**	**55,338,074**

31 December 2013	Tankers and vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)	–
Reclassified as held for sale	–	(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

As at 31 December 2014, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,607,679,000 (2013: RMB7,520,518,000).

Included in the current year's additions was an amount of approximately RMB38,525,000 (2013: RMB48,508,000) in respect of interest capitalised in property, plant and equipment, with a capitalisation rate of 1.48% (2013: 1.52%) per annum.

Impairment of property, plant and equipment

During the year ended 31 December 2014, the Group carried out a review of the recoverable amount of a drilling rig. The asset is used in the Group's drilling services segment. The review led to the recognition of an impairment loss of RMB214,998,000, which has been recognised in profit or loss. The recoverable amount of the relevant asset has been determined on the basis of its value in use. The discount rate used in measuring value in use was 8% per annum.

In addition, impairment losses of RMB151,284,000 and RMB7,903,000 respectively were also recognised to reduce the carrying amount of four chemical carriers and well services equipment, arising from the depression in the chemicals shipping market and precarious situation in Libya in which those assets were located. The recoverable amount of the four chemical carriers have been determined based on fair value less cost of disposal which was determined based on the market comparable approach that reflects recent transaction prices for similar properties, adjusted for differences in the nature and condition, such fair value hierarchy is Level 2. The impairment losses have been classified under the marine support and transportation services segment and well services segment respectively in note 3.

Company

31 December 2014	**Tankers and vessels**	**Drilling rigs**	**Machinery and equipment**	**Motor vehicles**	**Buildings**	**Construction in progress**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013 and at 1 January 2014							
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**
Carrying amount							
At 1 January 2014	**5,434,511**	**9,279,989**	**4,177,083**	**35,766**	**45,163**	**2,523,234**	**21,495,746**
Additions	**–**	**–**	**576,781**	**4,636**	**–**	**5,348,267**	**5,929,684**
Depreciation provided during the year	**(548,790)**	**(487,029)**	**(1,006,632)**	**(8,775)**	**(3,038)**	**–**	**(2,054,264)**
Disposals/write-offs	**(91,466)**	**(254,420)**	**(185,342)**	**(1,254)**	**–**	**–**	**(532,482)**
Transfers from/(to) CIP	**1,418,016**	**64,211**	**783,746**	**2,593**	**–**	**(2,268,566)**	**–**
Reclassified from held for sale	**–**	**129,128**	**–**	**–**	**–**	**–**	**129,128**
Impairment provided	**(151,284)**	**–**	**(7,903)**	**–**	**–**	**–**	**(159,187)**
At 31 December 2014	**6,060,987**	**8,731,879**	**4,337,733**	**32,966**	**42,125**	**5,602,935**	**24,808,625**
At 31 December 2014							
Cost	**11,007,429**	**16,385,090**	**11,609,688**	**99,592**	**61,888**	**5,602,935**	**44,766,622**
Accumulated depreciation and impairment	**(4,946,442)**	**(7,653,211)**	**(7,271,955)**	**(66,626)**	**(19,763)**	**–**	**(19,957,997)**
Carrying amount	**6,060,987**	**8,731,879**	**4,337,733**	**32,966**	**42,125**	**5,602,935**	**24,808,625**

31 December 2013	Tankers and vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*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)	–
Reclassified as held for sale	–	(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

10. GOODWILL

Goodwill was generated in the acquisition of COSL Holding AS (formerly known as COSL Drillings Europe AS) in 2008.

Group

	2014	2013
	RMB'000	*RMB'000*
COST AND CARRYING VALUE		
At 1 January	**4,107,763**	4,234,831
Exchange realignment	**14,889**	(127,068)
At 31 December	**4,122,652**	4,107,763

Impairment testing of goodwill

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

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The 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% (2013: 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 2014 and 2013, management believes that there was no impairment of goodwill.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**135,292**	121,574	**36,026**	49,875
Deposits	**82,736**	91,495	**70,095**	83,554
Other receivables	**474,466**	223,870	**740,200**	330,535
	692,494	436,939	**846,321**	463,964
Less: Provision for impairment of other receivables	**(11,292)**	(10,084)	**(11,292)**	(10,084)
	681,202	426,855	**835,029**	453,880

An analysis of other receivables is as follows:

	Group	
	2014	2013
	RMB'000	*RMB'000*
Reimbursable advance to suppliers	**168,284**	35,497
Tax recoverables	**141,352**	112,789
Dividend receivable *(Note)*	**85,242**	12,136
Interest receivable	**20,892**	8,939
Advance to employees	**6,310**	6,275
Insurance claim receivables	**3,888**	9,021
Others	**48,498**	39,213
	474,466	223,870

Note: RMB57,095,000 was received subsequent to 31 December 2014.

12. 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 above, 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 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Within six months	**6,376,482**	5,497,125	**5,740,738**	4,528,198
Six months to one year	**536,561**	364,568	**30,024**	7,270
One to two years	**315,068**	10,759	**10,488**	10,759
Two to three years	**2,270**	528	**2,270**	286
	7,230,381	5,872,980	**5,783,520**	4,546,513

Included in the Group's accounts receivables balance are debtors with a carrying amount of approximately RMB853,899,000 (2013: RMB375,855,000) 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 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Six months to one year	**536,561**	364,568	**30,024**	7,270
One to two years	**315,068**	10,759	**10,488**	10,759
Two to three years	**2,270**	528	**2,270**	286
	853,899	375,855	**42,782**	18,315

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

	Group		Company	
	2014	2013	**2014**	2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**186,654**	203,603	**68,019**	65,349
Impairment losses recognised	**134,515**	4,106	**3,859**	3,924
Impairment losses reversed	**(27,531)**	(5,658)	**(1,327)**	(1,254)
Impairment losses written-off	**–**	(11,256)	**–**	–
Exchange realignment	**429**	(4,141)	**–**	–
At 31 December	**294,067**	186,654	**70,551**	68,019

13. NOTES RECEIVABLE

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade acceptances	**2,738,214**	1,473,412	**2,738,214**	1,473,412
Bank acceptances	**37,613**	39,963	**34,120**	19,463
	2,775,827	1,513,375	**2,772,334**	1,492,875

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 2014 have been fully settled.

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

	Group		Company	
	31 December 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and balances with banks	**2,019,560**	2,766,843	**488,021**	1,110,556
Deposit with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,503,902**	1,205,463	**1,503,902**	1,205,463
Time deposits at banks	**3,255,890**	6,261,121	**3,007,931**	4,409,916
Cash and balances with banks and financial institutions	**6,779,352**	10,233,427	**4,999,854**	6,725,935
Less:				
Pledged deposits – current	**(39,119)**	(32,630)	**(3,060)**	(29,591)
Time deposit with original maturity of over three months	**(1,308,046)**	(600,000)	**(1,308,046)**	(600,000)
Cash and cash equivalents	**5,432,187**	9,600,797	**3,688,748**	6,096,344

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 RMB3,199,516,000 (2013: RMB5,842,256,000). 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 2014, 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 RMB1,308,046,000 (2013: RMB600,000,000).

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

15. 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 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Within one year	**8,289,562**	6,955,745	**6,704,808**	4,539,831
One to two years	**222,759**	113,148	**123,453**	111,095
Two to three years	**43,497**	18,084	**41,397**	18,445
Over three years	**78,524**	72,349	**78,524**	71,136
	8,634,342	7,159,326	**6,948,182**	4,740,507

16. 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 been approved on 23 May 2014 by relevant party and exercised during the year ended 31 December 2014 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 and third batch of share appreciation rights were exercised at HK$9.11 and HK$19.12 per share respectively.

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.

Details of the movements in the share appreciation rights during the year are as follows:

	2014	2013
	Number of shares	Number of shares
Outstanding at 1 January	**1,173,075**	1,173,075
Granted during the year	**–**	–
Exercised during the year	**(811,880)**	–
Forfeited during the year	**(361,195)**	–
Outstanding at 31 December	**–**	1,173,075
Exercisable at 31 December	**–**	1,173,075

17. 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 2014	31 December 2013	**31 December 2014**	31 December 2013
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets	**11,954**	7,254	**–**	–
Deferred tax liabilities	**(753,081)**	(1,128,733)	**(367,070)**	(531,954)
	(741,127)	(1,121,479)	**(367,070)**	(531,954)

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 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 and 1 January 2014 *RMB'000*	Recognised in profit or loss *RMB'000*	Recognised in other comprehensive income *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2014 *RMB'000*
Deferred tax assets:									
Provision for staff bonus	117,860	39,252	–	–	157,112	29,420	–	–	186,532
Impairment of assets	55,914	(4,355)	–	(36)	51,523	19,797	–	–	71,320
Amortisation of intangible assets	1,378	2,785	–	–	4,163	(4,163)	–	–	–
Accrued liabilities	15	(15)	–	–	–	–	–	–	–
Others	15,302	(6,300)	–	(317)	8,685	4,664	–	8	13,357
	190,469	31,367	–	(353)	221,483	49,718	–	8	271,209
Deferred tax liabilities:									
Accelerated depreciation of property, plant and equipment	1,394,222	(433,510)	–	(6,762)	953,950	(207,460)	–	1,111	747,601
Fair value adjustment arising from acquisition of a subsidiary	484,425	(89,073)	–	(13,124)	382,228	(126,561)	–	1,878	257,545
Fair value change in available for sale investment	–	–	6,336	–	6,336	–	570	–	6,906
Others	103	352	–	(7)	448	(164)	–	–	284
	1,878,750	(522,231)	6,336	(19,893)	1,342,962	(334,185)	570	2,989	1,012,336
	1,688,281	(553,598)	6,336	(19,540)	1,121,479	(383,903)	570	2,981	741,127

Company

	Balance at 1 January 2013 RMB'000	Recognised in in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Balance at 31 December 2013 and 1 January 2014 RMB'000	Recognised in in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Balance at 31 December 2014 RMB'000
Deferred tax assets:							
Provision for staff bonus	117,860	39,252	–	157,112	29,420	–	186,532
Impairment of assets	53,387	(1,909)	–	51,478	19,248	–	70,726
Amortisation of intangible assets	1,378	2,785	–	4,163	(4,163)	–	–
Others	1,010	421	–	1,431	(109)	–	1,322
	173,635	40,549	–	214,184	44,396	–	258,580
Deferred tax liabilities:							
Accelerated depreciation of property, plant and equipment	1,163,900	(424,098)	–	739,802	(121,058)	–	618,744
Fair value change in available for sale investment	–	–	6,336	6,336	–	570	6,906
	1,163,900	(424,098)	6,336	746,138	(121,058)	570	625,650
	990,265	(464,647)	6,336	531,954	(165,454)	570	367,070

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 RMB1,055,751,000 (31 December 2013: RMB984,972,000). No liability has been recognised in respect of these differences as the investment company and 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 RMB2,684,525,000 (31 December 2013: RMB1,931,932,000). 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 2014, accumulated tax losses arising in subsidiaries of the Company of approximately RMB5,886,643,000 (2013: RMB3,947,881,000) 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 against which the tax losses can be utilised in near future.

At 31 December 2014, the Group has deductible temporary differences of RMB362,711,000 (31 December 2013: RMB258,035,000). 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.

18. INTEREST-BEARING BANK BORROWINGS

Current:

	Group and Company	
	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Current portion of long term bank loans	**3,817,369**	3,803,582

Non-current:

	Contractual interest rate (%)	Year of maturity	31 December 2014	31 December 2013
			RMB'000	*RMB'000*
Export-Import Bank of China – unsecured (a)	LIBOR+170pts	2020	**3,066,886**	3,560,020
Bank of China – unsecured (b)	LIBOR+138pts	2017	**10,081,023**	12,051,436
Bank of China – unsecured (c)	LIBOR+90pts	2017	**3,671,400**	4,389,768
Industrial and Commercial Bank of China – unsecured (c)	LIBOR+90pts	2017	**2,753,550**	3,292,326
			19,572,859	23,293,550
Less: Current portion of long term bank loans			**(3,817,369)**	(3,803,582)
			15,755,490	19,489,968

(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 COSL Holding AS's loans and bonds and US$500 million was assigned to finance COSL Holding AS'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 COSL Holding AS's syndicated bank loan. The repayments started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually.

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2014 was 1.64% per annum (2013: 1.67% per annum).

	Group and Company	
	31 December 2014	31 December 2013
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**3,817,369**	3,803,582
In the second year	**7,101,147**	3,781,258
In the third to fifth year, inclusive	**8,139,108**	14,683,998
Beyond five years	**515,235**	1,024,712
	19,572,859	23,293,550

There were no assets pledged for any of the above bank borrowings as at 31 December 2014 (2013: Nil).

19. LONG TERM BONDS

Group

	Year of maturity	31 December 2014	31 December 2013
		RMB'000	*RMB'000*
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,064,340**	6,036,622
		7,564,340	7,536,622

Company

	Year of maturity	31 December 2014	31 December 2013
		RMB'000	*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 (2013: 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 2014 was 3.38% per annum (2013: 3.38% per annum).

20. DEFERRED REVENUE

Deferred revenue consists of the contract value generated in the process of the acquisition of COSL Holding AS, the deferred mobilisation revenue, government grants and subsidies received from customers related to acquisition of machinery for provision of drilling services (the "Subsidies"). The deferred revenue generated from contract value, deferred mobilisation revenue and the Subsidies are amortised according to the related drilling contract periods and are credited to revenues of the Group. 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, and is credited to other revenue of the Group.

Group

	Contract value	**Mobilisation revenue**	**Government grant related to assets**	**Government grant related to income**	**Subsidies**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2013	597,096	179,522	185,045	57,733	163,060	1,182,456
Additions	–	134,150	51,554	61,985	227,801	475,490
Credited to profit or loss	(66,503)	(99,804)	(8,882)	(67,959)	(6,243)	(249,391)
Exchange realignment	(16,332)	(5,401)	–	–	(8,277)	(30,010)
At 31 December 2013	514,261	208,467	227,717	51,759	376,341	1,378,545
Additions	–	185,408	1,200	35,735	61,428	283,771
Credited to profit or loss	(72,685)	(203,294)	(12,752)	(71,330)	(117,342)	(477,403)
Exchange realignment	2,141	261	–	–	1,581	3,983
At 31 December 2014	443,717	190,842	216,165	16,164	322,008	1,188,896

The following is the analysis of the deferred income balances for financial reporting purposes:

Group

	2014	2013
	RMB'000	*RMB'000*
Current portion	**117,016**	112,876
Non-current portion	**1,071,880**	1,265,669
Balance at end of the year	**1,188,896**	1,378,545

Company

	Mobilisation revenue *RMB'000*	Government grant related to assets *RMB'000*	Government grant related to income *RMB'000*	Total *RMB'000*
At 1 January 2013	46,967	184,263	57,733	288,963
Additions	–	51,525	61,985	113,510
Credited to profit or loss	(13,539)	(8,709)	(67,959)	(90,207)
At 31 December 2013	33,428	227,079	51,759	312,266
Additions	–	1,200	35,735	36,935
Credited to profit or loss	(13,401)	(12,608)	(71,330)	(97,339)
At 31 December 2014	20,027	215,671	16,164	251,862

21. ISSUED CAPITAL

	31 December 2014 ***RMB'000***	31 December 2013 *RMB'000*
Registered, issued and fully paid:		
State legal person shares of RMB1.00 each	**2,460,468**	2,460,468
H shares of RMB1.00 each	**1,811,124**	1,534,852
A shares of RMB1.00 each	**500,000**	500,000
	4,771,592	4,495,320

On 15 January 2014, a total of 276,272,000 new H shares have been allotted and issued by the Company at the price of HK$21.30 (equivalent to RMB16.75).

The Company does not have any share option scheme but has a share appreciation rights plan for senior officers (note 16).

MANAGEMENT DISCUSSION AND ANALYSIS

2014 INDUSTRY REVIEW

In 2014, the international oil price generally showed a trend running from high to low with wide fluctuations, and the cliff-style drop beginning in October greatly impacted the oilfield services sector. Operating profits of oil and gas equipment and services companies for the fourth quarter fell significantly, which added uncertainty to the development outlook of the industry.

In 2014, the global utilization rate of drilling rig decreased YOY while the average day rate recorded a slight increase under the influence of the withdrawal of some low-end rigs from the market. According to the statistics of ODS, in 2014, the global utilization rate of jack-up drilling rig decreased from 88.4% of the first quarter to 83.7% of the fourth quarter, and the average utilization rate for the year was 86.3%;

the utilization rate of semi-submersible drilling rig decreased from 85.0% of the first quarter to 81.9% of the fourth quarter, and the average utilization rate for the year was 83.1%. According to the statistics of Spears, the global geophysical exploration market of the oil services sector recorded a negative growth in 2014 with revenue decreasing 3.9% YOY to US$15.9 billion.

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 2014, the Group operated and managed a total of 44 drilling rigs (of which 33 are jack-up drilling rigs, and 11 are semi-submersible drilling rigs), 2 accommodation rigs and 5 module rigs.

2014 is a year of shock and sharp adjustment for the oil and gas sector. The oil price collapsed in the second half of 2014, WTI and Brent fell sharply by up to 45.8% and 48.3% and closed at USD 53.27 per barrel and USD57.33 per barrel, respectively at year end. Affected by such price decline, the price of global well service decreased, and the occupancy rates of various drilling rigs declined. The Group managed to grasp the market opportunity just before the abrupt turnaround of the industry, and by its efficient and high quality operating service, stable and firm customer group and the integrated service ability in the whole chains, maintained the calendar date utilization rate of the fleet was at a relatively high level, and the drilling services segment of the Group realized revenue of RMB17,389.0 million, representing an increase of 18.6% as compared with RMB14,665.2 million of the same period last year.

In 2014, the Group continued to cement its leading position in China offshore market in the drilling service segment, and made further improvement in the domestic deep-water operations. HYSY981 undertook the integrated project management services of deep-water drilling operations in South China Sea for the first time, which was a complete success, meanwhile the marine support services and well services were brought in to make overall breakthroughs in the deep-water operation ability. In terms of international business, new progresses were made in overseas market. A drilling rig has been successfully set up in Qatar; and contract renewal was completed for many rigs; and long-term contracts were renewed with increased rates. For the land drilling operation of the Missan oilfield in Iraq undertaken by the Company, the Company successfully solved a range of global challenges such as salt-gypsum layer drilling (with salt-gypsum layer of around 800 meters in thickness), achieved operation records with efficiency notably outperforming other contractors, and was the first to carry out horizontal well drilling operation in the region.

In terms of equipment, a more flexible "leasing" method was adopted to adjust the structure of the fleet. In 2014, the Company successively chartered three jack-up drilling rigs. In addition, COSLProspector, a deep-water semi-submersible drilling rig newly constructed, was delivered in November 2014. At present, it is going through the necessary commissioning work.

As at the end of 2014, we had 14 drilling rigs operating in Bohai, China; 9 operating in the South China Sea, 4 in the East China Sea and 14 in international markets such as North Sea of Norway, Mexico, Indonesia and Middle East. In addition, 2 rigs were being maintained and commissioned in the shipyard, and 1 was on standby.

In 2014, our drilling rigs operated for 13,898 days, representing a YOY increase of 1,211 days. The calendar day utilization rate of the rigs reached 91.8%, 3.8 percentage points down as compared with last year.

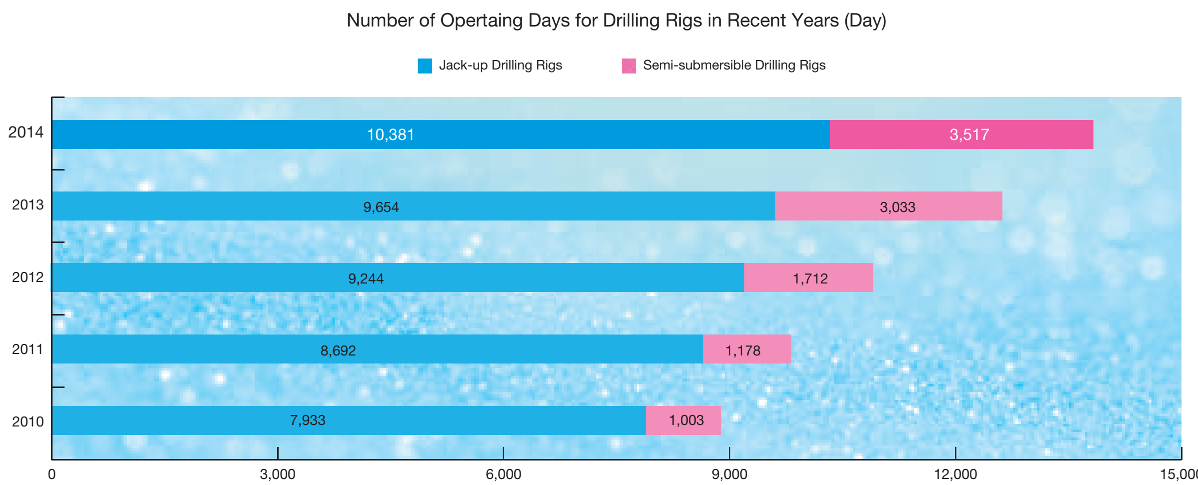
The operation details of the Group's jack-up and semi-submersible drilling rigs in 2014 are as follows:

	2014	**2013**	**Increase/ (Decrease)**	**Percentage Change**
Operating days (day)	13,898	12,687	1,211	9.5%
Jack-up drilling rigs	10,381	9,654	727	7.5%
Semi-submersible drilling rigs	3,517	3,033	484	16.0%
Available day utilization rate	96.4%	99.9%	Down 3.5 percentage points	
Jack-up drilling rigs	95.2%	99.8%	Down 4.6 percentage points	
Semi-submersible drilling rigs	100.0%	100.0%	–	
Calendar day utilization rate	91.8%	95.6%	Down 3.8 percentage points	
Jack-up drilling rigs	90.3%	95.8%	Down 5.5 Percentage points	
Semi-submersible drilling rigs	96.4%	95.0%	Up 1.4 percentage points	

Driven by the drilling rigs COSLGift and COSLHunter put into operation, and the rigs HYSY932, Gulf Driller I and Kai Xuan I newly leased this year, and the full-year operation of four drilling rigs such as NH9 and COSLPromoter that were launched in 2013, operating days of drilling rigs in 2014 increased by 1,211 days to 13,898 days compared to previous year, where that of jack-up drilling rigs and semi-submersible drilling rigs increased by 727 days and 484 days YOY respectively. Owing to the days of maintenance of drilling rigs and increased days under standby, the calendar day utilization rate decreased by 3.8 percentage points to 91.8%.

Two accommodation rigs continued their operation in the North Sea for 571 days with available day utilization rate and calendar day utilization rate down to 84.3% and 78.2%, respectively, due to maintenance and standby.

As at the end of 2014, five module rigs (a new one launched this year) operating in the Gulf of Mexico had 1,470 days of operation with calendar day utilization rate up by 10.2 percentage points to 98.3% due to less days of maintenance.



In 2014, the average day income of the drilling rigs of the Group increased slightly as compared with the same period last year, with details as follows:

Average day income (ten thousand US$/day)	**2014**	**2013**	**Increase/ (Decrease)**	**Percentage Change**
Jack-up drilling rigs	12.7	11.6	1.1	9.5%
Semi-submersible drilling rigs	32.2	32.1	0.1	0.3%
Drilling rigs sub-total	17.6	16.5	1.1	6.7%
Accommodation rigs	28.1	26.3	1.8	6.8%
Group average	18.0	17.0	1.0	5.9%

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

(2) USD/RMB exchange rate was 1: 6.1190 on 31 December 2014 and 1: 6.0969 on 31 December 2013, respectively.

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 but not limited to logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, oilfield production optimization etc.

In 2014, the well services segment developed rapidly, with significant increase in operation driven by the constantly improving technical level and the synergistic effects from the increased operations of the rigs. In 2014, the revenue in the well service segment increased by 47.2% from RMB6,475.0 million in the same period last year to RMB9,533.4 million.

In 2014, the Group continued to enhance its R&D, focused on tackling technical problems such as thickened oil recovery in Bohai, and development of low porosity and low permeability and high temperature and pressure oil fields, and meanwhile the Group made a batch of R&D achievements. The self-developed rotary steerable system and logging while drilling system were used to complete the offshore joint operations for the first time, and the Group has become the first company in China equipped with "rotary steerable system and logging while drilling system" and owns their independent intellectual property rights and is capable of achieving their commercial application. In the preliminary stage, logging technology has been applied in the deepwater wells. Now, drilling fluids and cementing technology have also made a significant breakthrough in the on-site application with practical experience of 1,500 meters, and the Company possesses the ability for technical service in 2,500 meters of depth. With the self-developed ELIS, the Company achieved breakthroughs in key logging technologies such as 3D acoustic waves, 2D nuclear magnetic resonance, laterolog array and oil-based mud drilling imaging, and such technologies reach advanced standard internationally. In the deepwater integrated project management in 2014, overall breakthroughs were made in a batch of new technologies in the deepwater sector such as self-developed ELIS and high-end logging equipment, deepwater drilling fluids and cementing.

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 2014, the Group owned an aggregate of 72 utility vessels of various types and 3 oil tankers, 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.

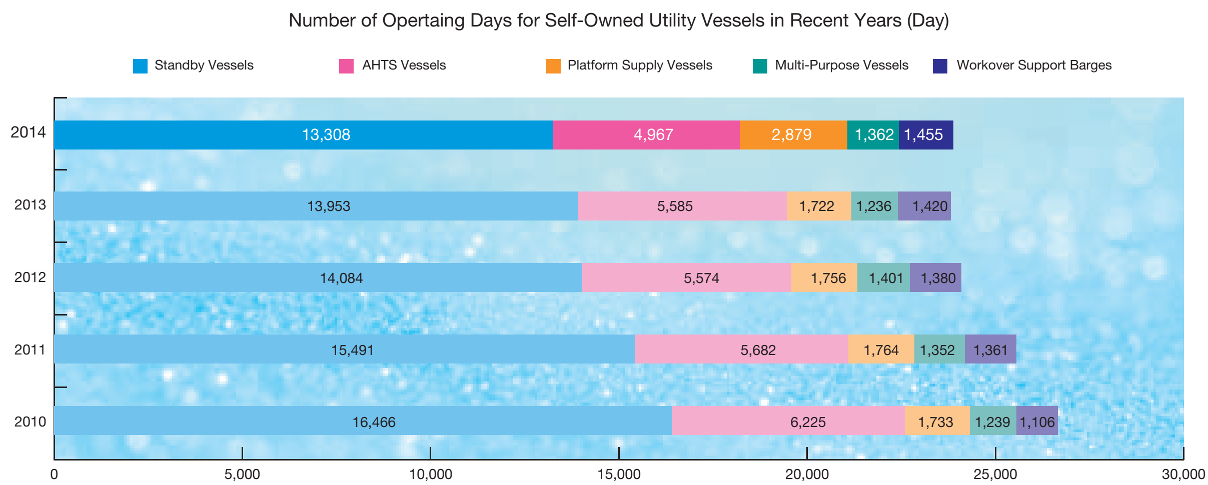
In 2014, the Group continued to consolidate its leading position in the marine support and transportation services business in the domestic market; and meanwhile, it insisted on safe production and developing deep water markets. In addition, in order to further adjust the structure of the fleet, 3 utility vessels were added.

The chartered vessels operated for a total of 17,183 days in 2014, increased by 2,887 days as compared with last year, generating revenue of RMB1,363.5 million, representing an increase of RMB191.7 million as compared to RMB1,171.8 million in the same period last year. Affected by the above, the overall marine support and transportation services business realized revenue of RMB3,468.9 million, representing an increase of RMB217.8 million or 6.7% as compared with RMB3,251.1 million of the same period last year. The calendar day utilization rate of self-owned vessels was 93.6%, basically maintaining at the same level as compared with 2013.

The operation of our self-owned utility vessels in 2014 was 23,971 days, representing an increase of 55 days as compared with last year, which was mainly due to the addition of 3 newly launched utility vessels to compensate the market vacancy made by 5 utility vessels that were retired in 2013. And meanwhile 2 utility vessels that were put into operation during the second half of last year achieved full-year operation. Details of the operation are as follows:

Operating days (day)	**2014**	**2013**	**Increase/ (Decrease)**	**Percentage Change**
Standby vessels	13,308	13,953	(645)	(4.6%)
AHTS vessels	4,967	5,585	(618)	(11.1%)
Platform supply vessels	2,879	1,722	1,157	67.2%
Multi-purpose vessels	1,362	1,236	126	10.2%
Workover support barges	1,455	1,420	35	2.5%
Total	23,971	23,916	55	0.2%

In line with the development philosophy of "more professional and more superior", the Company initiated exit from the chemical transportation business during the year and craved out assets relating to such business. During the reporting period, disposal of two chemical carriers were completed, and disposal of the remaining two chemical carriers were completed in January 2015. In 2014, the total transportation volume of oil tankers of the Group deceased to 1,743,000 tonnes, representing a decrease of 6.2% as compared with the same period of last year.



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 Australia, the South and North Americas, 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 6 integrated marine surveying vessels.

In 2014, under the influence of falling oil price and slowed down of upstream investment by oil companies, the Group's geophysical and surveying services were impacted in the second half of the year with decreases in operation volume, utilization rate of geophysical vessels and lower prices, leading to a decrease of 12.5% in revenue to RMB2,601.9 million as compared with the same period of last year.

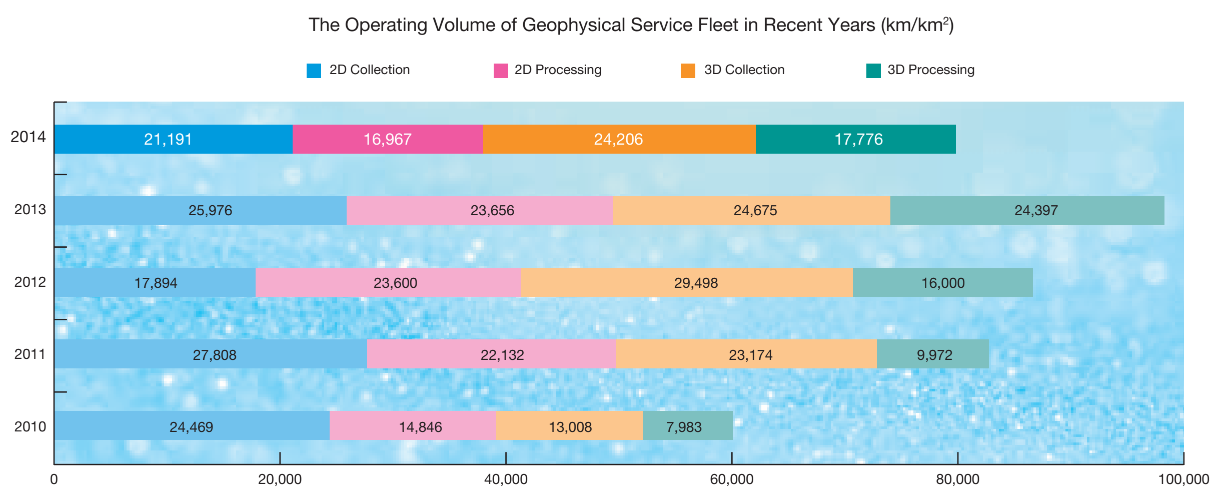
Geophysical services

The significant fall of oil price in 2014 forced oil companies to reduce investment in exploration. Geophysical services were crippled and the market competition intensified. However, the Group tried to overcome the difficulties by improving the operating quality, service standards, enhancing safe production, operation planning and cost management (reducing costs by sorting out the working procedures and improving the working efficiency). And meanwhile, the Group, relying on the stable domestic customers, guaranteed the workload of exploration in the core offshore market in China on the one hand, and on the other hand, it actively explored the domestic and international markets with more competitive service price and flexible commercial model, in order to realize a win-win situation with customers through more refined cost management and high quality service.

The details of operation volume for the geophysical collection and data processing businesses of the Group for 2014 are as follows:

Services	2014	2013	Increase/ (Decrease)	Percentage Change
2D collection (km)	21,191	25,976	(4,785)	(18.4%)
2D processing (km)	16,967	23,656	(6,689)	(28.3%)
3D collection (km^2)	24,206	24,675	(469)	(1.9%)
of which: submarine cable (km^2)	669	1,240	(571)	(46.0%)
3D processing (km^2)	17,776	24,397	(6,621)	(27.1%)

Affected by the exploration market environment, the Group's operation volume of 2D collection decreased by 18.4% while that of 3D collection remained basically stable. In terms of data processing, the volume of 2D and 3D processing decreased by 28.3% and 27.1%, respectively.



Surveying services

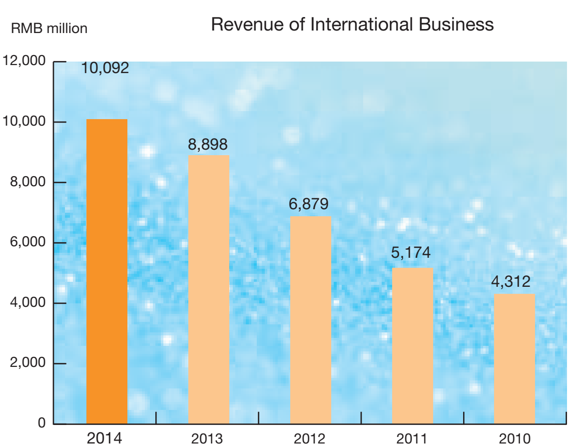
In 2014, the surveying services, affected by the market environment, saw less operation volume and recorded revenue of RMB489.3 million, representing a decrease of RMB52.4 million or 9.7% as compared with RMB541.7 million for the same period last year.

International business

In 2014, the Group's international business made another outstanding achievements, with revenue reached RMB10,092.3 million, accounting for 30.6% of the Group's revenue for the year and representing an increase of 13.4% or RMB1,194.0 million as compared with RMB8,898.3 million in the same period last year.

In 2014, the Group gained many new contracts. COSLSuperior successfully entered the market in Qatar, and completed the 3D collection project in Australia with external resources; HYSY981 was awarded with a project in Southeast Asia and started operation at the beginning of 2015. Some drilling rigs successfully obtained new contracts. COSLRigmar gained operation contracts from Denmark; several drilling rigs such as COSLCraft completed the renewal of contracts; COSLHunter and others renewed Mexico contract with raised rates. Meanwhile, COSLInnovator, COSLPioneer and COSLPromotor, three semi-submersible drilling rigs, relying on their high quality services, were awarded "Best Monthly Rigs" in May, June, July and September respectively in the monthly assessment of Statoil over 22 rigs.

In addition, the internationalization distribution of the Group in four major regions was further improved. The new base of COSL with the largest area and most complete functions in overseas was put into use in Singapore. The base integrates the functions of talent cultivation, R&D, and logistics supply, and will contribute efficient operational and technical supports for the businesses of the Group in the Asia-Pacific region.



Major subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary of the Group which engaged in drilling operations. COSL Holding AS is a major subsidiary of CNA. As of 31 December 2014, the total assets of CNA amounted to RMB32,581.1 million and equity amounted to RMB7,786.2 million. Affected by the maintenance and repair of accommodation rig and changes in the external market environment, CNA realized revenue of RMB4,945.4 million in 2014, representing a decrease of RMB506.0 million or 9.3% as compared with the same period last year. The net profit amounted to RMB93.2 million, representing a decrease of RMB1,061.4 million or 91.9%, which was mainly due to the goodwill impairments of RMB713.1 million resulting from transfer of the Group's internal rig. Such impairments were fully reversed on consolidation level and had no impact on the Group's financial statement.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

In 2014, the fall in crude oil price had impacted the oilfield service market. The Group managed to grasp the market opportunity just before the abrupt turnaround of the industry, with new equipment being put into production, and it enhanced safe production, optimized resources allocation, improved the service level and realized a good operating result in the year. In 2014, revenue amounted to RMB32,993.2 million, representing an increase of RMB5,629.4 million or 20.6% as compared with last year. The detailed analysis are set out below:

Analysis by business segment

Unit: RMB million

Business segment	2014	2013	Increase/ (Decrease)	Percentage change
Drilling services	17,389.0	14,665.2	2,723.8	18.6%
Well services	9,533.4	6,475.0	3,058.4	47.2%
Marine support and transportation services	3,468.9	3,251.1	217.8	6.7%
Geophysical and surveying services	2,601.9	2,972.5	(370.6)	(12.5%)
Total	32,993.2	27,363.8	5,629.4	20.6%

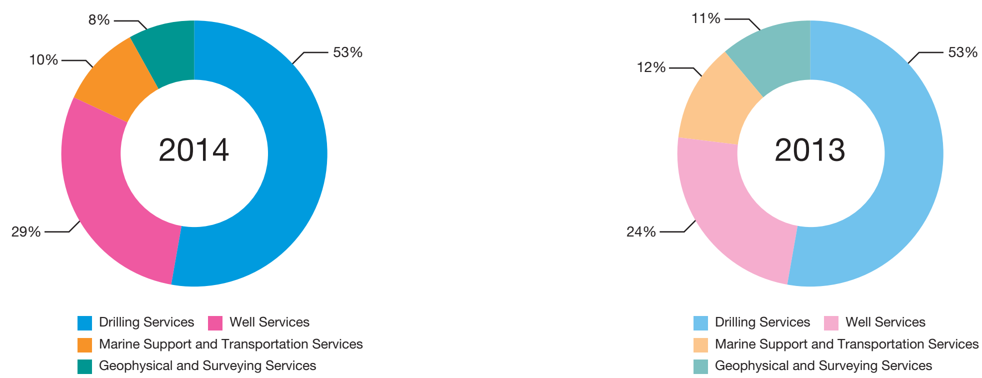
- Revenue generated from drilling services business increased by RMB2,723.8 million over the same period of last year. The main reasons include: ① COSLGift, COSLHunter, HYSY932, Gulf Driller I and Kai Xuan I were put into operation in the year; NH7, COSLPromoter, Kantan II and NH9 that were put into production in March, April, May and October last year were operated in full; ② the Group's subsidiary, COSL Offshore Management AS reached settlement with Statoil Petroleum AS with respect to the dispute of standby fees and received settlement payment of USD65 million.

- Relying on the synergistic effect of constantly improving technical standards and the increase in operation of the drilling rigs, the well services business recorded a significant increase in the operation volume of the main service line, further driving the increase in revenue by 47.2% as compared with last year.

- Due to the increase in the operation volume of the chartered vessels, the revenue generated from marine support and transportation business increased by 6.7% as compared with last year.

- Due to the decrease in oil price and reduction in investment in geophysical exploration and development, the revenue generated from geophysical and surveying business decreased by 12.5% as compared with last year.

Revenue Analysis - By Business



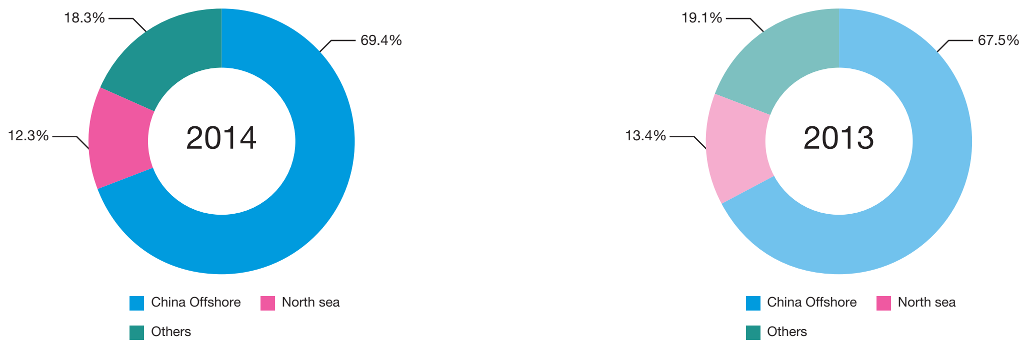
Analysis by operation area

Unit: RMB million

Region	**2014**	**2013**	**Increase**	**Percentage Change**
China Offshore	22,900.9	18,465.5	4,435.4	24.0%
North sea	4,073.2	3,679.4	393.8	10.7%
Others	6,019.1	5,218.9	800.2	15.3%
Total	32,993.2	27,363.8	5,629.4	20.6%

In terms of operation area, the Group's main source of revenue is from offshore China, accounting for 69.4% of the Group's total income. In 2014, the Group's international business further expanded, and recoded revenue of RMB10,092.3 million, accounting for 30.6% of the Group's revenue for the year. Among others, North Sea was an important contributor to the revenue generated from the international business, and recorded revenue of RMB4,073.2 million, representing 12.3% of the Group's revenue for the year.

Revenue Analysis - By Region



1.2 Operating expenses

In 2014, operating expenses of the Group amounted to RMB24,791.0 million, representing an increase of RMB4,912.1 million or 24.7% as compared with RMB19,878.9 million for last year.

The table below shows the breakdown of operating expenses for the Group in 2014 and 2013:

Unit: RMB million

	2014	**2013**	**Increase**	**Percentage Change**
Depreciation of property, plant and equipment and amortization of intangible assets	3,769.6	3,310.6	459.0	13.9%
Employee compensation costs	4,380.7	4,080.1	300.6	7.4%
Repair and maintenance costs	1,094.9	930.1	164.8	17.7%
Consumption of supplies, materials, fuel, services and others	5,955.0	4,897.8	1,057.2	21.6%
Subcontracting expenses	5,445.4	3,913.7	1,531.7	39.1%
Operating lease expenses	1,606.0	1,093.8	512.2	46.8%
Other operating expenses	2,165.2	1,652.8	512.4	31.0%
Impairment of property, plant and equipment	374.2	–	374.2	100.0%
Total operating expenses	24,791.0	19,878.9	4,912.1	24.7%

Due to the increase in the number of equipment that were put into production and the increased operation volume of several segments, the depreciation expenses, employee compensation costs and consumption of supplies, materials, fuel, services and others increased.

Subcontracting expenses increased by 39.1% as compared with last year through consolidating and occupying markets with external resources.

Due to the lease of drilling rigs such as HYSY981, NH7, HYSY932, Gulf Driller I and Kai Xuan I, the operating lease expenses increased by 46.8% as compared with last year.

Along with business development, the size of domestic and international market expanded, with corresponding increase in other production and operation related expenses such as the travelling expenses and fees for personnel going abroad, leading to increase in other operating expense by 31.0% as compared with last year.

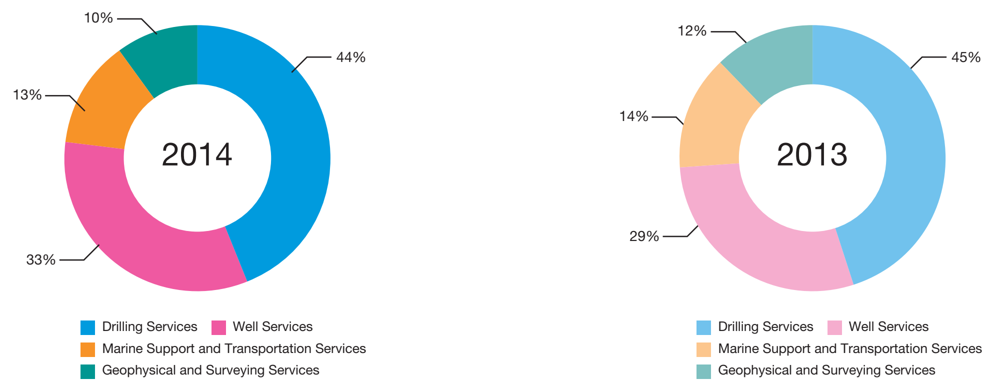
In addition, assets impairment losses of RMB374.2 million were provided for a semi-submersible drilling rig in Norway, four chemical carriers and equipment of well services in Libya for the year.

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

Unit: RMB million

Business segment	**2014**	**2013**	**Increase/ (Decrease)**	**Percentage Change**
Drilling services	10,826.9	8,918.4	1,908.5	21.4%
Well services	8,281.5	5,859.0	2,422.5	41.3%
Marine support and transportation services	3,165.4	2,800.3	365.1	13.0%
Geophysical and surveying services	2,517.2	2,301.2	216.0	9.4%
Total	24,791.0	19,878.9	4,912.1	24.7%

Analysis of Operating Expenses - By Business



1.3 Profits from operations

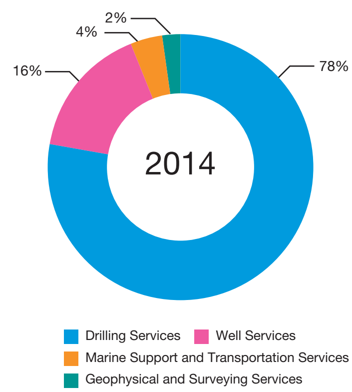
In 2014, the Group's profits from operations for the year amounted to RMB8,425.9 million, representing an increase of 10.2% or RMB777.6 million as compared with RMB7,648.3 million for the same period of last year.

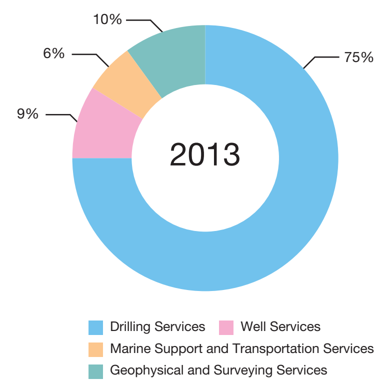
The profit from operations for each segment is shown in the table below:

Unit: RMB million

Business segment	2014	2013	Increase/ (Decrease)	Percentage Change
Drilling services	6,575.5	5,764.7	810.8	14.1%
Well services	1,364.3	694.1	670.2	96.6%
Marine support and transportation services	319.7	463.7	(144.0)	(31.1%)
Geophysical and surveying services	166.4	725.8	(559.4)	(77.1%)
Total	8,425.9	7,648.3	777.6	10.2%

Analysis of Profit from Opertions - By Business





1.4 Financial expenses, net

Unit: RMB million

	2014	2013	Increase/ (Decrease)	Percentage Change
Exchange gains and losses, net	5.7	6.4	(0.7)	(10.9%)
Finance costs	587.5	638.3	(50.8)	(8.0%)
Interest income	(155.0)	(124.5)	(30.5)	24.5%
Financial expenses, net	438.2	520.2	(82.0)	(15.8%)

The decrease in financial expenses for the year was mainly attributable to the decrease in finance costs resulting from repayment of USD borrowings during the year and increase in interest income.

1.5 Investment income

In 2014, the Group's investment income amounted to RMB193.8 million, representing an increase of RMB99.5 million or 105.5% as compared with RMB94.3 million in the same period of last year, which was mainly attributable to increase in investment income from the Group's financial products and investment in money funds.

1.6 Share of profits of joint ventures

In 2014, the Group's share of profits of joint ventures amounted to RMB341.0 million, representing an increase of RMB43.8 million or 14.7% as compared with RMB297.2 million of last year. This was mainly attributable to an increase in gains in joint ventures, namely China Offshore Fugro GeoSolutions (Shenzhen) Company Ltd. and COSL-EXPRO Testing Services (Tianjin) Co., Ltd. of RMB23.2 million and RMB16.4 million while that in other joint ventures in aggregate increased by RMB4.2 million as compared with the same period last year.

1.7 Profit before tax

The profit before tax attained by the Group was RMB8,522.5 million in 2014, representing an increase of RMB1,002.9 million or 13.3% as compared with RMB7,519.6 million for the same period last year.

1.8 Income tax

The income tax expense of the Group in 2014 was RMB1,002.3 million, representing an increase of RMB209.1 million or 26.4%, as compared with RMB793.2 million in 2013, which was mainly due to an expansion in business and increase in profits before tax.

1.9 Profit for the year

In 2014, profit for the year of the Group was RMB7,520.2 million, representing an increase of RMB793.8 million or 11.8% as compared with RMB6,726.4 million for the same period last year.

1.10 Basic earnings per share

For 2014, the Group's basic earnings per share were approximately RMB1.57, representing an increase of approximately RMB0.08 or 5.4% as compared with approximately RMB1.49 for the same period of last year.

1.11 Dividend

For 2014, the Board of the Company proposed a final dividend of RMB0.48 per share, totaling RMB2,290.4 million.

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2014, the total assets of the Group amounted to RMB86,874.3 million, representing an increase of RMB7,612.0 million or 9.6% as compared with RMB79,262.3 million at the end of 2013. The total liabilities amounted to RMB39,552.2 million, representing a decrease of RMB2,450.3 million or 5.8% as compared with RMB42,002.5 million at the end of 2013. Total equity amounted to RMB47,322.1 million, representing an increase of RMB10,062.3 million or 27.0% as compared with RMB37,259.8 million at the end of 2013.

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		2014	2013	Increase/ (Decrease)	Percentage Change	Reasons
Assets						
1	Property, plant and Equipment	55,338.1	51,292.4	4,045.7	7.9%	Large sized equipment such as 1 seismic vessel and 3 oilfield utility vessels were added. And meanwhile, investments were added according to the progress of the drilling rigs, oilfield utility vessels and surveying vessels under construction.
2	Deferred tax assets	12.0	7.3	4.7	64.4%	The deductible temporary difference arising from the reserve of employee compensation for the year and the reserve for asset impairment increased.
3	Prepayment, deposits and other receivables	681.2	426.9	254.3	59.6%	Platform repair fees and personnel service fees were advanced for the year.
4	Notes receivable	2,775.8	1,513.4	1,262.4	83.4%	Notes receivable at the beginning of the year were fully recovered. The increase in notes receivable for this year was mainly attributable to increase in commercial acceptance bills along with the business expansion.
5	Other current assets	4,985.5	2,363.4	2,622.1	110.9%	Increases in the non-fixed income money funds and investment in corporate wealth management products issued by banks in PRC during this year.
6	Time deposits with original maturity over three months	1,308.0	600.0	708.0	118.0%	The Group adjusted the deposit structure during the year and increased the amount of time deposits with original maturity over three months.

Unit: RMB million

Items		2014	2013	Increase/ (Decrease)	Percentage Change	Reasons
7	Cash and cash equivalents	5,432.2	9,600.8	(4,168.6)	(43.4%)	Repayment of bank borrowings and subscription of several non-fixed income money fund products and corporate wealth management products issued by banks in PRC during the year.
8	Assets classified as held for sale	–	129.1	(129.1)	(100.0%)	According to the progress, assets that were originally classified as held for sale was transferred back to fixed assets.
Liabilities						
1	Deferred tax liabilities	753.1	1,128.7	(375.6)	(33.3%)	It was mainly attributable to adjustment to the deferred income tax liabilities arising from the difference between the depreciation life of fixed assets in terms of tax laws and accounting and the decrease in the temporary difference of tax payable arising from the adjustment in fair value of the subsidiaries acquired in prior years.
2	Employee benefit liabilities	95.7	37.5	58.2	155.2%	Increase in the annuity defined benefits liability of the subsidiary COSL Holding AS.
Equity						
1	Non-controlling interests	49.5	21.1	28.4	134.6%	The subsidiary PT. SAMUDAR TIMUR SANTOSA generated profit for the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2014, the Group held cash and cash equivalents of RMB9,600.8 million, in 2014, the net cash inflows from operating activities amounted to RMB10,159.7 million; net cash outflows from investing activities amounted to RMB12,438.3 million; net cash outflows from financing activities amounted to RMB1,919.2 million and the impact of foreign exchange fluctuations resulted in an increase in cash of RMB29.2 million. As at 31 December 2014, the Group's cash and cash equivalents amounted to RMB5,432.2 million.

3.1 Cash flows from operating activities

For the year ended 31 December 2014, net cash inflows from operating activities of the Group amounted to RMB10,159.7 million, representing an increase of 20.0% as compared with the same period of last year. This was mainly attributed to an increase in cash received from the sales of goods and the rendering of services resulting from business expansion.

3.2 Cash flows from investing activities

For the year ended 31 December 2014, net cash outflows generated from investing activities of the Group amounted to RMB12,438.3 million, representing an increase of 159.9% or RMB7,653.0 million as compared with the same period last year, which was mainly attributable to the increase of RMB2,264.9 million in net cash outflows from the acquisition and disposal of available-for-sale investments (which were mainly money funds and corporate wealth management products issued by banks in PRC subscribed by the Group), an increase of RMB4,062.2 million in cash outflows from deposit and withdrawal of time deposits with maturity over three months, an increase of RMB1,388.2 million in cash outflows of deposits for purchase of property, plant and equipment and increase of RMB62.3 million in cash inflows from other investing activities.

3.3 Net cash flows from financing activities

For the year ended 31 December 2014, net cash outflows from financing activities of the Group amounted to RMB1,919.2 million, representing a decrease of RMB1,774.2 million as compared with the same period of last year. This was mainly attributable to an increase of RMB4,573.4 million in proceeds (expenses for share issuance was deducted) through the successful placement of 276,272,000 H shares on 15 January 2014 as compared with last year, and decrease of RMB54.6 million in interest payment as compared with last year. In addition, the repayment of bank borrowings and payment of dividends increased the cash outflows by RMB2,196.2 million and RMB657.6 million, respectively.

3.4 The effect of foreign exchange fluctuations on cash during the year was an increase in cash of RMB29.2 million.

4. Capital expenditure

In 2014, the capital expenditure of the Group amounted to RMB8,078.9 million, representing a decrease of RMB581.8 million or 6.7% as compared with the same period last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segment	2014	2013	Increase/ (Decrease)	Percentage Change
Drilling services	3,482.8	6,680.5	(3,197.7)	(47.9%)
Well services	1,181.2	801.6	379.6	47.4%
Marine support and transportation services	2,231.4	588.1	1,643.3	279.4%
Geophysical and surveying services	1,183.5	590.5	593.0	100.4%
Total	8,078.9	8,660.7	(581.8)	(6.7%)

The capital expenditure of the drilling services segment was mainly used for the purchase and construction of drilling rigs (i.e. construction of COSLProspector, two 400-feet jack-up drilling rigs and one deep-water semi-submersible drilling rig, etc.). 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 and integrated marine surveying vessels.

5. Charge on assets

As of 31 December 2014, the Group had no charges against its assets.

6. Employees

As of 31 December 2014, the Group had 16,096 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 put in place a reasonable remuneration structure.

BUSINESS PLAN

Since the beginning of 2015, the crude oil price has dropped further from its level at the end of 2014 and remained low with some fluctuations. This adds to the severe business environment for the Company and our operation faces further pressure. It is expected that the revenue and operating profit for 2015 will decrease significantly as compared with 2014.

The budgeted capital expenditure of 2015 is approximately RMB6.5 billion to RMB 7.5 billion, which will be mainly used in existing projects in progress such as building oil service vessels.

The market will be full of severe challenges in 2015, and the trend of work load and prices in the China offshore oil and gas market will be similar to the global market. The Company has prepared for this in advance and is fully equipped to cope with such conditions. As a comprehensive integrated oilfield services provider with cost advantages and leveraging on its robust financial condition and flexible operations, the Company will be capable of fulfilling the change in customers' demand in the new situation.

In 2015, the Company will actively implement cost control and efficiency improvement initiatives; continue to reinforce its QHSE management to ensure operation safety and diligent performance of its responsibilities towards the environment; effectively use internal resources; 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 2015 will mainly depend on market and economic conditions. Investors should be reminded of the risks involved.

2015 BUSINESS OUTLOOK

Affected by the slowdown of global economic growth and a sharp fall in oil price, oil companies have begun cutting their investment budget. It is expected that the global marine exploration and development expenditure will be US$183.2 billion in 2015, representing a decrease of 9.4% as compared with 2014 (IHS data). The capital expenditure of CNOOC, a major customer of the Company, will also decrease significantly. Competition in the oil services market will intensify and the utilization rate of drilling rigs will fall further. According to the forecast published by ODS in January, the expected overall utilization rate of jack-up drilling rig and semi-submersible drilling rig for 2015 will be 73.3% and 72.9% respectively, extending the downward trend. In 2015, low oil price will continue to affect the geophysical exploration market, and the size and rate of the market will continue to trend downward. Following the tumble in crude oil price, oil and gas companies will be increasingly cautious over their investment, thus project cancellations or delays will be inevitable, reservoir reformation application will decrease and the growth of well services segment will face challenge. It is expected that the business of the four main segments of the Company will be notably affected in 2015.

OTHER INFORMATION

Audit Committee

The audit committee comprises three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters. The annual results of the Group for the year ended 31 December 2014 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2014, the Company has complied with the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, during the 12 months ended 31 December 2014, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Purchase, Disposal and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Other matters

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. As at the 31 December 2014, the infrastructure project has fulfilled the investment requirements for the transfer. However, the transfer procedures of such land transaction were not yet completed due to new requirements for land transfer put forward by the local government, and the Company is now actively undertaking relevant communication and coordination.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

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

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

30 March 2015

As at the date of this announcement, the executive directors of the Company are Messrs. Li Yong and Li Feilong; the non-executive directors of the Company are Messrs. Liu Jian (Chairman) and Zeng Quan; and the independent non-executive directors of the Company are Messrs. Tsui Yiu Wa, Fong Wo, Felix and Law Hong Ping, Lawrence.