CHINA OILFIELD SERVICES LIMITED

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

Challenge Opportunity

ANNUAL REPORT 2014

Company Profile

COMPANY OVERVIEW

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

COMPANY BUSINESS

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

BUSINESS PERFORMANCE

In 2014, the Company maintained a strong operation and financial performance. Besides, COSL performed well in a more extensive operation aspect, including social and environment aspect, with performance fulfilling our targets. Details are set out in the financial report and Sustainability Report.

STRATEGIC TARGET

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

CORPORATE GOVERNANCE

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

PROSPECT

The Company has laid a solid foundation in the markets, such as offshore China, South East Asia, North sea, Middle East, Gulf of Mexico, Australia and other regions, which provides a sturdy platform for continuous business development.

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

Business Overview

DOMESTIC BUSINESS

The Company maintains the leading position in China offshore oilfield services market and provides geophysical and surveying services, drilling services, well services and marine support and transportation services. Revenue from Mainland China in 2014 amounted to RMB22.90 billion, representing 69.4% of the total revenue.

INTERNATIONAL BUSINESS

In 2014, the international business of the Company kept growing and the distribution in our four major overseas markets was further improved. Revenue from the overseas business in 2014 amounted to RMB10.09 billion, representing 30.6% of the total revenue.

Asia-pacific region includes Indonesia, Thailand, Singapore and Australia etc.

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

Middle East region includes Iraq, United Arab Emirates and Qatar etc.

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

America region includes Mexico and Canada etc.

Businesses involve drilling and logging services.

Europe regions includes Norway and UK etc.

Businesses involve drilling services and accommodation rigs.

CONTENT

Milestones of 2014

January

The Company carried out a placement of H shares and raised proceeds of approximately HKD5.885 billion. After completion of the placing, the total capital of COSL was 4,771,592,000 shares.

February

ELIS equipment, independently developed by COSL, completed deep-water logging of Lingshui 17-2-1 with a water depth of 1,500 meters, which was the first deep-water logging operation of such equipment.

March

COSLGift successfully completed its first overseas operation after it was built.

April

HYSY981 smoothly commenced drilling of Lingshui 17-2-4, a deep-water well in the western area of South China Sea, with operational water depth of 1,466 meters and designed well depth of 3,530 meters.

May

Project team LR7006 of land drilling rig successfully completed the well completion of the deepest horizontal well of Missan oilfield in Iraq.

June

COSLHunter successfully completed the operation for the first well in Mexico.

July

COSLPioneer ranked first in the comprehensive performance over 22 rigs by STATOIL in June, and was awarded “Best Monthly Rigs”, which was third time for COSLPioneer to gain such award.

August

The 12-streamer deep-water geophysical vessel with world’s advanced capabilities, HYSY721, invested by the Company was delivered smoothly.

September

The stock of the Company continued to be included in the Hang Seng (China A) Corporate Sustainability Benchmark Index for another year (2014-2015), and was newly included as a constituent stock of the Hang Seng Corporate Sustainability Benchmark Index.

October

DRILOG®, the logging while drilling equipment developed by the Company independently, successfully completed its offshore operation for the first time.

November

WELLEADER®, the rotary steerable system developed by the Company independently, successfully completed its offshore operation for the first time.

Drilling of Lingshui 25-1-1, the first well with a depth of 1,000 meters, undertaken by NH9 was completed.

December

Completion ceremony for the base of COSL in Singapore was held. It is our largest overseas base with the most comprehensive functions.

2014 Highlights

Revenue: **RMB32,993.2 million**

Profit from operations: **RMB8,425.9 million**

Profit for the year: **RMB7,520.2 million**

Basic earnings per share: **RMB1.57/share**

Total assets: **RMB86,874.3 million**

Shareholders' equity: **RMB47,322.1 million**

Credit rating

Standard & Poor's: **A- (stable)**

Moody's: **A3 (stable)**

Fitch: **A (stable)**

Financial Highlights

Unit: million yuan Currency: RMB

	2014	2013	Increase/ (Decrease) %
Revenue			
Domestic revenue	22,900.9	18,465.5	24.0
International revenue	10,092.3	8,898.3	13.4
Total	32,993.2	27,363.8	20.6
Operating expenses	24,791.0	19,878.9	24.7
Profit from operations	8,425.9	7,648.3	10.2
Profit before tax	8,522.5	7,519.6	13.3
Income tax expense	1,002.3	793.2	26.4
Profit for the year	7,520.2	6,726.4	11.8
Basic earnings per share (RMB/share)	1.57	1.49	5.4
Net assets per share (RMB/share)	9.9	8.3	19.3
Ratio			
Return on equity (%)	17.8	19.4	
Return on asset (%)	9.1	8.7	
Gearing ratio (%)	38.0	42.7	
Price/Earnings ratio	6.8	12.7	
Dividend yield (%)	4.5	2.3	
Dividend payout ratio (%)	30.6	30.6	

Notes:

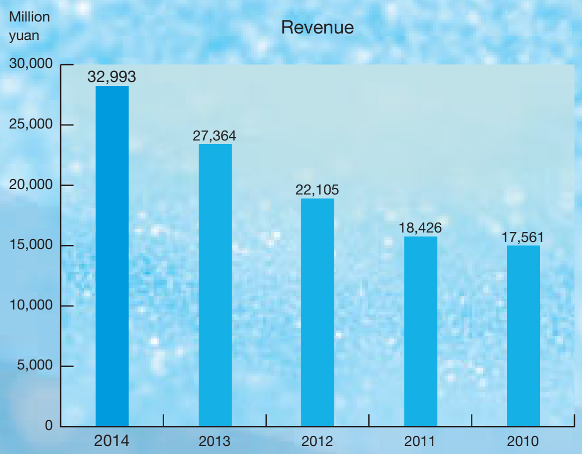
1. *Return on equity = Net profit for the year/(shareholders' equity in the beginning of the period+ shareholders' equity at the end of the period)/2*
2. *Return on asset = Net profit for the year/Average total assets*
3. *Gearing ratio = Net debt at the end of the period/(total capital at the end of the period + net debt at the end of the period)*
4. *Price/Earnings ratio = Closing share price of H shares on the last trading day of the year/Earnings per share*
5. *Dividend yield = Dividends per share/Closing share price of H shares on the last trading day of the year*
6. *Dividend payout ratio = Dividends/Earnings attributable to ordinary equity holders of the Company*

FIVE-YEAR FINANCIAL POSITION REVIEW

Unit: million yuan   Currency: RMB

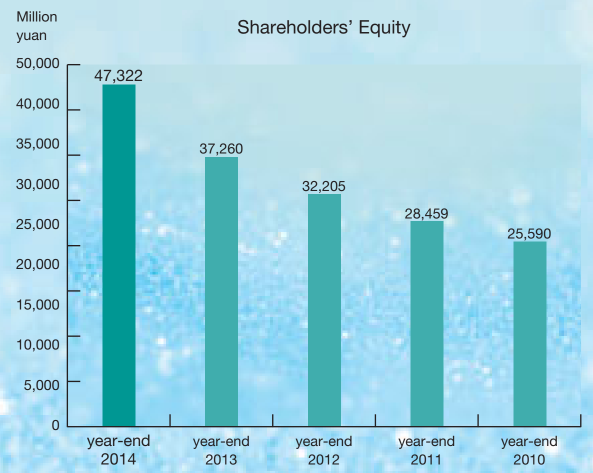
Major financial data and indicators	2014	2013	Increase/ decrease over the same period last year (%)	2012	2011	2010
Revenue	32,993.2	27,363.8	20.6%	22,104.7	18,426.1	17,561.0
Profit from operations	8,425.9	7,648.3	10.2%	5,618.6	4,982.8	5,200.1
Profit for the year	7,520.2	6,726.4	11.8%	4,569.8	4,039.5	4,128.0
Earnings per share (RMB/share)	1.57	1.49	5.4%	1.01	0.90	0.92

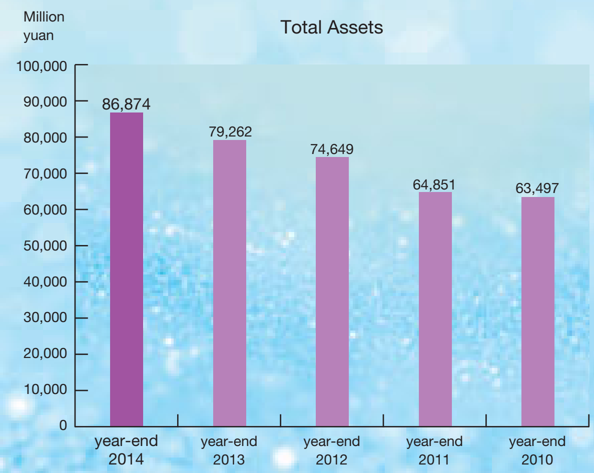
	As at the end of 2014	As at the end of 2013	Increase/ decrease over the end of the same period last year (%)	As at the end of 2012	As at the end of 2011	As at the end of 2010
Shareholders' equity	47,322.1	37,259.8	27.0%	32,204.9	28,459.2	25,589.9
Total assets	86,874.3	79,262.3	9.6%	74,648.5	64,851.1	63,497.4




Million Yuan
Profit for the year
8,000
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
7,520
6,726
4,570
4,040
4,128
2014
2013
2012
2011
2010


Yuan/Share
Earnings Per Share
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
1.57
1.49
1.01
0.90
0.92
2014
2013
2012
2011
2010


Million yuan
Shareholders' Equity
50,000
40,000
35,000
30,000
25,000
20,000
15,000
10,000
5,000
0
47,322
37,260
32,205
28,459
25,590
year-end 2014
year-end 2013
year-end 2012
year-end 2011
year-end 2010


Million yuan
Total Assets
100,000
90,000
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
86,874
79,262
74,649
64,851
63,497
year-end 2014
year-end 2013
year-end 2012
year-end 2011
year-end 2010

Chairman's Statement

Liu Jian
Chairman

Dear shareholders and friends,

2014 was a year with huge changes in the degree of prosperity of the oil and gas industry, in particular oil prices plummeted remarkably in the fourth quarter, yet the Company seized the opportunities in the market before the sharp twist in prosperity of the industry, and realized excellent business results for the year. Revenue and profits both recorded their best levels in history. I am going to present the results obtained by the Company in 2014 and the major concern of the Board of Directors for 2015 in several sections:

1. BUSINESS PERFORMANCE

For 2014, the Company accomplished and exceeded its annual business target: it realized revenue of RMB32,993.2 million, representing a year-on-year (YOY) increase of 20.6%. Profit for the year amounted to RMB7,520.2 million, representing a YOY increase of 11.8%. Basic earnings per share amounted to RMB1.57. The Company proposed to distribute RMB0.48 per share (tax inclusive) as dividend for 2014, which will be submitted to the annual general meeting for review.

It is pleasing that the deep-water operation integrated project management of the Company made a breakthrough progress in this year, its operating ability was further enhanced.

Something special things to be pointed out is that with the continuous hard work of the Company, the liability/assets ratio of the Company lowered from 65.1% at the end of 2008 to 45.5 % at the end of 2014. Currently, the debt level of the Company is appropriate, the debt structure is relatively reasonable. The Company has stronger cash reserve, which lay a solid base for us to cope with the uncertainty in the market.

2. BOARD OF DIRECTORS AND CORPORATE GOVERNANCE

The Board of Directors conscientiously performs all duties to ensure that the major decisions of the Company were made cautiously by collective discussion. In 2014, the major tasks of the Board in the further improvement of corporate governance included further strengthening of internal control and risk management. The Board reviewed the amendment to the internal control deficiencies standards of the Company, and the amended standards are more scientific and reasonable, and the recognition of internal control deficiencies is more objective. The Board also set some requirements regarding the strengthening of the internal audit, so that the Company increased the coverage of internal auditing of major business activities and business units. In review of the market risks following the fall of oil prices, the Board requested the Company to make proper response in relation to the current oil price trend and changes in the market environment. Including the formulation of the relevant response plans, the implementation of stress tests, and arrangements for adjustments to capital investment etc, these tasks were implemented in an effective fashion.

In 2014, independent director of the Company – Mr Chen Quansheng ceased his duties. On behalf of the Company, I thank Mr Chen for his contribution to the Company during his term of directorship. Mr Law Hong Ping, Lawrence succeeded Mr Chen to join the Board. Mr Law has engaged in managerial work in large financial companies for a long period of time, and he is a specialist in the area of risk management. It is believed that his presence in the Board will contribute in a unique way so that the Company can further carry out risk management properly.

3. SUSTAINABLE DEVELOPMENT AND SOCIAL RESPONSIBILITY

The realization of sustainable development has always been the target of the Company. The Company confirmed that it would comply with the 10 Principles of United Nations Global Compact Organization in the "Sustainability report (2014)" (the name of the previous years' report was "Social responsibility report"), and it has made more adequate disclosure of the relevant policies, the rules abided by and the key indicators of the Company (such as the indicators of discharge and emission, energy consumption indicators etc). Looking at the indicators as disclosed, in the recent few years the Company has made remarkable achievements in the areas of energy saving and emission reduction. First, its investment in these domains continued to increase. Second, the energy consumption per unit of output value and emission volume of carbon dioxide continued to fall. The safety production of the Company is also in good conditions. Over the years, the rate of recordable incidents of the Company continued to drop amid a substantial growth of operation volume, showing the non-stop efforts in the safety management aspect. Besides, the Company made remarkable performance in the community construction and charity donation facets. In 2014 the Company won the "25 Years of Excellent Contribution Prize of the Hope Project". In view of the outstanding performance of the Company in the sustainable development domain, since 2012, the stock of the Company continued to be included as constituent stock in the Hang Seng (China A) Corporate Sustainability Benchmark Index for three consecutive years. In 2014 it was included as constituent stock in the Hang Seng Corporate Sustainability Benchmark Index for the first time, expressing the recognition of the achievement of the Company in sustainable development by the capital market.

4. THE BOARD'S MAJOR CONCERN IN 2015

Since the international oil prices currently fluctuate in the low range, oil companies significantly cut investment in exploration and production. This action has passed on to the oil and natural gas service fields, and the Company has felt apparent pressure of a decline of the market. The Board will closely pay attention to the trend of the oil and natural gas industries, so that the Company can make targeted adjustments of business strategies. In the current stage, the Company has adopted measures to focus on the areas of market exploration, ensuring the utilization rate of large facilities, and cost control and upholding its competitiveness. In addition, under the circumstances of a recession of the industry, the Board will show more concern over the status of cash flow of the Company. As an integrated oilfield service company, the well services segment is still an important pillar for the further development, while technological innovation capability is the most important means through which the core competitiveness of the technical segment is manifested, the Board will continue to show concerns over the enhancement of the technical strength of the Company and promote such enhancement.

At last, I would like to express my gratitude to all our staff for their relentless dedication to the development of the Company, and the shareholders and friends for their support and help!

Liu Jian
Chairman

30 March 2015

Chief Executive Officer's Report

Li Yong
Chief Executive Officer and President

Dear shareholders,

2014 was an unusual year. During the year, the entire oil and gas industry experienced high volatility. In the first half of the year, the oil and gas industry prospered. The Company sustained the growth momentum from 2013 and further expanded its business ventures via the consecutive leasing of three rigs to meet increasing domestic market demand. In the latter half of the year, international oil prices continued to drop from mid-term high and collapsed by over 50%. Oil companies reacted swiftly by downsizing their investment and demand in the oil field services dropped drastically. The contracted rate and contracted daily rate of large scale equipment shrunk by different scale. As a result, market competition intensified. Faced with a slowdown in the industry and a sluggish market environment, the management of the Company seized the opportunities in the changing market, actively demonstrated a flexible service model and effectively made up for the shortfall in the utilization rate of large scale equipment. The Company achieved remarkable results in production safety, equipment building, research and development of major technology and in deep-water business. The Company fully accomplished the annual business plan as approved by the Board of Directors, attained further breakthrough in operating results to stun the industry.

Operating Results Recorded Historical Heights

In 2014, the Company's drilling services segment further strengthened and efficiently completed the leasing and reconstruction of a number of rigs and put into production quickly, achieving an operating revenue of RMB17.39 billion; representing an increase of 18.6% over the same period last year. The well services segment achieved an operating revenue of RMB9.53 billion; representing an increase of 47.2% over the same period last year. The marine support and transportation services segment achieved an operating revenue of RMB3.47 billion; representing an increase of 6.7% over the same period last year. The geophysical and surveying service segment achieved an operating revenue of RMB2.60 billion; representing a decrease of 12.5% over the same period last year.

In early 2014, the Company successfully completed the placing of 276 million H-shares. This effectively improved the capital structure of the Company. The placing price was HK$21.30 per share which set a record low in discounted price for mega size placement of shares in the Hong Kong market during the past two years. It received the "Award for the Best New Equity Deal" by Finance Asia. The award fully reflected the professional quality of the management of the Company.

Solid Position in the Domestic Market and Breakthrough in the Deep-water Operation Capability

In 2014, the China offshore market as a whole recorded rapid growth and there was additional demand for three rigs. During that time, the Company had clearly envisaged the excess building of drilling rigs in the world, increased market speculation and expensive prices for construction and purchase of rigs. The Company had to avoid risks while expanding its production capacity. In this regard, the Company made a decision to lease three drilling rigs in the first half of the year. This had enabled the Company to meet market demand and realize fast growth in results without increasing its capital expenditure. During the year, our major customers had tightened their costs control and had put price pressure on us. As a result, the Company had streamlined our operations and service model, promoted the application of new technology and new techniques and had substantially raised the operating efficiency while facilitating our customers to reduce their operating costs. This had also enabled the Company to substantially reduce our operating costs. By maintaining our service standard and prices unchanged at the same level, this was a win-win situation for both the Company and our customers. The geophysical and surveying services segment concluded the cooperation contract with the "Shell Yinggehai" with quality standard and was highly endorsed by our customer and had given us a couple of awards. COSLGift drilling rigs had obtained the service contract with Chevron for their drilling business in eastern South China Sea and with "Shell Yinggehai" for their cementing, drilling fluid, marine support and transportation services.

During the period, the deep-water drilling rigs such as HYSY981 and NH9 of the Company made applauding results. Among them the operational efficiency of HYSY981 reached over 98% in the integrated project management in Zhongjiannan in South China Sea and the deep-water exploration well of Lingshui 17-2. These reflected the Company's deep-water rigs operations have reached world-class standard. In the deep-water drilling integrated project management in South China Sea, the Company successfully applied its independently developed the ELIS system and a series of high-end logging equipment, deep-water drilling fluids and cementing in deep-water operations, and achieved "zero accidents, zero pollution, zero malfunctioning" as well as attaining the endorsement and appreciation of our customers.

Stable Development of the International Market

The Company had strived to boost and develop the current international market and actively explore new target markets. The international business revenue gradually reached double-digit growth. In the Asia-Pacific region, the Company had recorded growth in both the scale of business and the number of customers in the Indonesian market. The directional drilling business had won mandates for a series of contracts. HYSY902 supporting rig had locked up long-term contracts as well as the successful anchoring of cementing and drilling fluid businesses in the high-end market. NH6 drilling rig was in full capacity throughout the year. COSL's operation base in Singapore with integrated logistics, R&D, manufacturing, repairs and maintenance, and dock loading and unloading services was completed. In the regions of the Americas, our rigs operated at full capacity, and the excellent operation earned with written recognitions from PEMEX; the third jackup drilling rig, i.e. COSLHunter, and the fifth module rig, i.e. COSL7, went into operation in Mexican Bay. While the drilling services segment continued to expand, the Company actively advanced the preparation work for our well services to enter the Mexican market. The construction of the well services base was completed by the end of 2014. This laid a solid foundation for enriching our penetration into the drilling fluid and cementing businesses in the Mexican market. In the Middle East, the contract with Iraq Missan Oilfield for the integrated drilling services was in progress. By virtue of the advanced operation management and unique drilling knowledge of the Company, we had accomplished several drilling operations that were regarded as world-class difficulties and such operation changed the fact of non-existence of horizontal well in that region. The service efficiency of the Company had surpassed any record of operation made by other foreign companies in the region. The Company had also successfully entered the Qatar offshore market, drilling services was smooth and stable. The logging services in UAE had increased after the optimization of the business model. In the European region, the Company had recorded further growth in the various services segments in the three semi-submersible drilling rigs as compared to 2013. The Company was appraised as the "Best Monthly Rigs" by STATOIL for many time.

Amid the stable development of the international markets, we also encountered a number of problems. Adversely affected by the plummeting oil prices in the latter half of the year, the requirement for geophysical and surveying services dropped drastically in the domestic and international markets, and the Company's geophysical acquisition and processing businesses were inadequate. Three of the Company's drilling rigs contracts in the international market were either terminated or early cancelled in the latter half of the year.

Numerous Breakthroughs in Technological Research and Development

In terms of scientific advancement and breakthroughs in key technologies, the year 2014 marked a year of success for the Company. The Company had focused on the R&D of tough technical issues such as thickened oil recovery, deep-water geophysical survey in the South China Sea, exploration technology for low porosity, low permeability, high-temperature and high-pressure (HTHP) oil and gas fields, and with the accumulation of technological skills and continuous innovation, the Company had made a number of outstanding achievements and patents. The results in R&D had greatly enhanced the operations with eminent results. The self-developed Rotary Steerable System (WELLEADER®) and the Logging While Drilling System (DRILOG®) had both accomplished their first offshore operations. They were both popular among customers. Deep-water drilling and completion fluid and cementing techniques had attained significant breakthroughs and had the actual experience of providing services for water depths of 1,500 m and was capable of providing services for water depths of 2,500 m. The self-developed Enhanced Logging Imaging System (ELIS) achieved breakthroughs in key technologies such as 3D acoustic wave, 2D Nuclear Magnetic Resonance Imaging, Array Laterlog and oil-based mud Imaging Logging, and such technologies are compatible to international standards. The above scientific advancements enhanced the Company's technological capabilities and service standards and provided momentum for the sustainable development.

Stability in Production Safety and Environmental Protection

In 2014, the Company fostered the management of quality, health, safety and environmental protection, fully addressed and optimized the management systems, raising performance benchmarks, strengthened safety and risks control, increased training requirements, comprehensively enhanced employees safety awareness and skills, deepened the management and control of potential hazards, and eliminated the bud of potential incidents. Hence, the occurrence rate of recordable incidents was 0.08% representing a YOY decrease of 56%. The occurrence of major hazards was effectively monitored.

Outlook and Plan for 2015

The tumbling effects in oil prices in the latter half of 2014 are being felt as a chain costs cutting reaction by a number of oil and gas operators and oilfield service providers. Oil companies have substantially retrenched their capital investment in 2015. According to the forecast by relevant organizations, the global capital expenditure in oil and gas exploration and production will amount to USD657 billion, representing a YOY decrease of 16%. As of the date of this report, the capital expenditure continued to be cut. In the short term, oil companies will downsize their scale of investment, the outlook for the oil and gas industry is gloomy and uncertainties in the industry rise. Investment decisions of oil companies will bring about associated deferment or cancellation of certain projects. Many drilling contracts will be terminated prematurely. Oversupply of large-scale offshore equipment of oilfield business will worsen. The contract rate and prices of major drilling and geophysical and surveying services contracts will experience different levels of retraction. The logging, directional drilling and cementing services segments will face similar challenge in reduction of workload and price cut, as a result the market competition will intensify. In 2015, the Company will embrace the biggest challenge after rapid expansion in the earlier periods.

In view of the weakening oil price, cutting the costs of oil per barrel will definitely become the main objectives of oil companies. As a oilfield service provider, the capability of maintaining the service standard while cutting costs and raising service quality, the capability of consolidating service resources flexibly and efficiently in accordance with the requirements of customers, and the capability of providing integrated services to customers for costs reduction will all become major determinants of whether a company can sustain in the market. The Company will focus on the following :

Firstly, the Company will streamline costs cutting and control, optimize service workflow, improve the management of supplies and equipment, safeguard the safe operation of equipment, and effectively minimize downtime, to create an low costs international service provider chain, and further raise the profitability at industry downturns.

Secondly, the Company will take a prudent view on capital investment. Most of the capital investment in this year's budget will be made on existing projects. These equipment will be used for long and medium term development of the Company. For the drilling segment, the Company will concentrate on the building of special vessels for specific subsequent target market and for specific sea regions where there are no other choices. If there is new demand in the international market this year, the Company will primarily consider leasing. For the marine support and transportation services segment, the Company will seize the opportunity of low costs of construction and make timely investment in filling the vacuum as a result of the wear and tear of vessels as well as filling the needs in new high-end markets such as ice-breaking operations etc.

Thirdly, the Company will proactively and flexibly adopt market strategies to cope with the drop in market demand. In China, CNOOC is our major long-term strategic client. In view of the current market situation, both parties will further utilize our strategic partnership relations to promote a win-win co-operation. On the one hand, the Company will explore new service model to assist CNOOC to cut costs and realize economic exploration and production. On the other hand, the Company will offer attractive prices to CNOOC to induce them to increase their investment in exploration beyond their budgeted level, to increase the customer's exploration activities, hence to foster the new discovery in offshore China, and maintain a satisfactory utilization rate of the Company's large-scale equipment for future development. For the international market, the Company's operation efficiency, service quality, customer satisfaction have all achieved leading international standard. The Company recorded a faster growth rate in revenue generated from the international market than international rivals. The Company's competitive edge in the international market will excel in "low industrial cycle".

Fourthly, COSL is an oilfield service provider with fully integrated service capabilities. The Company's businesses cover the full spectrum of services in oilfield exploration, development and production. The Company is able to provide services to meet the different requirements of customers. In 2015, the Company will continue to take advantage of its integrated services to assist customers in costs cutting, raising production efficiency and, at the same time deploy the synergies of the equipment segment and technology service segment to enhance the Company's capability in reacting to fluctuations in the industry. This will assist customers to reduce operating costs while bringing profits to the Company.

Besides, the Company has adequate cash flow and a healthy liquidity. In 2014, the Company maintained its position as a A3 (stable), A- (stable) and A (stable) ratings respectively by Moody's, Standard & Poor and Fitch, the three leading international credit rating companies. These indicators will support the strengthening of the Company's fund raising power, flexible operating model and the active pursuit in coping with adverse environment.

Since its establishment, COSL has witnessed the rising oil prices, the golden era of market prosperity as well as the downward complications caused by financial crisis. The current oil price slump is bringing us the harsh challenge which the stronger ones survive, as well as an opportunity for us to self-enrichment and management excellence. Over the past years, the Company has learned to aggressively and actively accommodate market changes and to seize the opportunities arising out of it. In 2015, the Company will work hand-in-hand with our employees and customers to overcome industry challenges and to outscore industry average in operating results.

Li Yong
Chief Executive Officer and President
30 March 2015

Drilling Services

In 2014, drilling services revenue amounted to

RMB17,389.0 Million

Water depth can be reached up to

10,000 ft

Oil well drilling depth can be reached up to

30,000 ft

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

NH9 drilling rig undertaking oil testing operation in South China Sea

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 USD53.27 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.

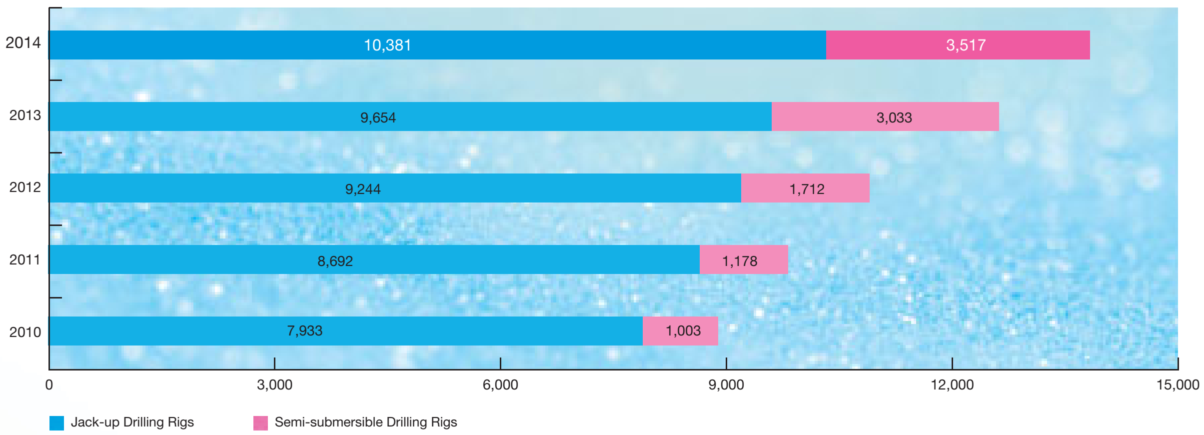
Well Services

Being able to provide complete technological services for various stages of oil and gas exploration, development and production, achieved breakthroughs in high-end technology, deep water business and international market, it is the segment with the most rapid growth in recent years.

The Company's self-developed rotary steerable drilling system completed its first offshore operation.

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.

Number of Opertaing Days for Drilling Rigs in Recent Years (Day)



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, low permeability, high temperature and high 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 reached 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.

Marine Support and Transportation Services

Owning and operating the largest and most comprehensive offshore utility fleet in China and as at 31 December 2014, COSL had 72 utility vessels and 3 oil tankers.

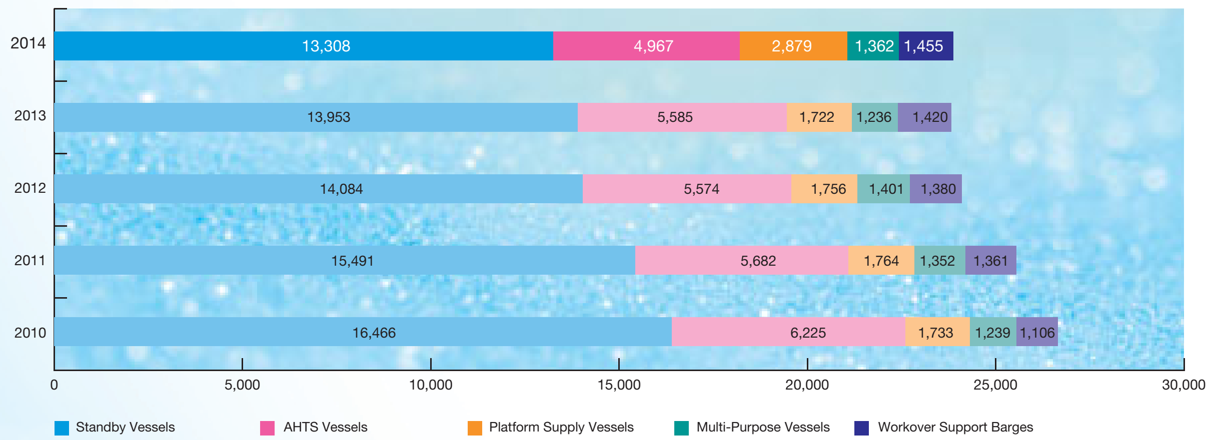
A supply vessel of the Company in operation.

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.

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



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

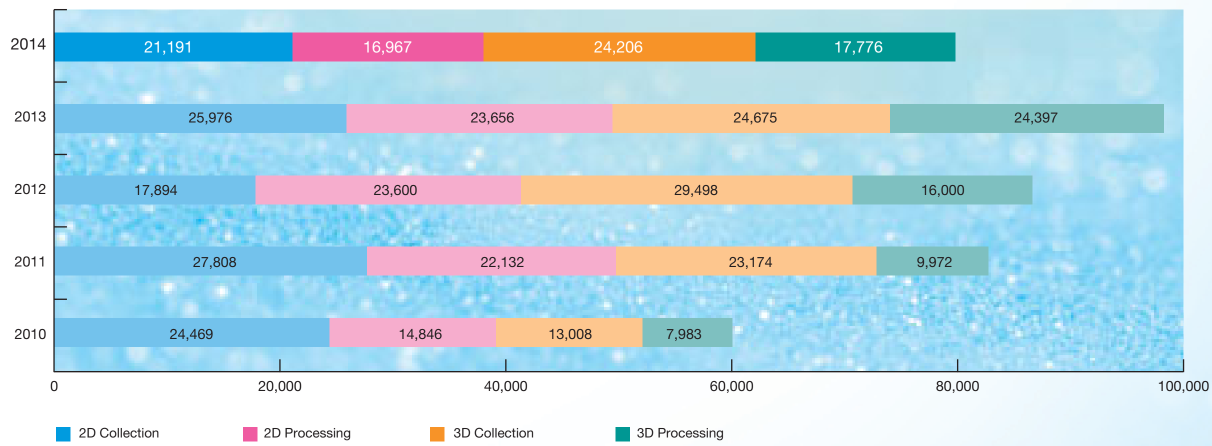
The significant fall of oil price in 2014 forced oil companies to reduce investment in exploration. Geophysical services were crippled and the market competition intensified. However, the Group tried to overcome the difficulties by improving the operating quality, service standards, enhancing safe production, 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 (km²)	24,206	24,675	(469)	(1.9%)
of which: submarine cable (km²)	669	1,240	(571)	(46.0%)
3D processing (km²)	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.

The Operating Volume of Geophysical Service Fleet in Recent Years (km/km²)



Geophysical and Surveying Services

Being a major provider of geophysical and surveying services in offshore China, as well as an important participant in the global geophysical and surveying market, COSL currently owns 7 seismic vessels, 2 undersea cable teams and 6 integrated marine surveying vessels.

Technical staff analysing geological information

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. Please refer to the "Investments in subsidiaries" of Note 19 to the financial statements in this annual report for other information about the subsidiary.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

In 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

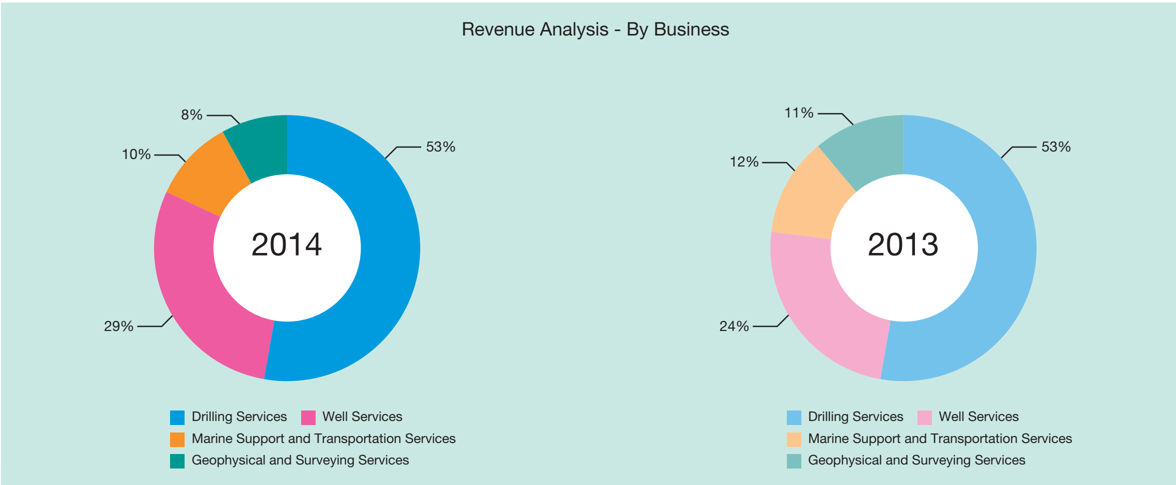
Business segment	2014	2013	Increase/ (Decrease)	Percentage change
Drilling services	17,389.0	14,665.2	2,723.8	18.6%
Well services	9,533.4	6,475.0	3,058.4	47.2%
Marine support and transportation services	3,468.9	3,251.1	217.8	6.7%
Geophysical and surveying services	2,601.9	2,972.5	(370.6)	(12.5%)
Total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

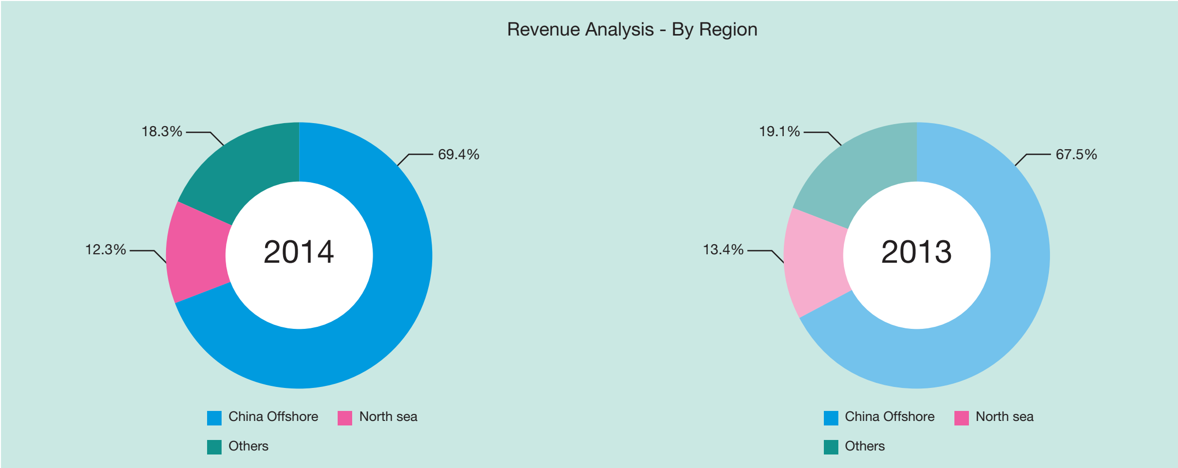


Analysis by operation area

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.



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.

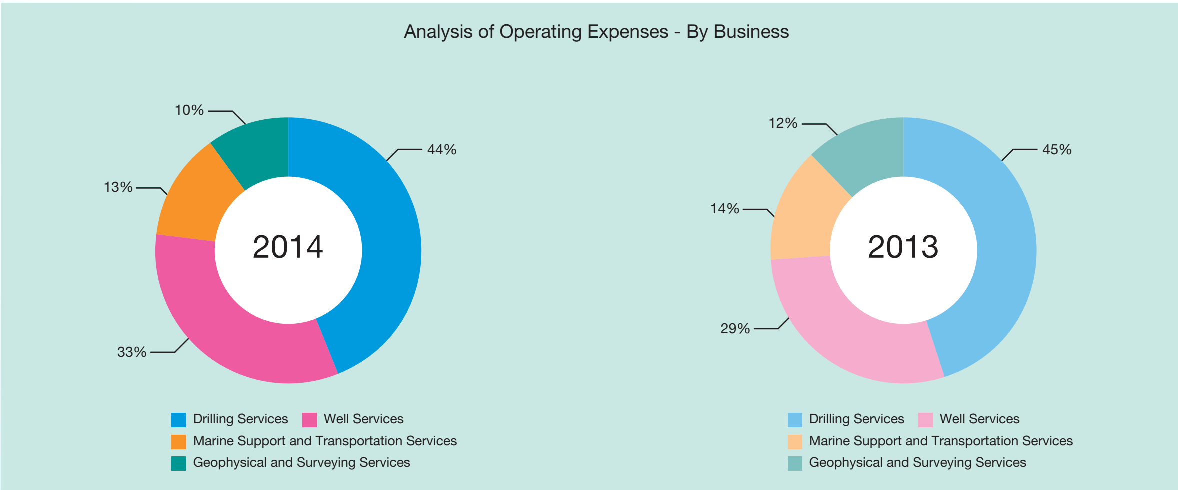
Along with business development, the size of domestic and international market expanded, with corresponding increase in other production and operation related expenses such as the travelling expenses and fees for personnel going abroad, leading to increase in other operating expense by 31.0% as compared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



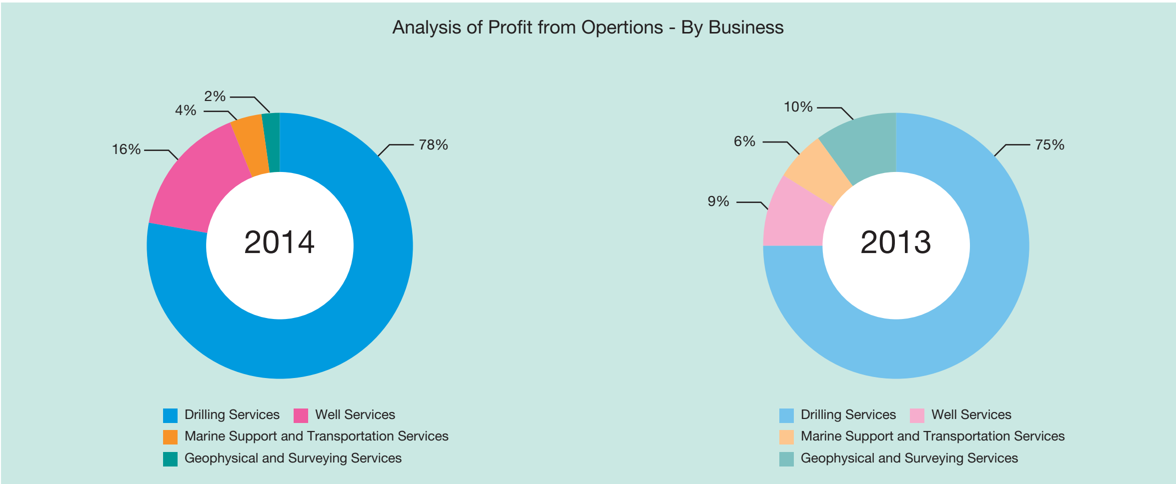
1.3 Profits from operations

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%



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.
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.

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.

Corporate Governance Report

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

The Board is of the view that the improvement in corporate governance in 2014 was mainly reflected in the following aspects:

1. Optimizing the Company's basic systems. In 2014, the Company revised the "Information Disclosure Management System" and the "Provisions on the Trading of Securities of the Company by Specified Persons" to further establish the internal accountability system in case there is any violation in information disclosure and violation in trading of shares by the directors, supervisors, senior management and staff, to strengthen the execution of the internal control system and protect the operation of the Company with proper compliance. In 2014, the Company carried out the streamlining of systems, made proper updating, transition and abolishment of systems, revised the "Senior management work duties" and the "Planning and finance" and abolished some systems.

2. Further strengthening of internal control and risk management. In 2014, the board of directors reviewed and approved the revision of the standards of internal control deficiencies, which further refined the recognition of material and significant deficiencies of internal control, including the quantitative and qualitative aspects, particularly, it determined the financial impact indicators to substantially increase the objective factors in the recognition of deficiencies. Besides, the Board of directors also discussed the issues of resource allocation of the internal audit department of the Company and increasing of auditing coverage, hence, the Company strengthened the internal auditing of major business activities and business units.

3. Improving information disclosure and investor relation. In the second half of 2014, there was a substantial drop in international crude oil prices, and there were also material changes in the degree of prosperity in the oilfield service industry. The Company timely publish risk alerts to investors (in the third quarter report and the ad hoc announcement which was published in the fourth quarter), expressing the sincerity to be accountable to investors and the idea of offering maximum protection to small and medium investors.

In 2014, after an evaluation by the third party, the stock of the Company continued to be included in the Hang Seng (China A) Corporate Sustainability Benchmark Index (29 A share listed companies), and was newly included in the Hang Seng Corporate Sustainability Benchmark Index (76 Hong Kong listed companies), which showed the recognition of its corporate governance standards by the capital markets.

I. DIRECTOR'S INVOLVEMENT IN SECURITIES TRANSACTIONS

Following specific enquiries with all directors, the Board confirmed that during the 12 months ended 31 December 2014, the provisions of the Model Code for Securities Transaction by Directors of Listed Issuers ("the Model Code") set out in Appendix 10 to the Listing Rules were observed. The Company currently has adopted a code of conduct for securities transactions by directors that is stricter than the provisions set out in the Model Code (such as stricter regulations regarding disclosure compared to the Model Code). Upon specific inquiries, all directors have confirmed that they were in strict compliance with the provisions of the Model Code. In addition, directors, supervisors and senior management of the Company confirmed that during the 12 months ended 31 December 2014, they complied with the Management Rules with regard to the Holding of and Changes in Company Shares by Directors, Supervisors and Senior Management of Listed Companies regulated by the China Security Regulatory Commission.

II. PERFORMANCE OF THE BOARD OF DIRECTORS

1. Composition of the Board of Directors

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

Chairman:	Liu Jian
Executive directors:	Li Yong and Li Feilong
Non-executive director:	Zeng Quan
Independent non-executive directors:	Tsui Yiu Wa, Fong Wo, Felix and Chen Quansheng (resigned at the annual general meeting held on 23 May 2014), Law Hong Ping, Lawrence (appointed at the annual general meeting held on 23 May 2014)

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

The Articles of Association of the Company clearly define the duties and functions of the Board of Directors and the Management. The division of functions is consistent with those disclosed in the Corporate Governance Report 2013 (for details, please search our website for Articles of Association of the Company or Annual Report 2013).

The duty and authority of the Board in the Articles of Association of the Company is consistent with those disclosed in the Corporate Governance Report 2013 (for details, please search our website for Articles of Association of the Company or Annual Report 2013).

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

3. Board Meetings

The Board of Directors convened five regular meetings during the year. Please see Table I of this Report for details of meeting attendance of directors. For other ad hoc items not within the scope of the regular Board meeting's agenda and require approval from the Board, the Chairman may serve to the members of the Board the proposed resolutions in written form in accordance with the related requirements of the Articles of Association, and the items will become valid resolutions upon signing by the directors which meets the quorum as stated in the Articles of Association. To create more opportunities for the independent non-executive directors to express their views and make recommendation in respect of the Company's affairs, the Chairman hold several meetings with independent non-executive directors in the absence of executive directors every year so as to listen to the advice of independent directors in respect of the corporate governance and management (this practice has adopted the code provision A.2.7). In the year of 2014, 4 meetings were held in such regard. The Board is of the view that meeting proceedings and resolutions of the Board complied with requirements of laws, regulations and the Articles of Association, which ensured prudent discussion by directors before decision on material items, and performance of integrity and due diligence and act in the interests of the Company and shareholders as a whole by directors in the related decision making process. Please see Table II for detailed resolutions adopted by the Board in the year of 2014.

4. Performance of Independent non-executive Directors

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

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

5. Policy on Diversification of Board Composition

The Board of Directors held discussion with regard to the diversification policy of Board Composition, and considered it could play a positive role for the Company in achieving sustainable development. The Board considered that the Company should have different perspective at the time of selecting directors (including but not confined to factors of professional background, age, gender, location and race, etc.), so as to achieve and maintain a policy of diversification among the directors. The Board will endeavour to implement the policy of diversification. The Nomination Committee will be responsible for monitoring the implementation of this policy and making recommendations to the Board on assessing the implementation process at an appropriate time. The Company carried out the nomination and election of directors in 2014 (Mr. Law Hong Ping, Lawrence joined the Board of Directors to succeed Mr. Chen Quansheng), and the nomination committee considered that when the Company handled the director nomination process, the policy of diversification of Directors was adequately considered.

6. Directors and General Meetings

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

7. Other matters

During the reporting period, the number and qualifications of independent non-executive directors of the Company were in compliance with Rule 3.10 (1) and (2) and Rule 3.10 (A) of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and the independence of the current independent non-executive directors of the Company is in compliance with the requirement set out in the Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

III. CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

IV. TERMS OF OFFICE OF NON-EXECUTIVE DIRECTORS

The term of office of Liu Jian is from 5 June 2012 to the time when the Annual General Meeting is convened in 2015. The term of office of Zeng Quan is from 24 May 2013 to the time when the Annual General Meeting is convened in 2016. The term of office of Tsui Yiu Wa is from 5 June 2012 to the time when the Annual General Meeting is convened in 2015. The terms of office of Fong Wo, Felix is from 24 May 2013 to the time when the Annual General Meeting is convened in 2016. The terms of office of Law Hong Ping, Lawrence is from 23 May 2014 to the time when the Annual General Meeting is convened in 2017.

V. DIRECTORS' REMUNERATION

(I) The composition and functions of the Remuneration Committee

(1) The Remuneration Committee of the Company consists of four members, all of them are non-executive directors, namely Zeng Quan, Tsui Yiu Wa, Fong Wo, Felix and Law Hong Ping, Lawrence (to succeed Chen Quansheng on 23 May 2014). Three of them are independent non-executive directors. Fong Wo, Felix acts as Chairman.

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

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

During the reporting period, the committee held one meeting (please see Table I for meeting summaries), to review the performance result of the management of the Company for the year 2013, and making recommendation on the Key Performance Indicators for the senior management of the Company in 2014; as well as making recommendation on the focus of annual remuneration of senior management of the Company.

VI. NOMINATION OF DIRECTORS

(I) The composition and functions of the Nomination Committee

(1) The Nomination Committee of the Company consists of three members, namely Li Yong (executive director), Fong Wo, Felix and Law Hong Ping, Lawrence (to succeed Chen Quansheng on 23 May 2014), and Law Hong Ping, Lawrence acts as Chairman.

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

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

During the period under review, the Nomination Committee held one meeting, during which the nomination of directors was discussed and the independence of the independent non-executive directors was recognized.

VII. THE AUDIT COMMITTEE

(I) The composition and functions of the Audit Committee

(1) The Audit Committee consists of three members, namely Tsui Yiu Wa, Fong Wo, Felix and Law Hong Ping, Lawrence (to succeed Chen Quansheng on 23 May 2014), all of them are independent non-executive directors, and Tsui Yiu Wa acts as the Chairman.

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

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

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

(1) Reviewed the financial reports of the annual operating results of 2013, the first quarterly operating results of 2014, the interim operating results of 2014 and the third quarterly operating results of 2014 of the Company. During the review process, the members performed sufficient and necessary communication with the Company's auditors and the management of the Company, including the approval of annual external audit plan, and fulfilled its duties in ensuring the Company's compliance with regulations, the completeness and accuracy of the operating results disclosed by the Company.

(2) Reviewed and discussed the internal audit, internal control and risk management work of the Company. During the reporting period, the committee adopted the internal audit status report, issued opinions regarding the internal audit staff deployment, allocation of internal audit resources to the Board of Directors and management.

(3) During the reporting period, the committee discussed the deployment of accounting and finance staff of the Company, affirmed the team building and finance works of the team; recommended the Company to strengthen the deployment of finance staff of high caliber, particularly those finance staff who adapt to working overseas, analyzed the structure of the finance staff of the Company by domestic and overseas regions respectively.

(4) Reviewed the connected transactions of the Company. Adopted the report on 2013 connected transactions, enquired about the progress of the related connected transactions, approved unanimously the report on 2013 connected transactions of the Company; during the reporting period, the continuous connected transactions between the Company and CNOOC Finance Corporation Ltd. were discussed and approved.

(5) Regarding the appointment of the auditors, the Committee unanimously approved the recommendations on appointing Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2014.

VIII. TRAINING FOR DIRECTORS

In 2014, the following special trainings for directors were organized: In March 2014 all directors went to Hong Kong Independent Commission Against Corruption to attend a special training on anti-corruption, during the training, they listened to the specialist seminars of the Independent Commission Against Corruption and carried out discussion; in June 2014, Law Hong Ping, Lawrence, the newly appointed director of the Company attended a professional training on new directors in the head office of the Company (to learn about the businesses of the Company, the basic system and the related requirements for directors to perform their duties), and attended the training on independent directors held by Shanghai Stock Exchange in November.

IX. BOARD SECRETARY

Yang Haijiang, the Board Secretary (and the Company Secretary) was appointed by the Board in April 2010, biography of whom was set out in the section "Board of Directors & Senior Management" in the 2014 Annual Report. The Board Secretary of the Company reports to the Chairman and Chief Executive Officer and makes recommendation to the Board in respect of corporate governance. For the year 2014, the Board Secretary has confirmed that he has taken not less than 15-hour relevant and professional training.

X. PROTECTION ON THE SHAREHOLDERS' INTERESTS

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

XI. THE REMUNERATION OF AUDITORS

The Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as domestic and international auditors of the Company for 2014, and to authorize the Board to fix their remuneration. The fees for the audit and non-audit work provided to the Company during the reporting period were as follows:

Auditing-The audit fees totaled RMB17,287,000 for audit/review of the annual and interim financial statements in 2014 and internal control. Non-auditing – The charges for tax advisory services totaled RMB149,000.

XII. OTHERS

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

As approved by Mr. Li Yong, Chief Executive Officer, changes were made to Articles of 16, 17 and 20 of the Articles of Association upon the authority granted to the Board at the annual general meeting held on 24 May 2013 and upon the authority granted to Mr. Li Yong, Chief Executive Officer by the Board, the contents of the changes included the total number of issued ordinary shares of the Company, the shareholding ratios of shareholders and the registered capital etc.

XIII. RESPONSIBILITIES UNDERTAKEN

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

Table I: Board Meetings & Professional Committee Meetings

Meeting	Time	Place	Attendant	Moderator	Notes
First Meeting of Board of Directors	18 March 2014	Hong Kong	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
Second Meeting of Board of Directors	29 April 2014	Chengdu	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Chen Quansheng	Liu Jian	Three supervisors attended as non-voting delegates
Third Meeting of Board of Directors	26 August 2014	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo, Law Hong Ping, Lawrence	Liu Jian	Two supervisors attended as non-voting delegates
Fourth Meeting of Board of Directors	30 October 2014	Chengdu	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo,Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
Fifth Meeting of Board of Directors	10 December 2014	Shenzhen	Liu Jian, Zeng Quan, Li Yong, Li Feilong, Tsui Yiu Wa, Fong Wo,Law Hong Ping, Lawrence	Liu Jian	Three supervisors attended as non-voting delegates
First Meeting of Audit Committee	17 March 2014	Hong Kong	Tsui Yiu Wa, Fong Wo, Chen Quansheng	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
Second Meeting of Audit Committee	28 April 2014	Chengdu	Tsui Yiu Wa, Fong Wo, Chen Quansheng	Tsui Yiu Wa	One supervisor attended as non-voting delegates
Third Meeting of Audit Committee	25 August 2014	Shenzhen	Tsui Yiu Wa, Fong Wo, Law Hong Ping, Lawrence	Tsui Yiu Wa	One supervisor attended as non-voting delegates
Fourth Meeting of Audit Committee	29 October 2014	Chengdu	Tsui Yiu Wa, Fong Wo, Law Hong Ping, Lawrence	Tsui Yiu Wa	Two supervisors attended as non-voting delegates
First Meeting of Remuneration Committee	17 March 2014	Hong Kong	Fong Wo, Tsui Yiu Wa, Chen Quansheng, Zeng Quan	Fong Wo	
First Meeting of Nomination Committee	17 March 2014	Hong Kong	Chen Quansheng, Fong Wo, Li Yong	Chen Quansheng	

Table II: Particulars of the Board resolutions

Meeting	Matters considered
First Meeting of Board of Directors (18 March 2014)	1. 2013 Financial Report of the Company 2. Proposal for engaging external auditing firm 3. Profit distribution for the year 2013 4. Social Responsibility Report of the Company for the year 2013 5. Proposal for 2013 Self-assessment Report on Internal Control 6. 2013 Annual Result of the Company 7. Proposal for the Directors' Report and Corporate Governance Report of the Company for the year 2013 8. Proposals to convene the Annual General Meeting of the Company 9. Proposal for further issue of 20% H shares under the mandate of general meeting 10. Approving the relevant resolutions of the remuneration committee of the Board 11. Approving the resolutions of certain capital investment matters
Second Meeting of Board of Directors (29 April 2014)	1. 2014 First Quarterly Report 2. Approving resolution of a connected transaction regarding the deposit and settlement of CNOOC Finance Corporation Ltd. 3. Approving resolution of an equity investment project 4. Approving resolution of the matter regarding a fixed asset investment 5. Approving resolution of the increase of capital of a wholly-owned subsidiary
Third Meeting of Board of Directors (26 August 2014)	1. 2014 Interim Result of the Company 2. Approving resolution of amendment of the internal control deficiencies assessment standards of the Company 3. Approving resolution of amendment and abolishment of certain basic systems of the Company 4. Approving resolution of a capital expenditure
Fourth Meeting of Board of Directors (30 October 2014)	1. 2014 Third Quarterly Report of the Company 2. Approving the resolutions on the "Information disclosure management system" and the "Provisions on the trading of securities of the Company by specified persons" of the Company 3. Approving resolution of funds borrowing of a subsidiaries
Fifth Meeting of Board of Directors (10 December 2014)	1. Proposal for financial budget for the year 2015 2. Annual amount of bank facilities and related guarantee of the Company 3. Resolution of amendment of the "Planned financial system" of the Company and abolishment of the "Financial Management System" 4. Approving resolution of the 2015 financial management quota of the Company 5. Approving resolution of funds borrowing to a wholly-owned subsidiary

Table II: Particulars of the Board resolutions (Continued)

Meeting	Matters considered
Written Resolutions approved in 2014	[COSL BOD (2014) No. 1] Approval of an investment project of fixed assets (20 January)
	[COSL BOD (2014) No. 2] Approval of the proposal of disposal of certain assets (28 February)
	[COSL BOD (2014) No. 14] Approval of funds borrowing to a joint venture (15 April)
	[COSL BOD (2014) No. 15] Approval of the nomination of independent director (15 April)
	[COSL BOD (2014) No. 22] Approval of the resolving of the dispute over the standby fees of certain rigs (13 June)
	[COSL BOD (2014) No. 23] Approval of two investment projects of fixed assets (24 June)
	[COSL BOD (2014) No. 24] Resolution of withdrawing the branch set up in a certain country (11 July)
	[COSL BOD (2014) No. 25] Approval of two investment projects of fixed assets (16 July)
	[COSL BOD (2014) No. 26] Approval of resolution of the sale and disposal of 4 chemical carriers (7 August)
	[COSL BOD (2014) No. 32] Resolution of the dismissal of certain senior managerial staff (29 September)
	[COSL BOD (2014) No. 33] Approval of an equity investment project (17 October)
	[COSL BOD (2014) No. 37] Approval of increase in registered capital of an overseas subsidiary (20 November)
	[COSL BOD (2014) No. 43] Approval of an equity investment project (6 January 2015)
	[COSL BOD (2014) No. 44] Approval of an equity investment project (6 January 2015)

Summary of General Meetings

Session and No. of Meeting	Date	Name of Proposals	Resolutions	Designated websites on which resolutions were published
Annual general meeting 2013	23 May 2014	As ordinary resolutions: 1. The audited financial statements and the auditor's report for the year ended 31 December 2013 were approved; 2. The profit distribution and declaration of dividends for the year ended 31 December 2013 was approved; 3. The Report of Directors for the year ended 31 December 2013 was approved; 4. The Supervisory Committee Report for the year ended 31 December 2013 was approved; 5. To elect Mr. Law Hong Ping, Lawrence as an independent non-executive director of the Company and to determine his remuneration; 6. The appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as the A Share and H Share auditors for 2014 respectively was approved and the Board was authorised to determine their remunerations; As special resolution: 1. To grant to the Board a mandate to issue further H shares representing up to 20% of the aggregate amount of the H shares in issue during the relevant period. This mandate will be valid in the twelve months upon the date of passing of the resolution at the Annual General Meeting.	The convene of this meeting was in compliance with Company Law and other relevant laws, administrative regulations and Articles of Association. There were 14 shareholders in attendance either in person or by proxy at the AGM, representing 3,513,367,428 shares or 73.63% of the voting shares. The aforesaid resolutions were approved by way of on-site voting by poll. Mr. Wang Zhile could not attend the meeting due to other business while all other directors and supervisors of the Company attended the Annual General Meeting.	www.sse.com.cn www.hkex.com.hk

About this report

This report is the ninth annual report on sustainable development (the report for the year is renamed from "Social Responsibility Report" previous year to "Sustainability Report") releasgled by China Oilfield Services Limited (hereinafter referred to as "COSL", "the Company" or "we") and discloses the performance of COSL in terms of economy, environment and society, etc. for the period of 1 January 2014 to 31 December 2014. Part of the content and data go beyond the above scope.

Statement by the board of directors

China National Offshore Oil Corporation (CNOOC) is a member of the UN Global Compact, and COSL as a member of CNOOC will comply with the ten principles initiated by the UN Global Compact. The Board of Directors will promote and facilitate the Company to fulfill its responsibilities, including the disclosure obligations of related information.

References and guarantee of reliability

References for the preparation of this report include "Sustainability Reporting Guidelines (G4.0)" issued by GRI, the UN Global Compact's Ten Principles, "Environmental, Social and Governance Reporting Guide" within Listing Rules of Hong Kong Stock Exchange and "Guide for Preparation of Social Responsibility Report of China (CASS-CSR3.0)" from Chinese Academy of Social Sciences.

The Company warrants that the report does not contain any false representation, misleading statement or material omission.

Source of information and description

All information used in the report is obtained from the Company's official documents and statistical reports. Unless otherwise stated, all financial information in the report is stated in RMB.

Preparation process

This report is objective, standardized, true and transparent in information ensured by analysis of domestic and international business standards for sustainable development, comparison of sustainability reports among enterprises, social responsibility interviews and training, approval of the management and the board of directors.

Report improvement

The Report of 2014 presented the fulfillment of sustainable development by the Company with six major issues namely "Risk Management", "HSE Management", "Enhancement of Capacity for Sustainable Development", "Supply Chain Management", "Staff Development" and "Social Contribution", highlighting the thematic contents such as "Deepening and comprehensively improve the working standards", "Road to deep water" and "COSL hope school". The key departments of the Company approved and screened the authenticity of business cases. In the preparation of this report, all opinions and suggestions were listened extensively and the concerns of the stakeholders were responded actively.

Languages

This report is released in Chinese and English and Chinese version shall prevail in case of any discrepancy.

Access to the report

This report provides paper and electronic versions. For electronic version, please visit the Company's official website (http://www.cosl.com.cn).

For the information on the system, measures and results of COSL corporate governance, please refer to "COSL 2014 Annual Report – Corporate Governance Report".

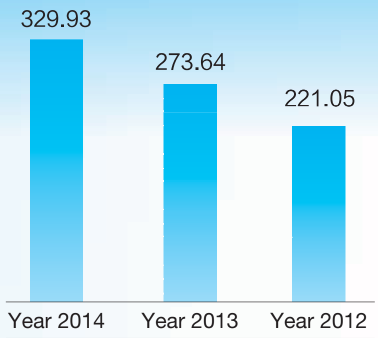
Key Performance Table

Key performance index for three consecutive years

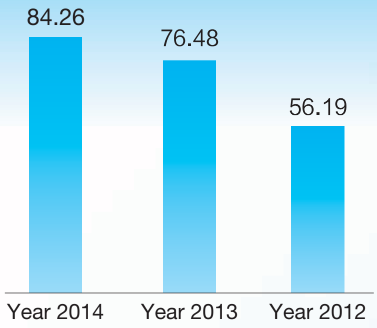
Market performance

Total assets
Unit: RMB 100million

Revenue
Unit: RMB 100million



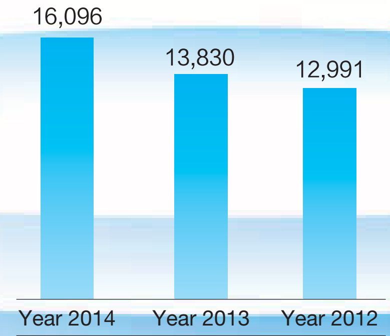
Operating profit
Unit: RMB 100million



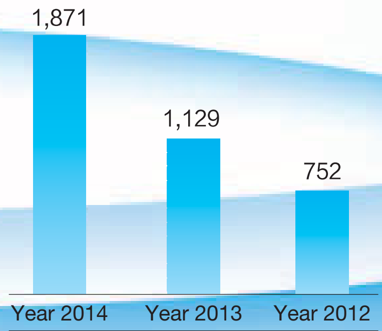
Market performance	Unit	Year 2014	Year 2013	Year 2012
Total equity	RMB 100million	473.22	372.60	322.05
International revenue	RMB 100million	100.92	88.98	68.79
Percentage of international revenue to total revenue	%	31	33	31
Total taxation	RMB10,000	297,072.01	277,936.70	280,897.17
Number of new patents	Item	142	158	135

Social performance

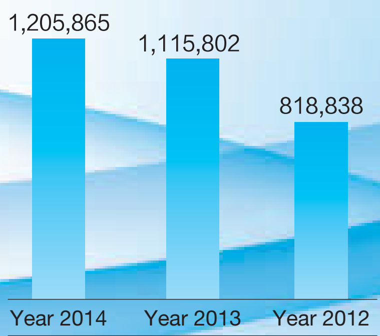
Total number of employees
Unit: Person



Number of employees recruited during the reporting period
Unit: Person



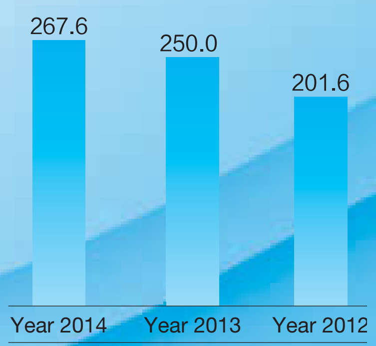
Total hours of staff training
Unit: Hours



Social performance	Unit	Year 2014	Year 2013	Year 2012
Percentage of female employees	%	8.6	9.1	9.1
Social insurance coverage	%	100	100	100
Percentage of labor contract signed	%	100	100	100
Staff turnover rate	%	1.7	1.7	1.6
Employee relief investment	RMB10,000	73.0	72.6	54.8
Total donation	RMB10,000	65.2	64.7	30.0
Number of maritime rescue and salvage	Times	23	20	22
Number of employees participating volunteering activities	Person	861	864	856

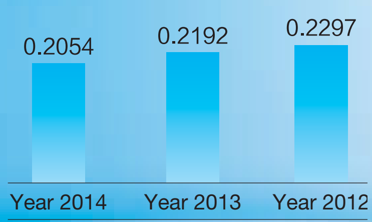
Environmental performance

Investment in energy conservation and emission reduction
Unit: RMB10,000



Emission of carbon dioxide for an output value of ten thousand
Unit: Tonnes/RMB10,000

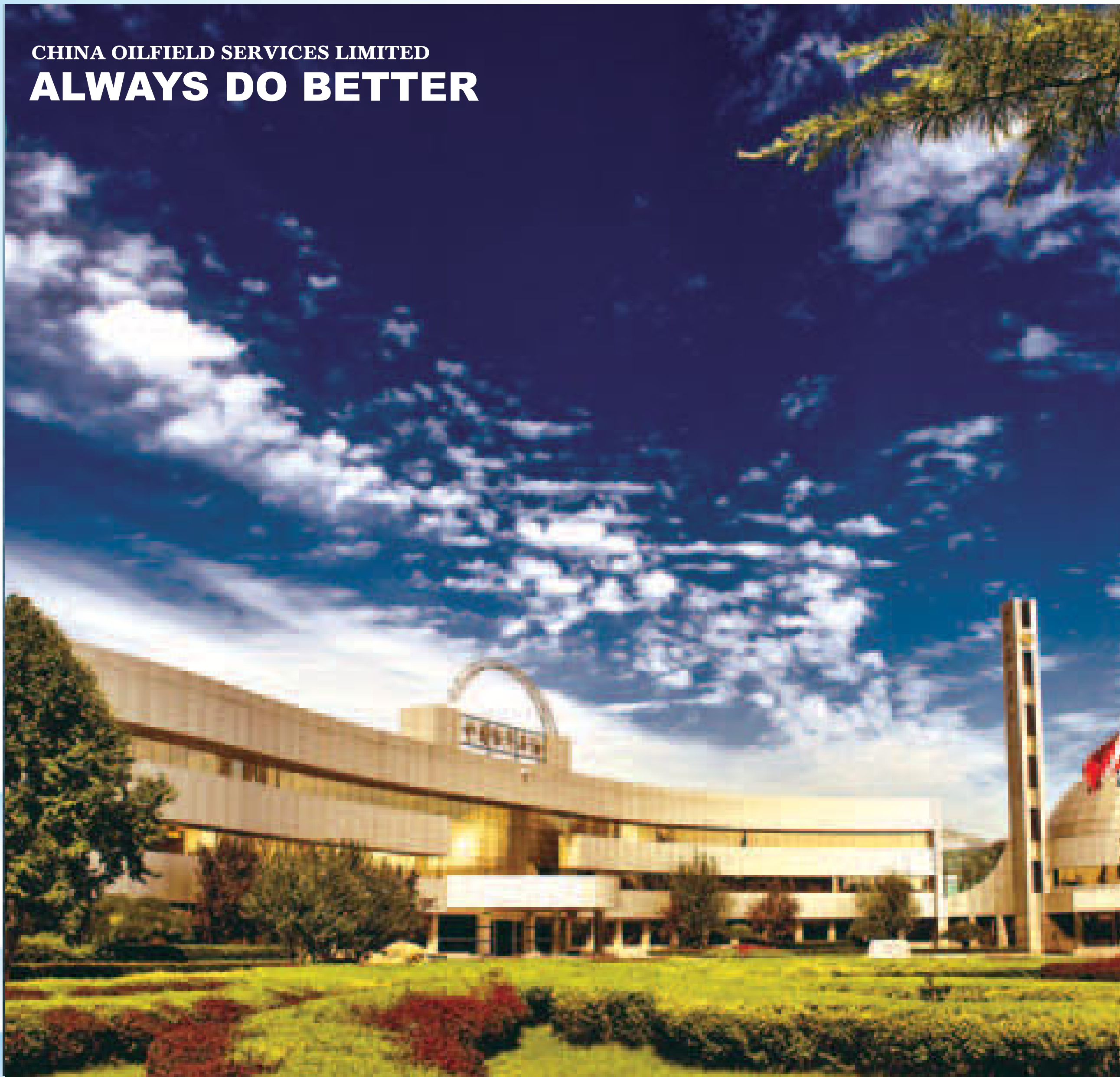
Energy consumption for an output value of ten thousand
Unit: Standard coal (Tonnes)/RMB10,000



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

About COSL

China Oilfield Services Limited is one of the leading integrated oilfield services providers in the offshore market in Asia and the world. The company is listed on Hong Kong Stock Exchange and Shanghai Stock Exchange, with more than 50 years experience in offshore oil and gas exploration, development and production, and its business includes four core segments which are geophysical and surveying services, drilling services, well services, and marine support and transportation services. COSL not only provides services of single operation for the customers, but also offers integrated project management services with its best group of offshore oilfield service devices in Asia-Pacific. COSL's business has expanded to four major regions which are Asia-pacific, Middle East, America and Europe and its activities are conducted in more than 30 countries and regions around the world.



Corporate Visual Identity

The corporate visual identity (hereinafter short for Identity) comprises the first alphabet of each of the words in the Company's name CHINA OILFIELD SERVICES LIMITED with blue and red colors. The ocean blue color for the letters "C" "O" and "L" illustrates the sea-bound attribute of our industry, implying our crave for mutually beneficial development with our business partners in momentums that move energetically like ocean tides. The passionate red color used in the letter "S" highlights the attitude we adopt in rendering our services. The combination of blue and red colors is eye-catching, generous, energetic and passionate. It conveys a strong visual impact and identity, denoting a development momentum in full-throttle strength and that improves over time. The COSL image is simple and easily memorable. It has all attributes as a brand that meets our needs in our international development.

Strategic Target

COSL adheres to the core development ideas of "more professional, more superior", focuses on the development of four core segments which are geophysical and surveying services, drilling services, well services, and marine support and transportation services and strives to become one of the global leading oilfield service companies which the shareholders are satisfied with, employees are proud of and the society respects. The company has set targets in different stages with reference to industry benchmarks to establish more reasonable and achievable targets.

2015
Become a competitive international oilfield service company

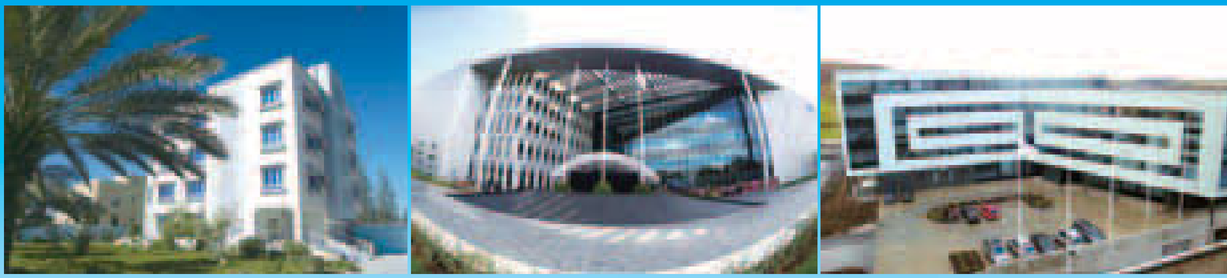
2020
Basically become a global leading oilfield service company

2030
Become a global leading oilfield service company

Corporate Culture

Corporate spirit	Always do better
Performance guideline	Do everything diligently
Core values	Realize win-win with shareholders, customers, employees and partners
Code of conduct	Integrity, dedication, cooperation, and self-discipline

Business Coverage



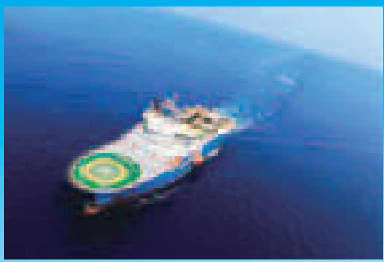
Asia-pacific region: Offshore China, Indonesia, Thailand, Singapore and Australia etc.

Middle East region: Iraq, United Arab Emirates and Qatar etc.

American region: Mexico and Canada etc.

Europe region: Norway and UK etc.

Business Scope

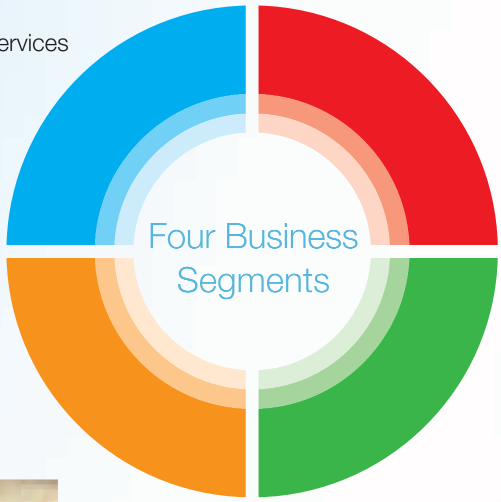


Geophysical and surveying services

- Offshore Seismic Acquisition Services
- Offshore Geo-surveying Services
- Seismic Data Processing & Interpretation
- Underwater Engineering Services

Drilling services

- Offshore Drilling
- Land Drilling
- Drilling Rig Management
- Module Drilling Rig



Well services

- Logging
- Drilling & Completion Fluids
- Directional Drilling
- Cementing
- Well Completion
- Workover
- Oilfield Production Optimization

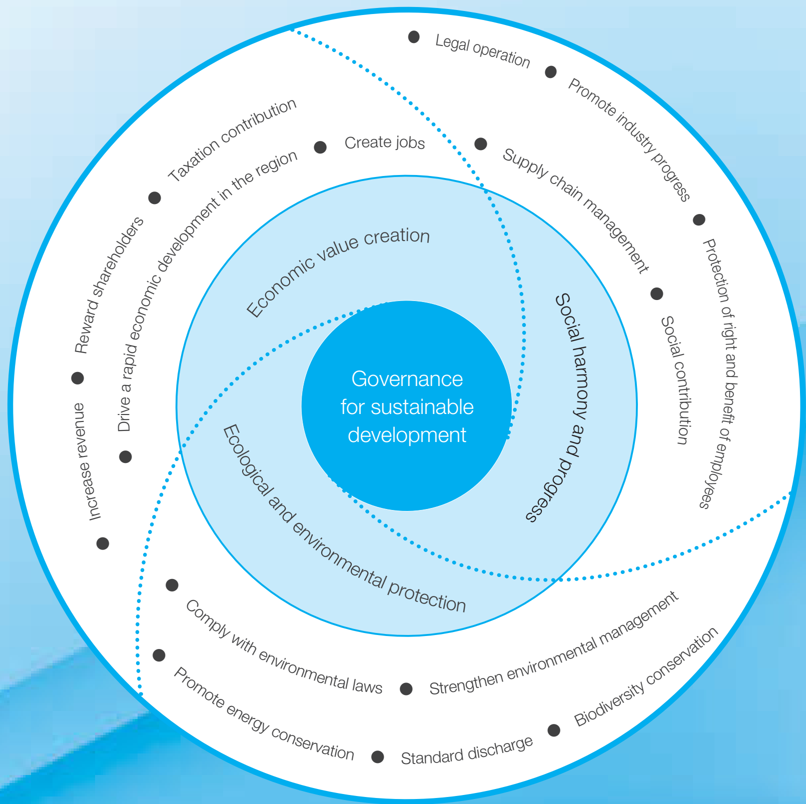
Marine support and transportation services

- Anchor Handling
- Towing
- Offshore Transportation
- Stand-by
- Oil Lifting
- Fire Fighting
- Rescue
- Oil Spill Assisting

Governance for Sustainable Development

The Company continues to optimize governance for sustainable development, and puts forward the philosophy of "always do better" into the enterprise development strategy and daily operations. The Company appoints a specific department to prepare and publish sustainability reports and carry out sustainable development training and exchanges. All the departments and business units participate to promote systematic and standardized management of sustainable development combining its functions and responsibilities, so as to achieve the combination of governance for sustainable development and business management.

In 2014, the Company organized special trainings for relevant departments on theoretical and practical knowledge of sustainable development including basic concepts, domestic and international standards, trends, practices and cases studies, which improved the work ability of related personnel and thus more effectively promoted the implementation of sustainable development work of the Company.



Communication for sustainable development

COSL carries out in-depth study of issues concerned by stakeholders, highly regards the communication with interested parties (Stakeholders) and seeks to understand the demand of interested parties and translate such demand into action plan of the Company. The Company strengthens its capacity building and spreads its philosophy and implementation of social responsibility to interested parties through different channels to fulfill the parties' reasonable expectation to the largest extent.

Responses and measures
- Promoting laws and regulations
- Being subject to taxation
- Accepting supervision and evaluation
- Visiting and reporting

Concerns
- Implementing macroeconomic policy
- Legal operation
- Being subject to taxation

Responses and measures
- Regular reports
- General meetings
- Daily communication
- Publishing annual reports and sustainability reports

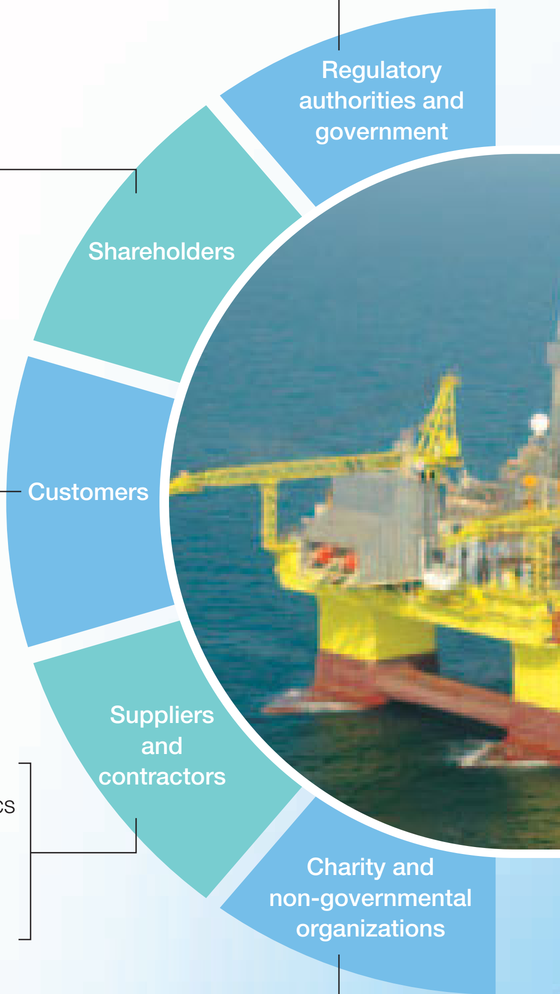
Concerns
- Improving corporate governance
- Value creation
- Guarding against operational risks
- Information disclosure

Responses and measures
- Development of quality management system
- Continuous innovation
- Providing professional solutions
- Visits and communications

Concerns
- Provision of safe, environmental-friendly, high quality products and services
- Security of customer information
- Improvement of customer satisfaction

Responses and measures
- Fair & transparent procurement measures
- Strict verify and certification
- Examine suppliers
- Supplier training

Concerns
- Compliance with business ethics and laws and regulations
- Open & fair procurement
- Mutual benefit and win-win development



Responses and measures
- Actively participating in social welfare
- Information disclosure

Concerns
- Maintaining close contact and information sharing
- Participating in social activities

Financial institutions

Concerns
- Operating conditions
- Operational risks
- Corporate governance

Responses and measures
- Special sessions
- Information disclosure

Media

Concerns
- Fulfillment of corporate social responsibility
- Corporate performance
- Major events, activities and initiatives

Responses and measures
- Information disclosure
- Multi-channel propagation

Employees

Concerns
- Protection of rights
- Career development
- Health and safety
- Employee participation
- Employee care

Responses and measures
- Equal employment policies
- Optimization of pay and benefits
- Four levels of employee training
- Respecting employee diversity
- Occupational health and safety management
- Employee representatives meetings
- Carrying out cultural and recreational activities among employees
- Care for special employees

Community and public

Concerns
- Improving communication and exchange
- Carrying out social contribution activities and supporting public welfare

Responses and measures
- Philanthropy management
- Marine salvage
- Promoting employment
- Supporting education
- Community care
- Voluntary service

Environment

Concerns
- Compliance with environmental laws and regulations
- Environmental protection
- Conserve energy and reduce emission

Responses and measures
- Establishment of environment management system
- Conduct environmental training and awareness
- Clean production
- Conservation of biological diversity
- Practicing environmental charity

Special topic

[Focus on sustainable development]

Deepening to improve the working standards comprehensively

COSL, as an oilfield service enterprise of China, is a new force to "go global" to participate in international competition. We have to take the initiative to improve ourselves and regulate our behavior with high standards, so that we can compete with the top international oilfield service providers and enter the list of "high level service providers".

—— CEO&President Li Yong

In 2014, we conducted activities with respect to improvement of our work standards comprehensively. We established systematically and improved 714 various types of work standards as work standards of departments; each unit carried out "Five Ones" to be effective, namely: to be effective in each post, each project, each management detail, each technology and each process. The Company completed 502 key tasks and projects in total. The Company also promoted quality improvement, cost reduction and efficiency increase with high standards of work style and execution, and further reinforced basic management, improved work and service standards and increased customer's satisfaction.

Overall improving work standards and objectives

New appearance
- New appearance of the ship
- New appearance of staff

Full coverage
- Full coverage of activities
- Full coverage of work standard

Early goals

100%
- Understanding and recognition rate of staff to core values is 100%
- Pass rate of operations and product is 100%

Reduce cost and increase efficiency
- Gain efficiency through "Five Ones"
- Determine important tasks

Later goals

High management standard of warehouse

Clean and tidy equipment cabin

Tidy and clean institute

Effective results of improving work standards

Work standards improved

Established **14** work standards systems for departments

Established and published **714** all kinds of work standards

Number of safety accident reduced

Reduced **38.77%** compared with 2013

Equipment management level improved

99.41% drilling equipment were in good condition

Drilling equipment breakdown time was 1.28 hours per platform per month

"Five Ones" Efficiency Tasks were completed

Completed **502** key tasks

1. Risk management

(1) Legal operation

Comply with all laws.

The Company complies with labor and social security laws and regulations; comply with anti-unfair competition law regulations and promote fair competition; comply with environmental protection laws and regulations, improve environmental management. The Company is committed to clean production and energy saving and contribute to environmental protection and ecological civilization construction.

Establish a legal risk prevention system.

The Company based on legal operation, further improved the legal risk prevention system with legal affairs control system as the core, covering the whole process of "Prevention in advance, control in process and ex-post remedy".

Conduct law compliance training.

The Company actively conducted all kinds of law compliance trainings, improved employees awareness of the laws and regulations.

Case

Mexican regulations and policies training

The Company is very concerned about the laws and policies on the oil and gas field of the countries where our oversea entities registered and countries where we operate. In 2014, the Company invited internationally renowned Mayer Brown Law Firm to introduce Mexican oil and gas laws and policies, including laws and policies on the lower, middle and upper reaches of Mexican oil and gas field and Pemex's regulations and so on. The company's operations and market-related staff understood the knowledge of local laws and policies better through the training and strengthened the awareness of risk prevention while working overseas.

(2) Internal control and risk management

1. Optimization of the internal control system

Continue to optimize the internal control system

The Company revised "Internal Control System Document Management", which further clarified the boundaries of internal control system document management, standardized related management procedures and requirements and improved the Company's management efficiency. By the end of 2014, the Company formulated, revised and repealed 162 internal control documents, related units formulated and revised 2,932 internal documents.

Training on internal control system in 2014

Intensify internal control assessment

The Company revised "Internal Control Inspection and Evaluation Management" and valued the internal control system of the Company according to the procedure, found internal control system defects, and completed internal defect rectification, in order to constantly improve and perfect the internal control system to be more sound and rational.

Enhance systematic training

The Company conducted internal control system management, construction project management, financial management and investment management trainings, publicized policy changes, shared best practices and improved business skills.

2. Improve risk management

Establish risk control mechanism

In 2014, the Company established risk management strategies and measures for the Company and each business segment combining with annual key tasks.

Improve risk assessment management

Risk assessment of the Company uses matrix analysis approach to conduct risk identification, analysis, evaluation and early warning from the two dimensions of possibility and degree of influence. The Company determined the level of risk and risk tolerance and risk warning index by analyzing two dimensions; the Company takes joint management system with the combination of beforehand, middle and afterwards controls to risk incident, use and share information resources at each phase of management. The Company runs risk assessment throughout the whole process of risk management, and developed major risk prevention plans and emergency measures.

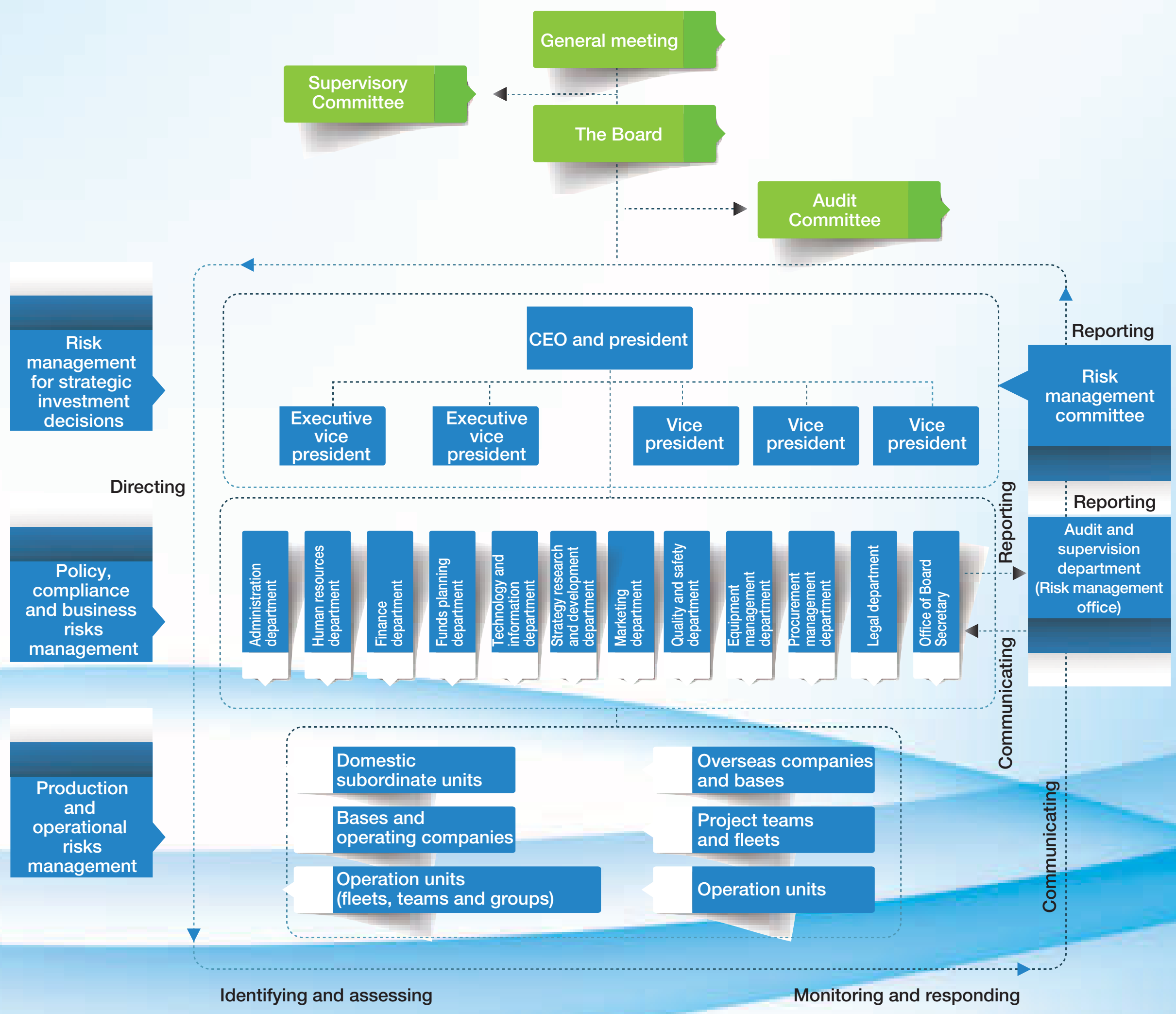
Promote the normalization of risk management

The Company revised and issued "Comprehensive Risk Management Requirements", established constant risk management model, perfected risk management organization system, clarified significant risk reporting channels, published quarterly reports, unified the staff awareness of risk response strategy, promoted risk response plan and the implementation and execution of internal control system. The Company optimized the supervision and improvement mechanism to implement major risk management strategies and solutions and identified problems and took corrective action in a timely manner.

Conduct risk management training

The Company conducted risk management training with various content and forms for agencies and departments, affiliated units and overseas institutions to enhance employee's understanding on the knowledge concerning risk management and improve their risk prevention awareness.

Risk management Organization Chart



Performance of internal control and risk management trainings (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Number of internal management training	control times	23	21	15
number of attendees of the internal control management training	person-times	698	652	450
Number of risk management training	times	40	38	35
Number of participants in risk management training	person-times	1,366	1,178	1,120

(3) Construction of anti-fraud

Strengthen system improvement

The Company developed "Certain Requirements of Preventing Commercial Bribery", "Information disclosure management rules", "Rules for Particular Person conducts securities transactions" and other internal supervision systems, which effectively prevented and controlled the occurrence of corruption, bribery, insider trading and other violations of law. In 2014, the Company had no corruption, fraud and money laundering cases found.

Establish reporting platform

The Company disclosed the telephone numbers and email address at the home page of our website for staff supervision, which effectively mobilized forces of employees' supervision. Clues are received according to "Management measures of appeal, reporting and complaints" and will be disposed strictly according to "Case inspection and management".

Carry out anti-fraud education

The Company organized 166 anti-corruption and anti-fraud sessions with different sizes in different ways, and the educated participants reached 12,209 person-times.

Performance of anti-fraud trainings (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Number of anti-fraud trainings	times	166	163	147
Number of participants in anti-fraud trainings	person-times	12,209	10,311	6,345

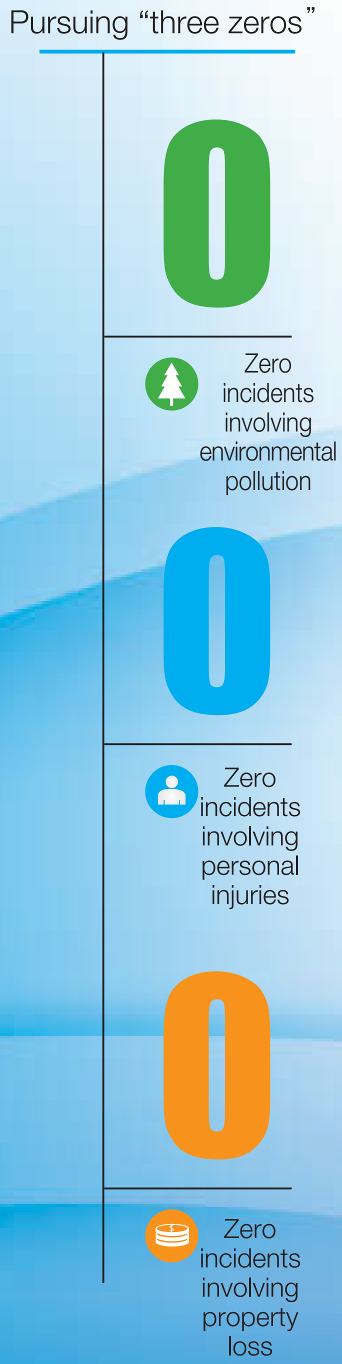
2. HSE management

(1) Safe production

1. Optimization of safety management system

The Company continued to pay attention to the safety management and strengthened the safety management system. The Company complied with ISO9001 (quality management standard), ISO14001 (environmental management standard), OHSAS18001 (occupation and health safety management standard) and ISM CODE (international vessel safety and anti-pollution rules) and followed the industry standards and practice both within and outside the country. We fully and effectively implemented the SMS/QHSE systems and continued to improve such systems. In 2014, the Company conformed to the principles of "simplification and high efficiency" optimized work-flow actively and the original quality, health, safety and environment systems, and comprehensively put them in order; the Company further improved QHSE internal control system, conducted step-wise refinement of HSE responsibilities managing files and formed a situation that production management must control safety and business management must control safety too, which made all staff participate in safety management.

QHSE management organization



QHSE system structure

2. Enhance safe production management

By earnestly implementing the policy "Safety First, Prevention Foremost, and Comprehensive Control" and upholding the concept of safety and environmental protection with "Safety and Environmental Protection First, People-orientated and Keep Equipment in Good Condition", the Company actively constructs safety management of the teams and groups, launches standardization activities for safe production and fully enhances the working standard to lay a solid foundation for safety management and to become an intrinsically safe enterprise.

0.08

Accumulated OSHA ratio

Performance of safe production (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Number of production safety accidents	case	30	49	59
Number of recordable injury incidents	case	18	35	46
Accumulated OSHA ratio	%	0.08	0.18	0.24
Accumulated working days lost ratio	%	0.71	1.7	2.16
Number of death of employees	person	1	0	1
Number of death of contractors	person	1	2	0

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

Never forget safety

By Sophie, an employee of the Company

Establishment of standardized safe production

In 2014, according to "Basic norms for work safety standardization of enterprises" issued by State Administration of Work Safety, the Company realized safety production standardization level two standard in geophysical and surveying services and well services segments and level one standard in drilling segment through bench-marking, improving systems, self-assessment, rectification and expert accreditation.

Safe prodcution standardization workflow

Enhance safety and risk management

The Company conducted annual risk identification and assessment at various levels, and held safety risk analysis meeting monthly to develop appropriate control measures to control significant potential risks; field operation units conducted investigation and management of a variety of safety risks with STOP (safety, training, observation and programme) cards, SSR (safety suggestion report) and JSA (job safety analysis) to standardize the daily safety operations of the personnel on site.

The HSE management system of contractors

The Company has established files for its main contractors HSE management to control and audit the Party A before and during the implementation of major construction projects and major repair projects, and conduct performance appraisal after completion and acceptance.

Case

Contractors safety management training

In 2014, the Company organized safety and quality management meeting, equipment management meeting and accident case analysis meeting for ship contractors to publicize "Contractor Safety Management Guidelines", "Contractor Safety and Environmental Accidents Cumulative Measures", analyze and discuss about the operating safety and accidents, so as to remind contractors to ensure work safety and to protect normal production and business activities.

Ship contractors safety management training held on 17 June and 27 November

Safety education and training

The Company continued to promote all staff safe training to enhance employee safety awareness and create excellent safety culture. In 2014, the Company has organized 21 QHSE trainings with a total participation of 1,240 person-times. The affiliation of the Company organized 20,730 various safety trainings with a total participation of 279,683 person-times.

Case

Safe production check

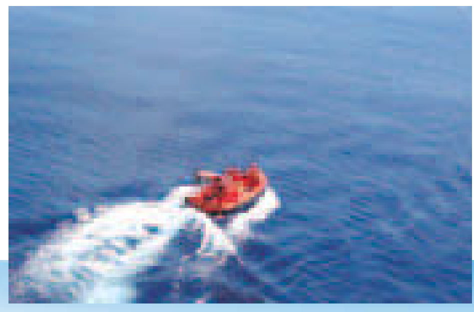
The Company set up a special inspection team to check safety production in Tanggu, Shanghai, Shenzhen and Zhanjiang areas according to the "Notice of offshore oil and gas safety production inspection" during 20 May 2014 and 29 May 2014. The inspection is about 2014 Annual QHSE implementation of major tasks, including 5 aspects such as safety infrastructure management, safety measures implementation in operation site and equipment management. In this safety inspection, 60 units were checked, 702 general issues were found but no significant safety risk was found.

Way of inspection: Go straight to the front-line and fields without notice and warning, do not listen to reports or be accompanied.

3. Strengthening emergency management

The Company paid much attention to the emergency management and continued to optimize the emergency management system and completed the establishment of comprehensive plans and special plans; the Company also established an emergency expert group and gave full play the role of experts in the field so as to response better to emergency situations that may occur. In 2014, the Company carried out 12,723 ship-shore joint exercises and on-site exercises covering rigs, ships and shore with a total participation of 243,814 person-times.

Emergency drill of the Company in 2014



(2) Occupational health

1. Health management

The Company attaches great importance to occupational health, formulated the "Occupational Health Management Approach" and established and improved its occupational health management responsibilities system, occupational hazard warning and inform system, occupational hazard monitoring and evaluation management system, occupational health surveillance and records management system. In 2014, the Company completed the detection and evaluation of 135 workplaces exposed to occupational hazard factors, with a completion rate of 100%, and the number of annual new occupational disease is 0. The number of cumulative occupational disease of the Company is 4 from 2007. At the same time, we constantly improve the working condition for employees with reference to the relevant laws, regulations and standards, to provide staff with a more safe and comfortable work environment.

Statistics of occupational health checks of the PRC employees (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Proportion of all staff health check and health records	%	99	99	98.2
Number of persons attending occupational health checks*	person	5,509	4,448	4,489
Proportion of occupational health checks completed	%	99.9	99.7	99.6
Proportion of completion in inspection of occupational hazard factors	%	100	99	98

*Note: The number of persons for occupational health checks relates to checks for employees exposed to occupational hazard factors.

Results of health examination of employees exposed to occupational hazard factors (2014)

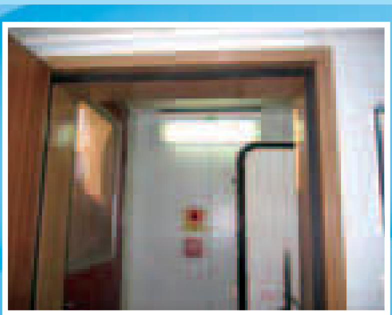
Health examination types	Actual examination person-time (Unit: person-time)	Completion rate of examination (Unit: %)
Preplacement occupational health examination	926	100
Occupational health examination during the working period	4295*	99.9
Post-employment occupational health examination	288	99.3

*: 2 persons were unable to attend for studying abroad sent by the Company for 1 year and 2 were unable to attend due to long-term sick leave.

Case

Ship noise special census

The main source of occupational hazards of the Company is noise in the workplace. Therefore, the Company conducted ship noise special census during February and June in 2014, detected noise conditions comprehensively and developed improvement program to places with the issue of noise. The ambient noise of the on-site living areas have reached or surpassed the national standard through renovation of air distribution system and installation of sealing strips in doors and windows in sub-standard cabins and other measures to minimize noise.



After rectification: door seals are added or renewed

After rectification: noise is below the national standard of 60db

"Previously it took a long time for me to fall asleep for the air distribution of the room often made abnormal noise, now it's much better. The Company truly cares for employees' health in every aspect."

—— Employee on ship

Case

Staff health promotion activities

In 2014, the Company introduced "health walk" to promote staff health and hired professional medical and health experts to conduct face to face professional health guidance according to each employee's medical report and routine health testing index, tailored exercises and diet program for them and helped employees cultivate scientific dietary and exercise habits. More than 1600 people of the Company attended the activities.

2. Health training

The Company thoroughly carried out the popularity and implementation of occupational disease prevention laws, regulations and rules, guided employees to understand the occupational hazards existed in the jobs, promoted employees to grasp the knowledge of prevention and control of occupational diseases and effectively enhanced the awareness of self-protection of its staff. All units of the Company carried out 651 recordable occupational health education and trainings in total.

Occupational health education and training (2014)

Type of training	Actual number of participants (Unit: person)	Training completion rate (Unit: %)
Pre-job occupational health education and training	1,020	100
Occupational health education and training in the post	4,165	96.5
Training for main responsible person and occupational health managers	279	100
Special occupational heath training for staff in positions with serious occupational hazards	1,083	100

3. Counseling

Due to the special nature of the business, employees worked at sea for a long time and faced with great pressure of work. We not only cared about the physical health of employees but also cared about their mental health, and we often actively helped employees relieve stress and emotions.

Case

"Psychologist" in the team

In December 2013, the Company held "mental training camp" in Tianjin segment. Liu Lei, a workover captain of a drilling and workover company enrolled for a try, and was amazed by the training effect.

Liu Lei thus had an idea: why not carry out counseling activities at sea? Employees of the Company work at sea for many years and may encounter depression and troubles. The idea was supported by the unit and a "psychological commissioning department" is established with marine captain as organizers and marine front-line staff as team. Now counseling has become a normal activities of drilling and workover companies and the spiritual distance between employees are more "close".

(3) Environmental protection

1. Environmental protection management

Environmental institution building

In 2014, the Company continued to strengthen the implementation of environmental protection systems such as "Environmental management approach", "Dangerous chemicals management and implementation rules" and "Lightning protection management and implementation rules". The Company formulated "Environmental factors evaluation, management and implementation rules" which further regulated the identification and evaluation of environmental factors for all subordinate units and strengthened the control to important environmental factors in the Company's production and business activities.

Environmental protection training

In 2014, the Company actively organized various environmental trainings in relation to garbage sorting, usage of anti-pollution facilities and usage of oil leakage emergency equipment, which further enhanced the environmental protection awareness and skills of on-site employees.

No.	Time	Location	Course	Audience	Number of trainees
1	2014 · 9	Zhanjiang	Environmental management basics, identification and evaluation of environmental factors, management of hazardous chemicals, new environmental law and publicizing of the internal control system of environmental protection	Front-line unit HSE managers, environmental management personnel, on-site safety supervision and etc.	92
2	2014 · 11	Tanggu	"Oil Spill Response Plan" Publicizing	Front-line Unit HSE managers, emergency managers, platform managers, senior captains, marine surveyors and etc.	30
3	2014 · 12	Tanggu	Environmental management basics, identification and evaluation of environmental factors, management of hazardous chemicals, new environmental law and publicizing of the internal control system of environmental protection and etc.	Front-line Unit HSE managers, environmental management personnel, on-site safety supervision and etc.	200

Case

Care for marine ecosystem public environmental protection activities

On 10th October 2014, HYSY 935 organized 25 young staff members from the rig and employees during vacation to conduct outdoor environmental charity with "Ocean development, Love of the Ocean" as the theme in South Isles of Zhanjiang to publicize and practice the environmental philosophy of "Love of the Ocean".

"We are developers of the ocean, and also the users. We should thank the gifts from the sea, and it is our sacred duty to protect the sea."

——Wang Qingbao, platform manager of HYSY 935

"Not seeking for traveling across the beach, but seeking for leaving nothing behind. Make sure "work completed, no materials leaving behind and clear site"like our daily work at sea!"

——Sun Zhaofei, young employee of HYSY 935

Environmental protection input

11.29 RMB million

Energy conservation

23,910 tonnes

Standard coal

2. Clean production

The Company adheres to the sustainable development philosophy of “Green, Clean, Low-carbon and Recycling Economy” and implemented the concept of green and low carbon into every links in its production and operation. The Company pursues clean production and invested RMB11.29 million for environmental protection in total in 2014.

Energy saving and emission reduction

COSL, as a responsible corporate, complies with various energy conservation regulations and requirements of the countries and regions where it located, and continues to increase its investment in energy conservation in order to reduce energy and resource consumption. The Company actively explores the response to climate change and effective ways to reduce greenhouse gas emissions, and conducts research and development in water and energy saving technology. The Company gives priority to use energy-saving equipment so as to make its contribution to resource-saving and environmental protection.

The Company developed and implemented the “Energy Saving and emission reduction Management Rules” and “Water and Electricity Saving Management Rules” and other related implementation rules to ensure the smooth implementation of energy conservation and emission reduction.

In 2014, the Company invested RMB2.676 million in energy saving and emission reduction. The total energy consumption of the Company was 382,179 tonnes of standard coal, representing a decrease of 0.53% over the same period last year; we achieved energy saving amounting to 23,910 tonnes of standard coal, energy consumption of RMB10,000 worth production was 0.2054 tonnes of standard coal/RMB10,000. According to the index requirement of energy saving of 9,696 tonnes of standard coal and energy consumption of RMB10,000 worth production reaching 0.2141 tonnes of standard coal/RMB10,000, we respectively completed 246.6% and 104.2%.

Index	Unit	Year 2014	Year 2013	Year 2012
Investment for energy saving and emission reduction	RMB10,000	267.6	250.0	201.6

Classified statistics of energy and water consumption (2013-2014)

Index	Unit	Year 2014	Year 2013
Electricity	10,000 kWh	1,546.00	1,460.50
Diesel fuel	Tonnes	254,362.47	252,798.30
Natural gas	Cubic meters	263,826.00	255,063.00
Oil fuel	Tonnes	4,182.00	6,663.91
Petroleum	Tonnes	688.37	708.12
Engine oil	Tonnes	1,582.77	1,640.48
Water	Tonnes	1,127,592.5	--

Note: the Company begins to officially disclose water consumption from 2014.

Energy consumption of RMB10,000 worth production (2012-2014)

Year	Tonnes of standard coal per RMB10,000 revenue	YOY 2012(%)
2014	0.2054	-10.58
2013	0.2192	-4.57
2012	0.2297	--

Case

Advanced energy-saving technologies were applied on large-scale equipment

The operating equipment of the Company is mainly large-scale energy consumption equipment, so it is very important to solve energy consumption issue. The Company actively used advanced energy-saving technologies on large-scale equipment including inverter fan technology, reactive power compensation device, platform fresh water generator and etc. with good energy-saving effect.

Taking inverter fan project as example, the effect of energy saving is obvious:

Using normal fan
Power consumption in one day is 1,876 kWh

Using inverter fan
Power consumption in one day is 924 kWh

Case

New measures on energy saving of ships

The Company adopted "buoy mooring" measure for ships working in deep waters which cannot cast anchor and must keep cruising with high-energy consumption, and also added fixed bollard anchored posts which avoided large non-productive energy consumption. Eastern and western South China Sea adopted buoy mooring for 10,310 hours every year, whereby as estimated, it could save fuel consumption more than 1,700 tonnes and thus save fuel cost more than RMB 13,000,000 every year due to this measure. In 2014, the AHTS Fleet of the Company increased 13,000 nautical miles to its total voyage, and tough jobs such as anchor handling and deep sea anchor increased dramatically, but the Company reduced the total fuel consumption through a series of optimization measures including reasonable stowage, buoy mooring and depart by the influx, which led to total fuel consumption reduced 4,600 tonnes or 4.26% from last year's same period.

5-20%
Efficient Dynamics type: diesel-electric hybrid, optimal allocation of vessel, engine and propeller, clean fuels, meet the most stringent environmental standards, reduce energy loss by 5-20%

5-10%
Main ship structure: weight control and structural optimization, high-strength steel composite material applied, light equipment, efficient equipment, reduce energy loss by 5-10%

1-2%
Superstructure: low wind resistance, streamlining design of superstructure, reduce energy loss by 1-2%

5-7%
Stern: line optimization, drag-type shroud settings, steering system optimized, reduce energy loss by 5-7%

5-8%
Wet surface: use low-resistance bionic environmental coating, reduce energy loss by 5-8%

3-5%
Bow: line optimization, bulbous bow design, reduce energy loss by 3-5%

Qualified discharge

The Company adhered to the guideline of cherishing resources with rational utilization, established waste water and waste treatment and recovery system and achieved zero emissions, also developed green low-carbon products such as biodegradable oilfield chemical materials and etc. The Company strictly complied with "Effluent Limitations for Pollutants from Offshore Petroleum Exploration and Production" (GB4914-2008) and "Effluent Standard for Pollutants from Ship" (GB3552-83) and other standards and requirements. Industrial waste-water and domestic sewage were discharged according to the standards. For hazardous waste, the Company delivered them to qualified unit for recycling and treatment.

Statistics of discharged volume of the Company in China's waters (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Qualified discharge of oil polluted water	Cubic meters	743.23	1,287.38	1,291.05
Discharge of crushed domestic waste	Tonnes	221.99	151.78	324.71
Qualified discharge of drilling fluid	Tonnes	13,655.28	74,751.23	98,165.70
Carbon dioxide	Tonnes	805,261.81	808,361.75	777,307.48
Emission of carbon dioxide for an output value of ten thousand	Tonnes/ RMB10,000	0.44	0.49	0.51

Case

COSLConfidence was awarded First Class Certificate in Environmental Protection by Mexican Government

On 25th August 2014, COSLConfidence rig received the First Class Certificate in Environmental Protection issued by SEMARNAT PROFEPA, a Mexican Government organization. The certificate is the highest level certificate in environmental protection in recognition of the outstanding efforts and contributions of COSLConfidence rig to environmental protection during its operating period.

Officers from SEMARNAT PROFEPA conducted inspection related to environmental protection on COSLConfidence rig during operation period from 20 August 2014 to 22 August 2014. The officers praised the management of COSL rigs: "Very good, excellent!" after inspection of environmental protection equipment and facilities on the rig. Mexican government has been extremely harsh in environmental inspection, the Company has made upgrading in environmental protection before obtaining PEMEX contract according to the relevant requirements in the contract, to make sure the platform is in zero-emission state, and we carry out environmental protection with high standard and strict requirements in order to reach the level of international drilling contractors.

Till now, COSLConfidence rig has been working in the Gulf of Mexico for more than 3 years, this award is not only the official recognition of environmental protection of the rig in Mexico, but also reflects the requirements and perseverance of environmental management of COSL all the time.

3. Protection of Biological Diversity

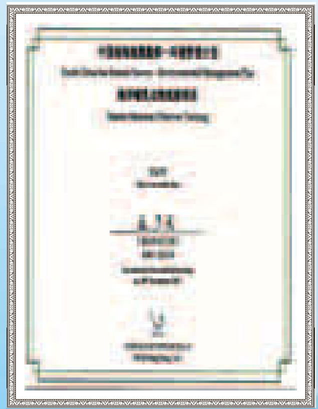
The Company always abides by animal protection laws around the world and often organizes activities to protect biological diversity, carefully analyzes the possible impact of various aspects of work on marine organisms and takes preventive measures to reduce the impact actively.

Case

Protection of marine mammals

During the geophysical surveying, the Company actively protected marine mammals and conducted effective observation and recording of the time and location of their appearance, etc. Seismic acquisition operations were carried out only when there was no marine mammal within a safe distance and the operation would be required to stop immediately if any marine mammals suddenly broke into the operating area. At the same time, we trained the staff of geophysical prospecting for certificate on relevant knowledge about marine mammals and focused on the promotion and implementation of the concept in their daily works.

Observations of marine life



The certificate of Marine Mammal Observer obtained by employees after training

Case

Sea Birds Rescue

On the ocean, sea birds are regulars in waters around the drilling rigs. Many sea birds become homeless and will find drilling rig as a habitat during the rainy and stormy May in South China Sea. On 7th May 2014, the safety supervisor of the Company found a few sea birds lying on the aircraft deck injured due to the storm during inspection of the rig, and staff on the rig watered, fed and wrapped them and released them when they recovered.

Employee releasing seabirds

3. Enhance capacity for sustainable development

(1) Improve quality management

By adhering to the management policy of "Supremacy of credibility, Equipment in Good Condition and Quality Assurance", the Company improved all levels of quality management organization of the Company to clarify the responsibilities of quality management. The Company also improved quality management system and continued to improve and achieved the certificate issued by DNV to ensure the appropriateness, effectiveness and operability of the system, and carried out trainings such as "Quality Accident Case Study" and "Professional Technology Training on Quality" in order to enhance the employees' awareness on quality in the industry and quality risk prevention awareness. In 2014, the Company conducted 708 quality trainings in total with 9,195 participants.

Certificates of Quality Management System obtained by the Company

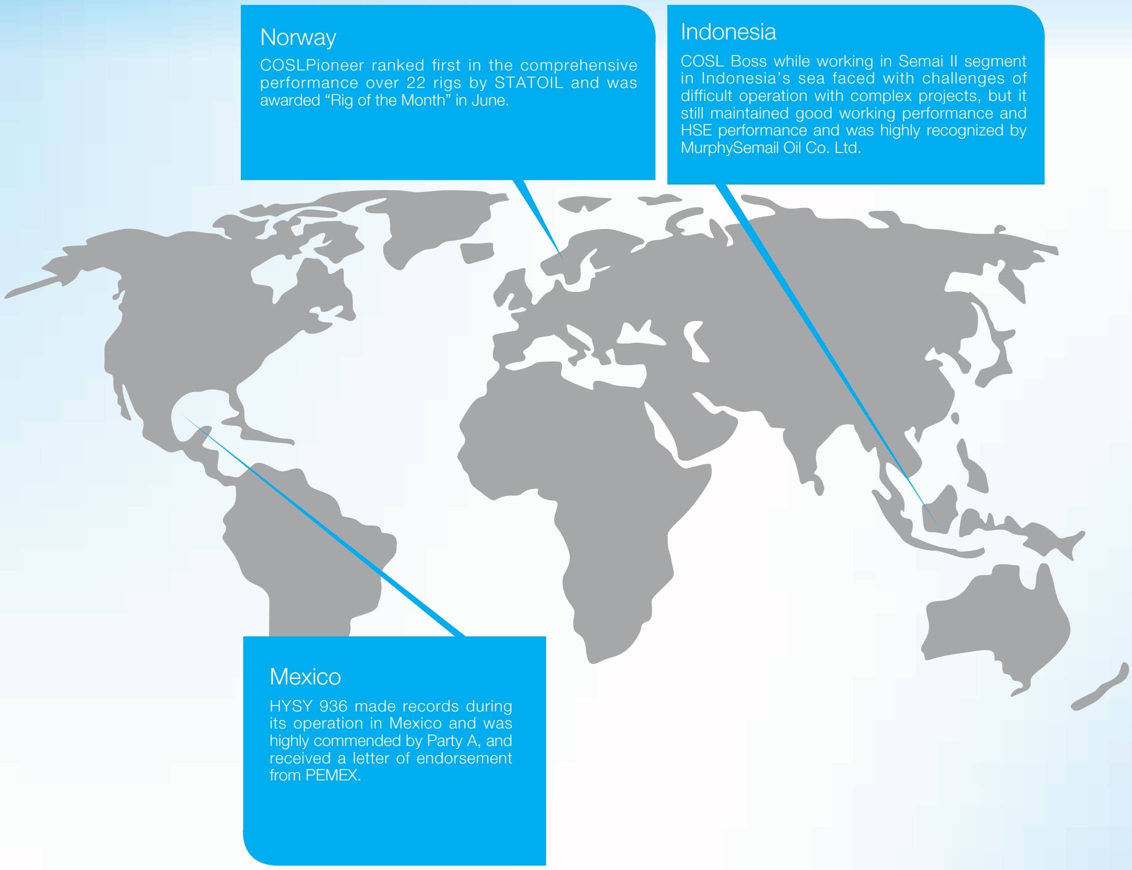
The Company promoted various activities on quality management actively, facilitated the establishment of front-line quality management teams and developed quality management implementation rules and carried out special events such as "High-quality for a prosperous enterprise", "Quality Month" and "Year of Quality and Efficiency" in order to improve service quality and product quality.

QC team which developed "EFDT reversing-push releasing device" in well-tech division obtained "Outstanding quality management team of petroleum industry in 2014"and "Second QC team achievement award" under the organization and review of China Quality Association Petroleum Branch.

(2) Improve quality of services

1. Provision of professional services

We strive to enhance service capabilities and build brand of COSL and dedicate to provide customers with more efficient services of high quality. As expected by its customers, the Company has top-ranking drilling equipment management over the world with 99.41% of its equipment in good condition and downtime of only 1.28 hours/rig per month. In 2014, we deepened the awareness of common destiny with our customers, and tried to find out rooms for our customers to reduce their costs and improve efficiency, thus we saved 839 drilling rigs days in total for customers and a number of oversea projects were highly valued and recognized by customers.



COSLInnovator ranked first in the comprehensive performance over 22 rigs by STATOIL, and was awarded "Rig of the Month" in May and July 2014.

HYSY936 received endorsement letter from PEMEX

Case

The Company obtained green supplier qualification from Shell

The geophysical services of the Company successfully obtained green supplier certificate from Shell China with a result of 96 score in the HSSE assessment of the Supplier Qualification System of Shell. This is another important achievement in qualified supplier certification of the Company after obtaining the qualified supplier qualification from Italian's ENI in drilling and marine service and worldwide qualified supplier qualification from France's Total in drilling and well services.

Customers visit the Science and Technology Park of the Company

2. Improving communication with customers

The Company's management team had multiple visits to its local and overseas key customers so as to enhance the communication with its customers and deepen mutual understanding to lay the foundation for broader and deeper cooperation in the future. Meanwhile, the Company conducted customer satisfaction surveys which showed that customers' satisfaction reached over 98% in 2014.

(3) Strengthen scientific and technological innovation

The Company adheres to customer demand-oriented and established technological innovation system with the close connection between R&D institutes of the Company and production and research to meet the demand of customers for technical services and improve customer satisfaction. In 2014, the Company invested RMB1.09 billion in technology in total and obtained 142 patents, among which 33 patents were developed by the Company. The rotary steerable drilling and logging while drilling (LWD) system completed joint maritime operation for the first time successfully, deep-water drilling fluid and the application of cementing technology on field made a major breakthrough and was fully equipped with drilling fluid and cementing technology service capacity in water depth of 2,500 meters.

Representatives of UAE National Drilling Company (NDC) visited COSL for technical exchanges

The Company participated in USA Denver Exploration Geophysicists Annual Meeting

Key performance of technology innovation of the Company (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
R&D investment	RMB10,000	108,984*	72,166	60,080
New patents	Items	142	159	135

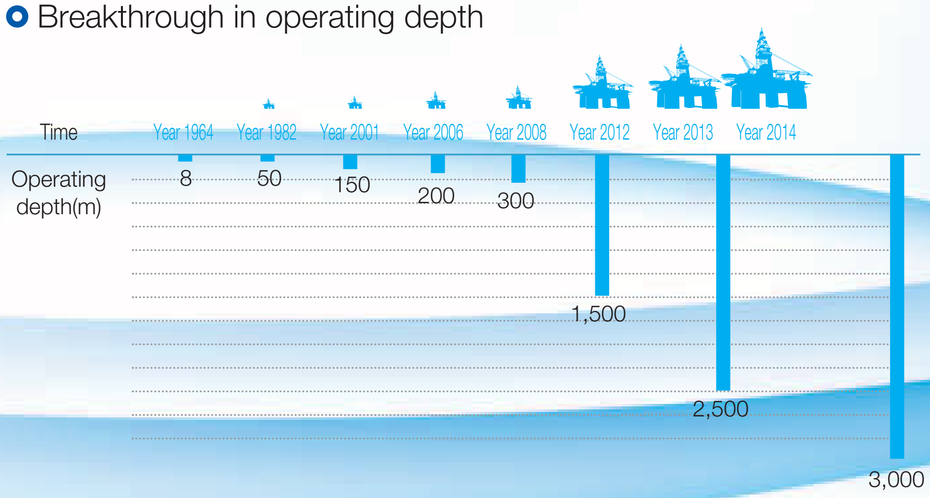
* The R&D investment of the Company in 2014 included CNOOC funds of RMB83,970,000 and national funds of RMB82,030,000.

Special topic

Road to deep water

The Company practiced the deep-water strategy actively through establishment of a full deep-water equipment group, research and development of a complete technology system for deep-water exploration and building of a first-class deep-water operations team. At present, the Company has a full range of exploration, development and production service capacity from shallow water to deep water, and is managing and operating 44 rigs, among which 7 are deep-water semi-submersible drilling rigs, forming full deep-water operational capacity in deep water of 750m, 1,500m and 3,000m.

Breakthrough in operating depth



Knowledge link:

Shallow water	<500m	(≈1,640ft))
Deep water	500-1,500m	(≈1,640-5,000ft))
Ultra-deep water	>1,500m	(≈5,000ft)

Case highlights in deep-water operation

HYSY981 performed excellently in deep water services

HYSY981 carried out deep-water drilling in South China Sea for the first time with operating depth of 1,300m. HYSY981 wrote new records for its 98% average operational efficiency, which is above rigs of the same type in the world, and zero accident count, zero emission, zero fault performances and was widely praised. On 18 August 2014, HYSY981 made new heights for finding high yield oil and gas flow in Lingshui17-2-1 well test deep-water area in the northern South China Sea, which is the first high-yield gas field obtained from Chinese deep-water self-drilling exploration.

NH9 completed the first 1,000-meter deep water well

Semi-submersible drilling rig NH9 completed drilling operations for the first 1,000-meter deep water well Lingshui 25-1-1 on 5 November 2014. This achievement has made NH9 the second drilling rig included in the league of "1,000-meter-deep drilling" after HYSY981, which has taken deep-water drilling operations of the Group to a new level with further refinements in deep-water drilling technologies and equipment portfolio.

Deep-water technology capacity of the Company achieved a comprehensive breakthrough

A large number of new technologies and new materials including self-developed ELIS logging system and high-end logging equipment, deep-water modular test device, deep-water cementing slurry system and deep-water drilling fluid system of the Company were applied successfully in deep water at home and abroad. The first deep-water rotary side-wall coring operation by the Company created a record of harvesting 110 cores in 3 times into the wells; the first deep-water test on the HYSY981 was successful; a full range of deep-water logging information was complete and accurate and real-time monitoring was in place for the first time, which demonstrated the strong technical capacity of the Company in deep water.

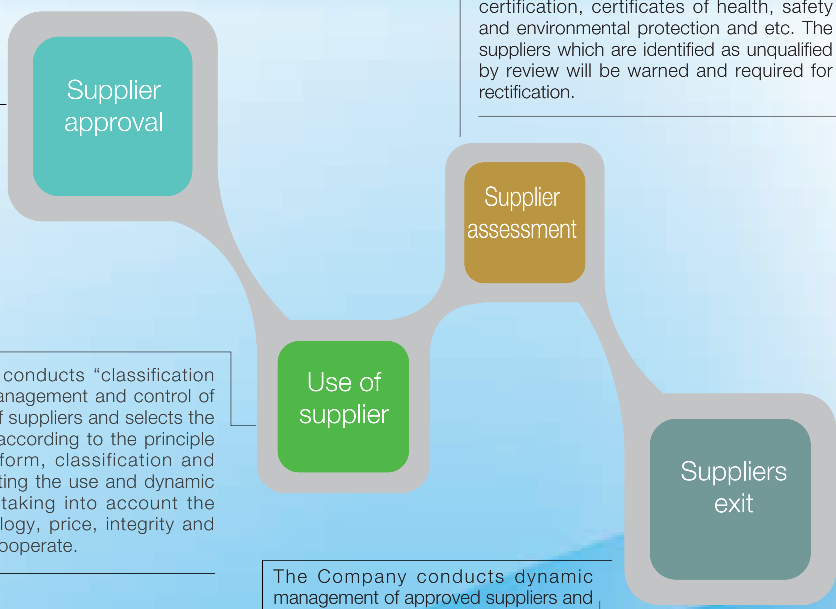
The service capacity of the ships in deep water was affirmed by operators

Ships of the deep-water series such as HYSY681 were fully affirmed by the operators for their deep-water anchoring, towing, positioning and platform supply services. HYSY681 completed NH9's 1,000m deep-water anchoring operation in South China Sea, and HYSY611/612/613/614 provided excellent deep-water support services in South China Sea, which were highly commended by customers from Husky.

4. Supply chain management

(1) Standardize supplier management

The Company developed "Supplier management rules" to standardize supplier management, and established supplier approval, use, assessment and exit management mechanism.



The Company conducts new supplier approval covering various aspects including the basic information, financial condition, quality assurance system, industry performance, undesirable record and industry qualification and etc.

The Company conducts "classification and grading management and control of total amount" of suppliers and selects the best suppliers according to the principle of unified platform, classification and grading, regulating the use and dynamic management, taking into account the quality, technology, price, integrity and willingness to cooperate.

The Company organizes the annual supplier review to ensure the overall quality of suppliers. The review mainly focuses on their performance of contracts, the effectiveness of registration documents, norms and standards they follow, quality system certification, certificates of health, safety and environmental protection and etc. The suppliers which are identified as unqualified by review will be warned and required for rectification.

The Company conducts dynamic management of approved suppliers and removes suppliers with no business dealings for two years and above annually and regularly removes suppliers beyond the temporary use period, with serious violations, assessed as unqualified and with no business needs.

Number of suppliers by regions (2012-2014)

Year	Total number of suppliers at the end of year	Overseas	Domestic	Major cities				
				Tianjin	Beijing	Guangdong	Shanghai	Other cities
2014	1,944	169	1,775	395	275	287	105	713
2013	2,287	196	2,091	476	391	354	145	725
2012	1,950	198	1,752	429	351	314	134	524

(2) Strengthen overseas procurement management

The Company formulated and promulgated "Overseas branch procurement management measures" to meet the development needs of overseas operations and to provide fast and convenient services for overseas business development, which demands overseas branches to establish sound overseas procurement management measures with reference to the relevant systems of the Company, combined with its local laws and regulations while considering the business characteristics and scales of the branch.

Case

Optimize overseas procurement management and establish procurement center in Singapore

The Company mainly provides service for offshore China and also operates in more than 30 offshore regions and countries, including Australia, Mexico, Southeast Asia, the Middle East, America and Europe. In order to meet the rapid development of overseas business and provide customers with efficient and high-quality services, the Company enhanced overseas supply chain assurance capabilities systematically, established a Singapore procurement center with procurement, warehousing, distribution and transportation capabilities combining with the actual situation.

(3) Contractor management optimization

The Company constantly optimizes its contractor management and promoted specialization of contractor management.

COSL Ship Management Company is currently responsible for the management of 16 shipping companies, 8 systems companies, 27 ships and 716 crew. The Ship Management Company, as a special company for management of subcontracting ships, makes it its goal to create a professional contractor management team and has accumulated rich experience in contractor management. In 2014, the Company completed successfully the third-party inspection of 9 Bohai Oilfield leased ships including "SKT8" which provided an accurate basis for the Company to master the operating conditions of the ships. In 2014, the Ship Management Company was awarded "Best services company" by customers.

Third-party ships are inspected by COSL Ship Management Company

5. Staff development

(1) Protection of employees rights

1. Employment policies

The Company strictly abides by "People's Republic of China Labour Law", "People's Republic of China Labour Contract Law" and all relevant laws, rules and regulations of the business related countries and follows the principles of "legal, equality, and voluntary, consensus, honest and trustworthy" to sign Labour contract with employees. We treat all employees with different nationality, race, gender, religion and cultural background fair and equally, prohibit child labour in all regions and resist all forms of forced and compulsory labour. We also implement the national "Special Labour Protection Regulations of Female worker" and protect various rights and welfare of women during the period of pregnancy, childbirth, and breast-feeding, and strictly prohibit reducing their wages, dismissal or termination of employment during such period.

2. Remuneration and welfare

The Company strictly complies with domestic and local laws and policies on employment pay, established competitive remuneration system and performance appraisal system, pays the basic social insurance and housing fund for employees, implements enterprise annuity system, supplementary medical insurance system, and provides personal accident insurance and corporate supplementary pension insurance and a number of welfare including health check, paid vacation, helping and assiting those with difficulties or major diseases and etc., taking efforts to address the worries of employees and provide reliable and multi-layered protection for employees.

Statistics of employees (2012-2014)

Index	Unit	Year 2014	Year 2013	Year 2012
Number of employees	Person	16,096	13,830	12,991
Number of PRC employees	Person	14,810	12,849	12,148
Number of foreign employees	Person	1,286	981	843
Number of new employees during the reporting period	Person	1,871	1,129	752
Proportion of female employees	%	8.6	9.1	9.1
Social insurance coverage	%	100	100	100
Rate of signing labour contract	%	100	100	100

3. Employee involvement

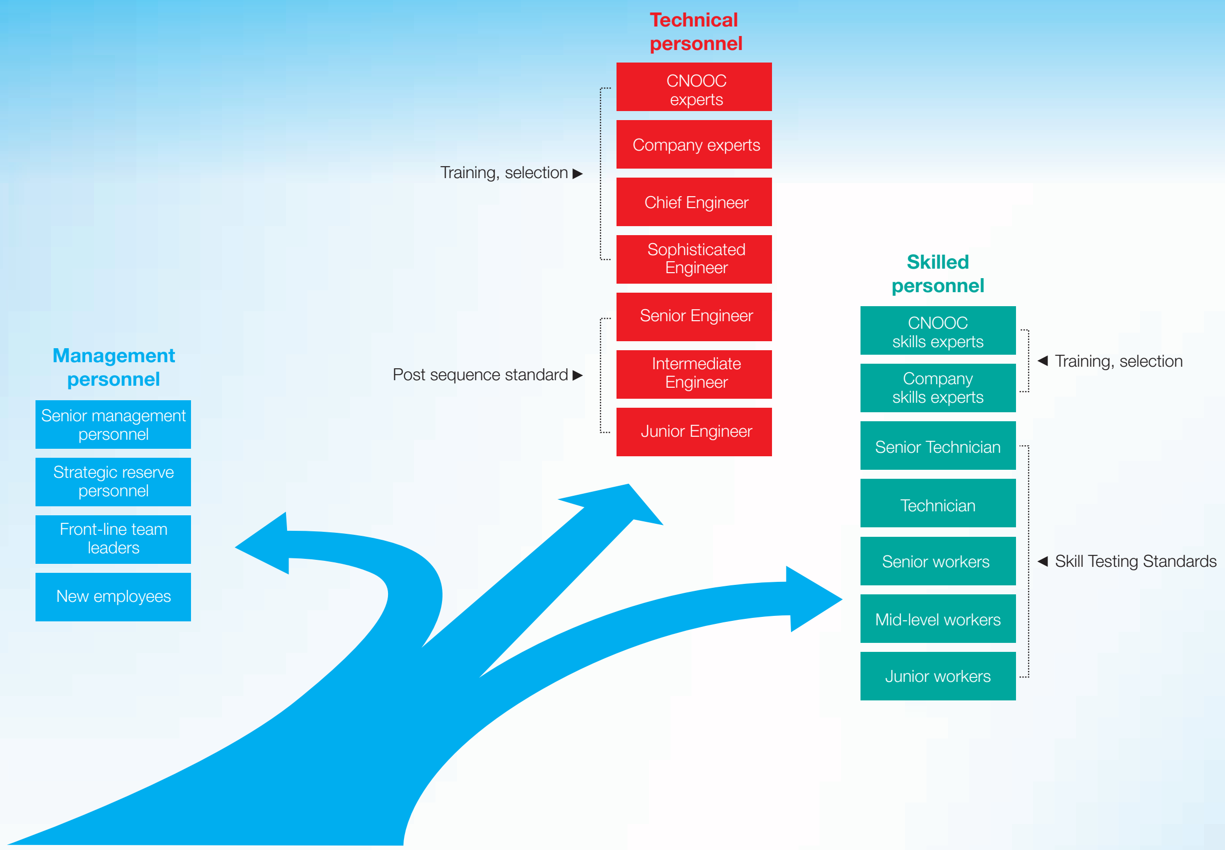
The Company placed high importance on employee involvement. Through establishing the labour unions, it can facilitate negotiation and communication with employees and protect their benefits and rights by participation in making decision regarding our corporate development.

(2) Promote career development

1. Career development paths

The Company established proper career development paths for management personnel, technical personnel, skilled personnel and international talents and continued to improve its talent promotion mechanism. In 2014, there are 2,886 production and research staff and 400 management employees being promoted.

Career development paths for employees of the Company



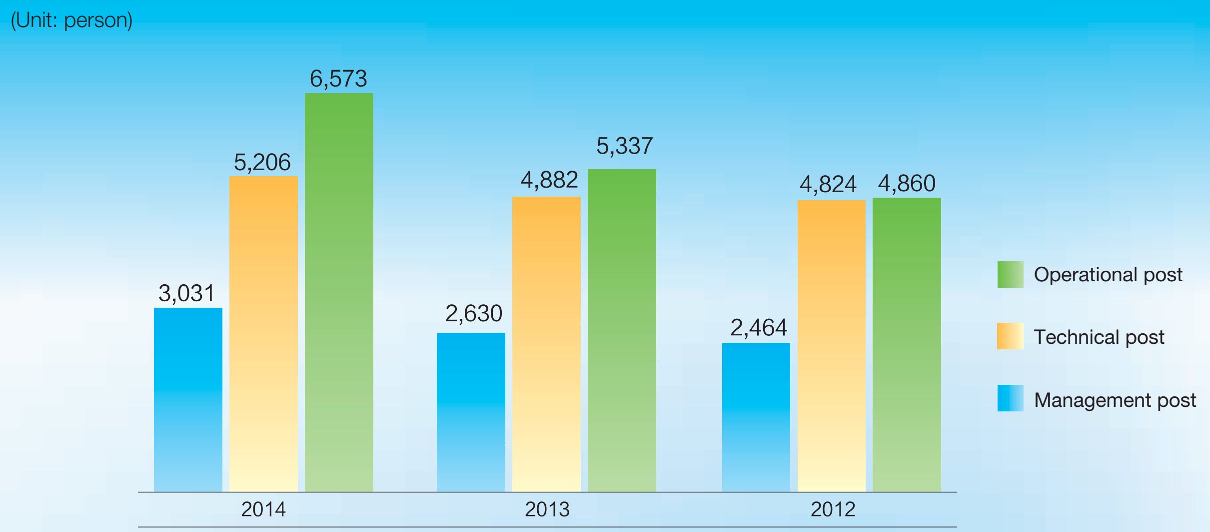
Case

Talent training achievement

For five years, the Company built management team, technical team, operational team and international team through establishment of a hierarchical level and differentiating three-dimensional training models based on core development ideas of "More professional, more superior". At present, there is 1 national leading scientist, 2 specialists of the National Thousand Talents Program, 29 senior professors, 2 technical experts (granted government allowances), 7 CNOOC technical experts, 26 company technical experts, 1 government allowances skills expert (granted government allowances), 2 national technical experts, 11 State-owned enterprise technical experts and 5 company skills experts in the Company.

The Company follows scientific selection and appointment mechanism, establishes a comprehensive and scientific assessment and promotion standards and performance management system, relying on high-end talent introduction, key engineering talent training, professional and technical personnel use and protection mechanisms to optimize the structure of human resources.

Statistics of PRC employees classified by positions (2012-2014)



Statistics of PRC employees classified by the academic qualification (2012-2014)

(Unit: person)

Academic qualification	Year 2014	Year 2013	Year 2012
PHD	37	26	21
Master	634	529	462
Bachelor	6,328	5,144	4,638
Below bachelor degree level	7,811	7,150	7,027

Statistics of PRC employees classified by ages (2012-2014)

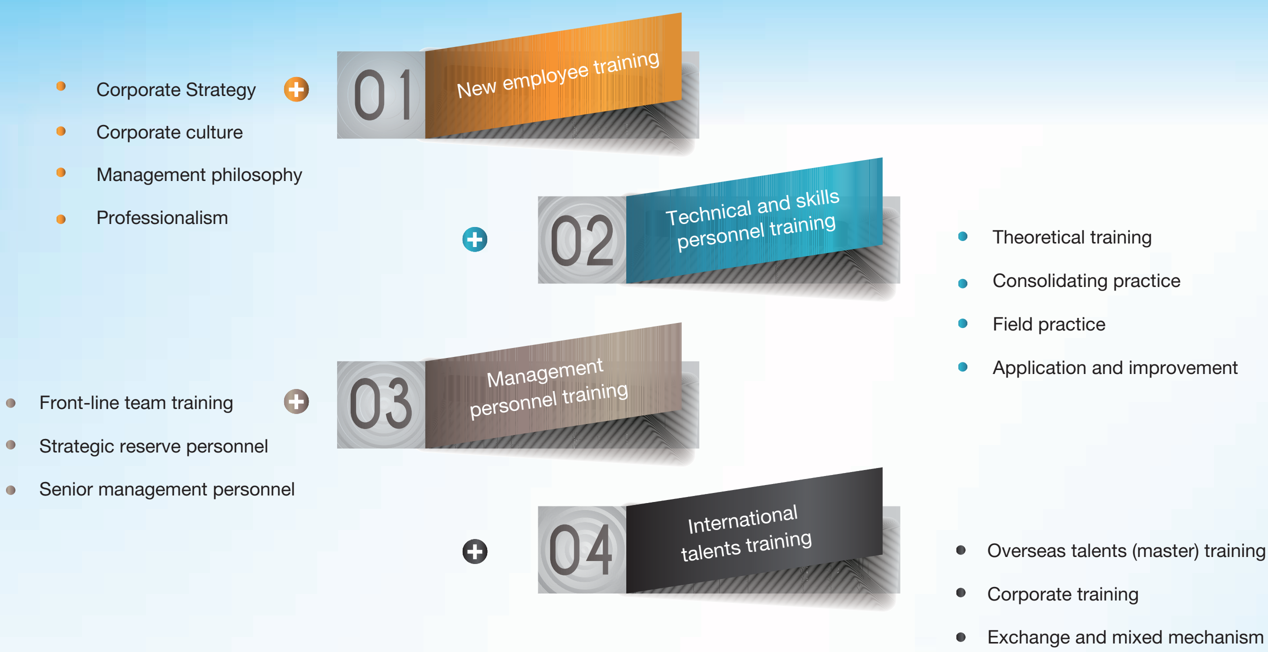
(Unit: person)

Age	Year 2014	Year 2013	Year 2012
30 or under 30	6,649	5,478	5,297
31-40	4,271	3,559	3,100
41-50	2,433	2,416	2,370
Over 51	1,457	1,396	1,381

2. Career development training

The Company continues to increase investment efforts in staff training and provide platforms for employee's development. We also carry out vocational training with various forms and contents based on staff requirements, encourage employees to learn and improve their skills and promote employees to grow with our business. In 2014, we trained 899 new employees, 6,226 person-time management personnel, 30,228 person-time professional and technical personnel and 48,103 person-time operating skill personnel. 15 outstanding staff were selected and sent to study in the United States, Britain and Norway. The Company won the 2014 annual "Outstanding unit for cultivating national skill talent".

Personnel training methods



New employees learning in plant

International talents training

On-site training of technical personnel

(3) Localization and diversification of employees

With the continuous development of the overseas business, the Company actively promotes the localization and diversification of staff, adheres to equality, freedom, anti-discrimination employment policy and makes efforts to provide opportunities for employment, training and development of the local people. We also promote employees with different cultural backgrounds to respect each other's religion, customs and personal hobbies and etc., and enhance mutual understanding. By the end of 2014, the number of our foreign employees for overseas business was 1,286, and the localization rate reached 57%.

Case

Foreign staff received training in China

In 2014, the Company organized foreign staff from Norway, Singapore, Mexico and Indonesia to participate in the training in China and learn corporate culture and business development. We also organized them to visit the relevant business unit in China and enabled them to have a more systematic and thorough understanding of the Company's strategic positioning, business model, technical strength and management ideas through such training and visits. In addition, we organized them to carry out cultural tour to Tianjin and Beijing and other activities to increase their understanding of Chinese culture and promote cultural communication between Chinese and foreign staff.

"HYSY937" Drilling Division staff celebrated the local traditional festival every year with Indian staff

"The working atmosphere of the rig is good, we get along well, and we feel the sense of belonging and fraternal friendship at here."

—— Indian employee on HYSY937 platform

"Too much delicious food at the base on festival, good collaboration is the basis of happy work. I will work hard with other colleagues and contribute to the development of COSL."

——Indian employee Ferry

Localization of overseas employees (2013-2014)

Index	Unit	2014	2013
Number of local employees	person	1,286	981
Ratio of localization	%	57	45

(4) Humane care

Climbing activities of overseas employees

1. Work & Life balance

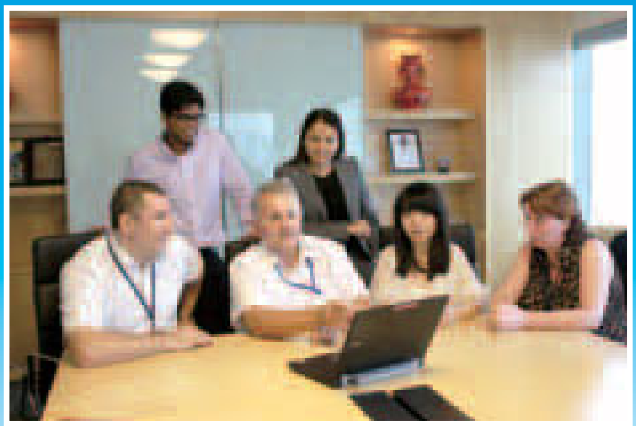
The Company has organized speech contest, reading classes and reports and promoted employees to show themselves and interpret their passion through basketball, volleyball, badminton, swimming and football games and competitions for years so as to ensure employee's work & life balance and increase their job satisfaction and life happiness.

Staff basketball game in 2014

Painting and photography exhibition in Tianjin

Youth fellowship for singles

Employee's dining environment improved



Work environment improved

Case

A bite of hometown

There is an old saying: "Hunger breeds discontentment". Overseas Chinese employees desire most of a warm home-made meal. Catering chef in Iraq successfully developed "Iraq" roast fish to suit Chinese tastes, which became popular and would be eaten clean every time.

In Mexico, the Company sent 4 outstanding domestic cooks to the rig after understanding that employees were not accustomed to Mexican cuisine. Food made by Chinese chef was a real treat for employees working abroad, bringing them the feeling of being at home.

2. Assistance to difficult employees

The Company adheres to the idea of "people-oriented, staff caring" and constantly cares for difficult employees with material and moral support and concern. In 2014,the Company further regulated and improved the working mechanism of helping the poor and developed "Poverty-alleviation and difficulty-relief management practices" based on "Difficult staff subsidy management approach", and established COSL poverty-alleviation and difficulty-relief fund to continue the living aids to difficult employees, donating money for education of employee's children and pairing up of employees for mutual assistance. In 2014, we continued to visit difficult employees and brought warmth to them. We visited 412 employees in total in 2014 and gave them consolation money of RMB730,000.

6. Social contribution

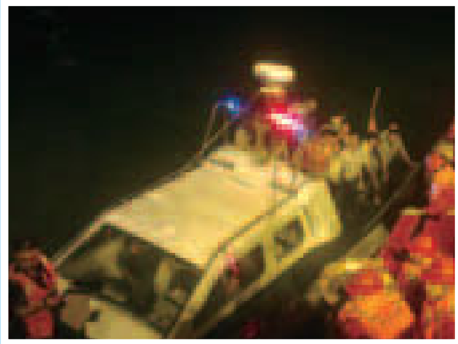
(1) Management of welfare donations

Our welfare and charity committee (hereinafter referred to as "the Committee") was established according to "Company's articles" and we developed the "Articles of association of the welfare and charity committee of COSL" for the guidance of implementation of charity donation programs related to national disaster relief, poverty alleviation, donating money and etc..

The Committee is made up of leadership members of the Company and has an office (hereinafter referred to as "Office"). The Committee is responsible for implementing charity projects authorized, delegated and approved by the Board, the coordination of all kinds of charity work of the Company and management and use of charity funds and etc. while the Office is responsible for promoting all kinds of charitable activities under the supervision of the administrative department. The Company donated RMB652,000 on charity in total in 2014.

(2) Marine salvage

Over the years, while ensuring its production safety, the Company made use of its advantages in resources to actively participate in marine salvage. In 2014, the Company mobilized 25 vessel-times and participated in 23 marine salvages, rescued 20 vessels and 173 persons. In 2014, the Company was awarded various recognitions on marine salvage. The Zhanjiang operating company of the Company's marine support and transportation division was awarded the "advanced unit in marine salvage in 2014" by the Beihai Maritime Search and Rescue Center. The Tanggu operating company of the Company's marine and support and transportation division was also awarded the "advanced unit in marine salvage in 2014" by Tangshan Maritime Search and Rescue Center.



"NH215" rescued "Xing Tai Yuan766"

(3) Harmonious construction

1. Promoting employment

With the continuous development of the Company's businesses, the Company focused on recruitment from colleges as well as the society and recruited 1,871 employees of different roles in 2014, which created employment opportunities.

2. Supporting education

In 2014, we continued to make donating money for education as an important way to practice social responsibility and we supported the development of education in poor areas through donating materials and money for kids to enjoy more educational resources.

In October 2014, COSL volunteers came to Tianjin Yangcun No.1 High School to donate materials and money for the sixth time. From 2008, there are 1,280 volunteers participated in this activity with a total donation of RMB48,100 and supported 20 poor students.

3. Care for the community

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

Case

Overseas Community Construction

On 6th January 2014, COSL Mexican Company celebrated "Three King's Day" which is Mexican Children's Day with nearly 6,000 local children with 6,000 gifts and blessings prepared for kids.

"COSL Mexican Company has set up in Mexico for 9 years. We have been committed to fulfill its social responsibilities, sought to achieve win-win and coordinated development of the Company and its stakeholders and promoted the synchronization of company value and social value."

——President of COSL Mexican Company Yang Jun

"Thanks for COSL Mexican Company sending 6,000 gifts to children in Carmen City on Mexican "Children's Day". They are not only holiday gifts but also sincere blessing from COSL Mexican Company to children in Carmen City and the contribution to Carmen City."

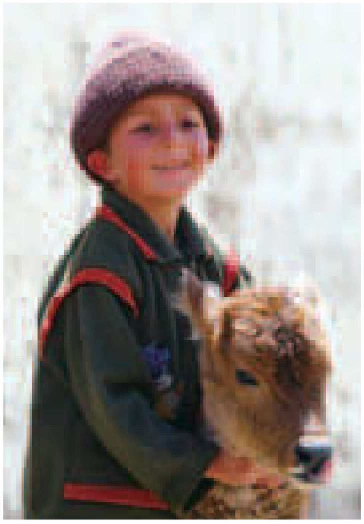
——Responsible person for National Integral Family Development Center in Carmen City, Mexico Carina Gonzalez

4. Volunteer work

The Company set up a team of young volunteers and encouraged the employees to participate in volunteer work and to practice the volunteer spirit of "dedication, friendship, mutual aid and progress" to care for the society. Through volunteer work, the Company encouraged its employees to participate and provide caring for the society together. The Company also carried out volunteer and charity activities such as blood donation, public environmental protection and other forms of activities, organized 30 volunteer service teams and activities 23 times with nearly 1,300 person-times participated in the activities in 2014.

Case

Little Balang went to school



COSL Xinjiang Branch Company staff found a little kid crying for lossing his cow on the way to well and then learned that this 10 years old child had not been able to go to school for poverty, so the Company listed his family on the unit's poverty alleviation list. Since then, he can learn at school. COSL Xinjiang Branch Company has helped more than 40 poor families and donated more than RMB100,000 from Special Charity Fund since working in Xinjiang.

Special topic

COSL Hope Primary School

The Company actively involved in public charity and supported the development of education in poor areas. Since 2007, the Company has donated RMB12,000,000 to build 12 "COSL Hope Primary Schools" in Yunnan and Hainan provinces, 7 in Yunnan and 5 in Hainan provinces. More than 4,000 students are benefited.

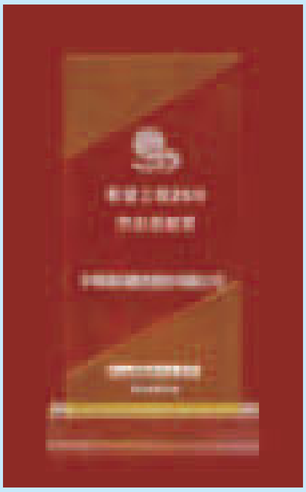
Based on its corporate ideology of "always do better" and the principle of "a primary hope school is an excellent project", COSL developed "China's CNOOC COSL Hope Primary School Construction Supervision and Management Regulations" during the construction of hope primary schools. Under our management model, we not only completed the construction work in the beginning stage, but also focused on subsequent assistance, which was acclaimed as an "excellent model" for hope primary schools by China Youth Development Foundation. COSL also was awarded "Special Award for 25 years Hope project Contribution" for its consistent performance of their social responsibility by China Youth Development Foundation and the Special Award of China CSR Honor Roll and Outstanding Corporate Award for social responsibility by China Enterprise Confederation Management Consultation Committee.

"The teachers of Hope Primary Schools and offshore oil workers have one thing in common, that is they all stick with a responsibility. Hope Primary School teachers hold the hope of the future with selfless dedication and we should do our job better to make our company develop better and to take more social responsibility. "

——IT support service center

Liu Fan

Blackboard "A letter to COSL" of Luoji Hope Primary School in Zhaotong City of Yunnan Province



The Company was awarded "Special Award for 25 years Hope project Contribution" by China Youth Development Foundation in 2014.

2012.6.

Qunying COSL Hope Primary School in Lingshui County, Hainan Province

Construction sites: Qunying Country Lingshui County, Hainan Province

2011.5.

Danlu COSL Hope Primary School in Longguang Town Lingshui County, Hainan Province

Construction sites: Danlu Village Longguang Town, Lingshui County, Hainan Province

2010.10.

Zhongxinwei COSL Hope Primary School in Tanniu Town Wenchang City, Hainan Province

Construction sites: Zhongxinwei Tanniu Town Wenchang City, Hainan Province

2010.8.

Buxiao COSL Hope Primary School in Xinzhu Town Ding'an County Hainan Province

Construction sites: Xinzhu Town Ding'an County Hainan Province

2010.6.16.

COSL Shumuke Hope Primary School

Construction sites: Luozehe Town Yiliang County Zhaotong City, Yunnan Province

2009.6.20.

COSL Luoji Hope Primary School

Construction sites: Dazhai Town Qiaojia County Zhaotong City, Yunnan Province

2011.8.22.

COSL Zhouneng Hope Primary School

Construction sites: Lijiao Town Binchuan County Dali, Yunnan Province

2010.11.30.

COSL Xihe Complete Hope Primary School

Construction sites: Midu Xinjie Town Dali City, Yunnan Province

2010.9.

Bocai COSL Hope Primary School in Chengmai County, Hainan Province

Construction sites: Fushan Town, Chengmai County, Hainan Province

2010.6.16.

COSL Taiping Hope Primary School

Construction sites: Luozehe Town Yiliang County Zhaotong City Yunnan Province

2009.7.18.

COSL Zhangjiaping Hope Primary School

Construction sites: Huodehong Country Ludian County Zhaotong City, Yunnan Province

2009.3.20.

COSL Dabailu Hope Primary School

Construction sites: Jiangdi Country Ludian County Zhaotong City, Yunnan Province

Students are having classes in clean and tidy classrooms

Case

COSL Hope Primary School survives in Ludian earthquake

On 3 August 2014, a magnitude 6.5 earthquake occurred in Ludian county of Zhaotong City, Yunnan Province. Two COSL Hope Primary Schools located in hardest hit, Qingjiao village Jiangdi town and Huodehuo village Huodehong town in Ludian county, were in good condition with slight cracking in walls and no damage in main school building. The school put up tents to provide shelter for more than 10 villages. Other 5 COSL Hope Primary Schools located in the earthquake area are not affected at all. No reports on casualties and buildings damage from COSL Hope Primary Schools in earthquake area received. To further improve the recovery of two schools and to aid affected students, the Committee of the Company decided to donate RMB500,000.

Students are wearing uniforms donated by the Company

Employees working offshore donating for Hope Primary School

The Company donated for Hope Primary School Special Incentive Fund

After Hope Primary School completed, the Company maintained long-term contact with China Youth Development Foundation, Yunnan Youth Development Foundation, local Department of Education and the schools actively and sustained assistance activities. At the same time, we established in 2012 outstanding teachers and students special incentive fund for Hope Primary Schools and raised a total employee contributions of RMB550,000 and rewarded outstanding teachers and students before or after Teachers' Day every year. For two years, we rewarded 761 outstanding teachers and students and granted incentive fund more than RMB 90,000 in total. In addition, we organized rural primary school teachers to carry out visits and exchanges to learn the outside world so as to inject more power to rural education.

17 outstanding teachers from Yunnan and Hainan participated in exchange activities

"We are all COSL hope primary school teachers, but because we teach in different places, so we have little contact. This exchange activity organized by COSL provides an opportunity for teachers in Yunnan to know each other better and also to get to know teachers in Hainan. This is a reunion for a large family, and it will be more convenient for our future communication."

——Teacher of China's CNOOC Taiping Hope Primary School in Luozehe Town, Yiliang County

Qian Daogui

PROSPECT

Looking forward to 2015, the sharp fall of oil prices tremendously impacted on the market, the surplus of large offshore equipment began to deteriorate, which will bring more intense competition to the market. We will study the situation carefully and adjust strategy actively to enhance our competitiveness and ability for sustainable development so as to contribute more to the economic, social and environmental development.

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

Increase income and reduce consumption. We will adjust market strategy actively and take specific policies for different key areas and implement integrated turnkey business successfully. We will take the advantages of "low cost, good service and high efficiency" of the Company to enhance the Company's influence and brand reputation, and to implement cost reduction and efficiency enhancing programs according to the goal of reducing variable costs.

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

Promote environmental friendly development. The Company will strictly comply with the requirements of related "Safety Production Law" and "Environmental Protection Law" and increase publicizing and training of the laws and regulations. It will also continue to promote clean production, increase efforts in energy saving and emission reduction and push forward its low carbon operation so as to take part in the establishment of an ecological culture.

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

Directors, Supervisors, Senior Management and Employees

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

Unit: shares

Name	Position (Note)	Sex	Age	Commencement date of term	Expiry date of term	Number of shareholding at the beginning of the year	Number of shareholding at the end of the year	Change of shareholding during the year	Reason of change	Total remuneration received from the Company during the reporting period (10,000 Yuan) (before tax)	Remuneration received from the shareholding company during the reporting period (10,000 Yuan)
Liu Jian	Chairman, non-executive director	Male	56	2012-6-5	2015-6-4						
Li Yong	Executive director, CEO and president	Male	51	2012-6-5	2015-6-4					104.25	
Li Feilong	Executive director, Executive vice president and CFO	Male	50	2013-12-20	2016-12-19	50,000	60,000	10,000	H shares bought	73.49	
Zeng Quan	Non-executive director	Male	54	2013-5-24	2016-5-23						69.69
Tsui Yiu Wa	Independent non-executive director	Male	65	2012-6-5	2015-6-4					40.00	
Fong Wo, Felix	Independent non-executive director	Male	64	2013-5-24	2016-5-23					40.00	
Law Hong Ping, Lawrence	Independent non-executive director	Male	60	2014-5-23	2017-5-22					20.00	
Chen Quansheng	Former Independent non-executive director	Male	64	2013-5-24	2014-5-23					20.00	
Zhang Zhaoshan	Chairman of Supervisory Committee	Male	59	2013-5-24	2016-5-23						58.82
Li Zhi	Employee Supervisor	Male	50	2013-5-16	2016-5-15					56.23	
Wang Zhile	Independent Supervisor	Male	66	2012-6-5	2015-6-4					8.00	
Dong Weiliang	Executive vice president and CIO	Male	57	2007-6						85.06	
Cao Shujie	Vice president	Male	50	2010-3						62.58	
Zi Shilong	Vice president	Male	43	2013-8						62.72	
Qi Meisheng	Vice president	Male	46	2013-12						67.47	
Yang Haijiang	Secretary of the board	Male	45	2010-4						53.99	
Xu Xiongfei	Former Vice president, chairman of Labour Committee	Male	53	2007-6	2014-7					81.45	
Yu Zhanhai	Former Vice president	Male	60	2007-8	2014-9					60.73	
Kang Xin	Former Vice president and Chief Legal Officer	Female	40	2013-8	2014-9					61.73	
Total	/	/	/	/	/	50,000	60,000	10,000	/	897.70	/

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

Board of Directors:

Mr. Liu Jian, Chinese, born in 1958, Chairman and a Non-Executive Director of COSL. He graduated from Huazhong University of Science and Technology with a Bachelor of Science degree and received his MBA degree from Tianjin University in 2000. Mr. Liu is a senior engineer. Mr. Liu first joined CNOOC in 1982 and has over 33 years of experience in the oil and gas industry. He served as the manager of CNOOC Bohai Corporation Oil Production Company, a subsidiary of CNOOC, the Deputy General Manager of the Tianjin Branch of CNOOC China Limited, the General Manager of the Zhanjiang Branch of CNOOC China Limited, the Senior Vice President and General Manager of the Development and Production Department of CNOOC Limited, the director of CNOOC China Limited, CNOOC International Limited and CNOOC Southeast Asia Limited. Since October 2005, he became the executive vice president of CNOOC Limited and was primarily responsible for the offshore oilfield development and production of CNOOC Limited. Mr. Liu has been appointed as the Chief Executive Officer of COSL with effect from March 2009. In June 2009, Mr. Liu was appointed as Vice-Chairman of COSL. In May 2010, Mr. Liu was appointed as Deputy General Manager of CNOOC. He was also appointed as Chairman of COSL and Offshore Oil Engineering Co., Ltd in August and December 2010 respectively.

Mr. Li Yong, Chinese, born in 1963, Executive Director, Chief Executive Officer and the President of COSL. He graduated from Southwest Petroleum Institute with a Bachelor in Petroleum Engineering in 1984. Mr. Li obtained a master degree in Oil Economics from the Scuola E Mattei of Italy in 1989 and an MBA from Peking University in 2001. Since August 2010 Mr. Li has been the Executive Director, Chief Executive Officer and President of COSL. From April 2009 to August 2010, he served as Executive Director and President of COSL. From May 2006 to April 2009, he served as Executive Director, Executive Vice President and Chief Operating Officer of COSL. From October 2005 to May 2006, Mr. Li was Executive Vice President and Chief Operating Officer of COSL. From 2003 to 2005, Mr. Li served as Deputy General Manager of Tianjin Branch of CNOOC China Ltd.. He was Director of Drilling and Completion Well of CNOOC Ltd from 1999 to 2003. Between 1993 and 1999, Mr. Li was Head of Comprehensive Technology Division and Head of Well Testing Division of Exploration Department of CNOOC. Mr. Li joined CNOOC in 1984 and had served in various positions, including Assistant Engineer and Engineer at China Offshore Oil Exploration Project Planning Company, CNOOC Operational Department, and has worked in the oil and natural gas industry for over 31 years.

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

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

Mr. Tsui Yiu Wa, China (Hong Kong) by nationality, born in 1949, an Independent Non-Executive Director of COSL. He has more than 34 years of experience in the securities market and financial management. Mr. Tsui graduated from the University of Tennessee with a Bachelor of Science degree and a master of engineering degree in industrial engineering. He completed the program for senior managers in government at the John F. Kennedy School of Government at Harvard University. Mr. Tsui served at various international companies, including Arthur Andersen & Co and Swire Bottlers Limited, and China Light and Power Company Limited for 12 years in relation to information technology, financial analysis, corporate planning and management. He was the general manager (finance, technology & human resources), an assistant director (licensing) and the general manager (human resources) of the SFC from 1989 to 1993. Mr. Tsui joined the Hong Kong Stock Exchange in 1994 as an executive director of the finance and operations services division and became the chief executive from 1997 to July 2000. From 2001 to 2004, he was chairman of the Hong Kong Securities Institute. He was an adviser and a council member of the Shenzhen Stock Exchange from July 2001 to June 2002. Mr. Tsui is an independent non-executive director of Commercial Bank of China (Asia) Limited. He is also currently an independent non-executive director of a number of listed companies in Hong Kong, Shanghai, the Philippines and NASDAQ, the United States, namely COSCO International Holdings Ltd., China Power International Development Ltd., Melco PBL Entertainment (Macau) Limited, Pacific Online Limited, Summit Ascent Holdings Limited, ATA Inc., Melco Crown (Philippines) Resorts Corporation (formerly known as Manchester International Holdings Unlimited Corporation) and Kangda International Environmental Company Limited.

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

Mr. Law Hong Ping, Lawrence, China (Hong Kong), by nationality born in 1954, graduate of Queen Mary College of the University of London with a Master's degree in Econometrics, Independent Non-Executive Director of COSL, he has over 30 years of management experience in banking and property leasing. Mr. Law is the founder and chairman of Vincera Consulting Limited. Mr. Law started his career as a planner in China Light and Power Co. Ltd. (now CLP Power Hong Kong Limited) and was involved in tariff and long term planning on electricity power in Hong Kong. He then worked for 23 years with HSBC and held various management positions covering a spectrum of activities of the bank. Mr. Law's last position with HSBC was Head of Banking Services, being the business and products head for key banking products. Mr. Law subsequently joined Bank of China (Hong Kong) Limited as General Manager for Retail Banking and as an Associate Director of Sino Land Company Limited responsible for leasing. Mr. Law was an external supervisor of Ping An Bank between 2010 and early 2014. Mr. Law graduated from the Middlesex Polytechnic University with a Bachelor's degree in Social Science, major in Economics, and obtained a Master's degree in Econometrics from Queen Mary College of the University of London in 1980. He is also the honorary treasurer and financial adviser of the Hong Kong Girl Guides Association.

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

Board of Supervisors:

Mr. Zhang Zhaoshan, Chinese, born in 1955, Chairman of Supervisory Committee of COSL. He worked in the Infrastructure Department and the Finance Department of Qingdao Red Flag Chemical Plant, from July 1979 to August 1988 and was appointed the Deputy Chief of the Finance Department of Qingdao Red Flag Chemical Plant from August 1988 to June 1992 and Chief of the Finance Department from June 1992 to March 1994. From March 1994 to July 1995, Mr. Zhang was the Chief of Finance Department of Guangyi Chemical Plant in Qingdao. Between July 1995 and January 1997, he was Deputy Director of the Finance Department of Qingdao Huachen Chemical Corporation and he was the Director of the Finance Department of Qingdao Huachen Chemical Corporation from January 1997 to November 1998. Mr. Zhang joined China Chemical Supply & Sales (Group) Corporation as the Deputy Director of the Finance Department from November 1998 to December 1999 and was appointed Director of the Finance Department from December 1999 to September 2001, and Deputy Chief Accountant from September 2001 to November 2003 and the Chief Accountant from November 2003 to March 2008. From March 2008 to December 2009, Mr. Zhang was the Chief Financial Officer of China National Offshore Oil Corporation Sales Company. From January 2010 to March 2013, Mr. Zhang was the Chairman of the Appointed Supervisory Board of China National Offshore Oil Corporation, and is the Chairman of the respective supervisory committees of China National Offshore Oil Import and Export Corporation, CNOOC Finance Corporation Limited, CNOOC Self-Insurance Company, CNOOC Investment Holdings Limited and CNOOC Trust Co., Ltd. Since May 2013, he has been the chairman of the Supervisory Committee of COSL and CNOOC EnerTech, and has been the chairman of the Supervisory Committee of CNOOC Shanxi Energy Investment Ltd since November 2014.

Mr. Li Zhi, Chinese, born in 1964, Employee Supervisor of COSL. He received a bachelor's degree in petroleum geology from the Chengdu Institute of Geology. Since May 2013, he has served as an Employee Supervisor of COSL. He has served as the general manager of the human resources department of the Company and the dean of the CNOOC COSL Engineering and Technology Institute since August 2012. From February 2010 to July 2012, he served as the general manager of the audit and supervision department of the Company. From August 2009 to January 2010, he served as the vice president of COSL Drilling Pan-Pacific Ltd. in Singapore. From December 2007 to July 2009, he served as the training and development manager of the human resource department of the Company. From February 2006 to November 2007, he served as the training manager of the human resource department of the Company. From January 2002 to January 2006, he served as the manager of the human resource department of China France Bohai Geoservices Co., Ltd. From June 1996 to December 2001, he served as the safety and quality control manager of China France Bohai Geoservices Co., Ltd. From May 1995 to May 1996, he served as the research and development engineer of HR Technology Development Company of CNOOC Technology Services Company. From April 1993 to April 1995, he served as mud logging captain of China France Bohai Geoservices Co., Ltd. From July 1987 to March 1993, he served as the mud logging engineer of Bohai Petroleum Geological Services Company Limited. Mr. Li Zhi has over 28 years of experience in the oil and gas industry.

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

Biographies Of Company's Senior Management:

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

Mr. Dong Weiliang, Chinese, was born in 1957, Executive Vice President of COSL, Bachelor in Petroleum Geology of Geological Department. Mr. Dong has been Executive Vice President and Legal Advisor of COSL since September 2011, and Executive Vice President and Chief Technical Officer of COSL from June 2007 to September 2011. He served as General Manager of Technology Development Department of CNOOC between July 2003 and June 2007. He subsequently held the position of CNOOC Research Center Director from May 2001 to July 2003. Between April 1999 and May 2001, Mr. Dong was Deputy General Manager at CNOOC China Limited – Zhanjiang Branch. Mr. Dong had held a number of positions in China Offshore Oil Nanhai West Corporation, including Chief Geologist from September 1996 to April 1999, President of Research Institute of Exploration and Development Science from May 1994 to September 1996, Vice President of Research Institute of Exploration and Development Science from May 1993 to May 1994, Assistant and Group Leader in Research Institute from 1982 to 1993. Mr. Dong has over 33 years of working experience in the oil and natural gas industry.

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

Mr. Cao Shujie, Chinese, born in 1964, Vice President of COSL. He graduated from the East China Petroleum Institute in 1987 and received his MBA and EMBA degree from Tianjin University and China Europe International Business School respectively. Mr. Cao was appointed as Vice President of COSL in March 2010. Between April 2006 and March 2010, he was the general manager of the Drilling Division of COSL. From November 2001 to April 2006, he was the deputy general manager of the Drilling Division of COSL. He has been the drilling team leader, deputy superintendent, platform deputy manager and platform manager in Bohai Oil Corporation and China Offshore Oil Northern Drilling Company during the period from July 1987 to November 2001. Mr. Cao has around 28 years of experience in the oil and natural gas industry.

Mr. Zi Shilong, Chinese, born in 1971, Vice President of COSL. He obtained a bachelor's degree in oil engineering from the University of Petroleum (East China) and a master's degree in oil corporation management from the training institute of ENI S.p.A. in Italy. Since August 2013, Mr. Zi has been the vice president of COSL. From July 2012 to August 2013, Mr. Zi has been the Assistant to President of COSL. He was the general manager of the Human Resources Department of COSL from February 2010 to July 2012. Between March 2006 and January 2010, Mr. Zi was the general manager of the Indonesian company of COSL. He has been the deputy general manager of the Production Optimization Division of COSL from December 2005 to March 2006. Between November 2002 and December 2005, he was the general manager of the cementing service center of the Oilfield Technical Services Division of COSL. From January to November 2002, he was the manager of the Cementing Division of COSL. Between August and December 2001, he was the deputy manager of the cementing company of Petrotech Services, CNOOC. He was the project manager of the Project Division of Petrotech Services, CNOOC from July 2000 to July 2001. He studied at the training institute of ENI S.p.A. in Italy from July 1999 to July 2000 and was an engineer of the cementing company of Petrotech Services, CNOOC from July 1994 to July 1999. He has been working in the petroleum and natural gas industry for over 21 years.

Mr. Qi Meisheng, Chinese, was born in 1968, Vice President of COSL, Graduated from China University of Petroleum, granted EMBA of CEIBS in 2013. He became Vice President of COSL since December 2013. From June 2010 to December 2013, he served as GM of COSL Drilling. From May 2009 to June 2010, he served as Vice GM of COSL Drilling and CEO of CDE. From September 2008 to May 2009, he served as Vice GM of COSL Drilling and Director Assistant of CDE. From July 2006 to September 2008, he served as Vice GM of COSL Drilling. From March 2006 to July 2006, he served as Assistant of GM in COSL Drilling. From December 2004 to March 2006, he served as Safety Director of COSL Drilling. From January 2002 to December 2004, he served as Rig Manager of NH6. From August 2000 to January 2002, he served as Rig Manager of NH2. He served variety positions such as Roustabout, Floorman, Derrickman, Assistant Driller, Driller, Toolpusher and Senior Toolpusher in Nanhai West Oil Company from July 1991 to August 2000. Mr. Qi has been working in oil & gas industry for more than 24 years.

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

Mr. Xu Xiongfei, Chinese, was born in 1961, former Vice President of COSL, EMBA, CSERM. He was Vice President of the Company from June 2007 to July 2014. He had been serving as Chairman of Labour Committee of COSL from October 2005 to July 2014. From September 2002 to October 2005, Mr. Xu was General Manager of Human Resources Department of COSL. From December 2001 to September 2002, he served as General Manager of Human Resources Department of COSL before the Company was restructured into a limited liability entity. He served as Deputy Secretary of Party Committee and Discipline Committee Secretary of China Offshore Oil Northern Drilling Company between October 2000 and December 2001. From 1995 to 2000, Mr. Xu was Director of Party Office and Vice-Chairman of Labour Union at China Offshore Oil Northern Drilling Company. He had held a number of positions in Bohai Oil Corporation, including Secretary and Deputy Director of Administration Office from 1993 to 1995, Party branch secretary of BH12 from 1991 to 1993, between 1977 and 1991, driller, mechanic, electrician and secretary in Team 32220 at Drilling Department, BH8, and Party Committee Office. Mr. Xu has over 38 years of experience in the oil and natural gas industry.

Mr. Yu Zhanhai, Chinese, was born in 1954, former Vice President of COSL, Bachelor in Geophysics. He was Vice President of COSL from August 2007 to September 2014. He was General Manager of Geophysical and Surveying Services Division of COSL from September 2002 to August 2007. Between January and September 2002, he served as General Manager of Geophysical and Surveying Services Department of COSL before the Company was restructured into a limited liability entity. Mr. Yu was Deputy General Manager of China Offshore Oil Geophysical Corporation from January 1994 to December 2001. He also held various positions in Bohai Oil Geophysics Company, including Manager from September 1993 to January 1994 and Deputy Manager from November 1992 to August 1993. Between 1982 and 1992, Mr. Yu had held various positions in Geophysical Fleet of CNOOC, including technician, assistant engineer, engineer, manager of the fleet and department head of operation department. From 1979 to 1982, he worked in the geophysical service fleet of Offshore Oil Exploration Bureau.

Ms. Kang Xin, Chinese, born in 1974, former Vice President and Chief Legal Officer of COSL. She graduated from Peking University Law School with a Bachelor Degree in Economic Law and International Economic Law (Double Major). She received a Master of Laws from University of California Berkeley. She has served as Vice President and Chief Legal Officer of COSL from August 2013 to September 2014. She was the General Manger of Legal Department of CNOOC and CNOOC Limited from November 2009 to August 2013. She was the senior legal advisor of CNOOC Limited from November 2008 to November 2009. She served as the Company Secretary of CNOOC Limited from April 2007 to November 2008. She served as Manager of the Legal Consultation Division of Legal Department at CNOOC and CNOOC Limited from June 2004 to April 2007. She was the legal advisor of CNOOC Shell Petrochemicals Company Limited from December 2000 to May 2004. She was the legal advisor of Department of Contract, Treaty and Law of CNOOC from August 1997 to December 2000.

II. SHARE APPRECIATION RIGHTS GRANTED TO THE DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT DURING THE REPORTING PERIOD

☐ Applicable √ Not applicable

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

1. Work Positions in the shareholding Company

Name	Name of the shareholding company	Position	Commencement date of term	Termination date of term
Liu Jian	China National Offshore Oil Corporation	Vice General Manager	May 2010	Until now
Zeng Quan	China National Offshore Oil Corporation	General Manager of Financial Assets Department	December 2011	Until now

2. Work Positions in Other Companies

Name	Name of other companies	Position in other companies	Commencement date of term	Termination of term
Tsui Yiu Wa	WAG Worldsec Corporate Finance Limited in Hong Kong etc.	Chairperson	2006	Until now
Fong Wo, Felix	King & Wood Mallesons	Lawyer consultant	2006	Until now
Law Hong Ping, Lawrence	Vincera Consulting Limited	Chairman	2012	Until now
Chen Quansheng	Counselors' Office of the State Council	Counselor of the State Council	2008	Until now

IV. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures of remuneration of Directors, Supervisors and Senior Management	Remunerations of Directors and Supervisors are subject to shareholders' approval at general meetings. Remunerations of Senior Management are subject to the approval of the Board of Directors.
Reference for determining remunerations of Directors, Supervisors and Senior Management	Depends mainly on the duties and responsibilities of the Directors, Supervisors and Senior Management, and the results of the Company.
The remuneration payable to Directors, Supervisors and Senior Management	RMB10.2621 million
Total actual remuneration of Directors, Supervisors and Senior Management at the end of the reporting period	RMB10.2621 million

V. CHANGE OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Change of directors

The Company convened the 2013 annual general meeting on 23 May 2014. Mr. Law Hong Ping, Lawrence was elected as an independent non-executive director of the Company with a term of office for three years starting from the date the resolution was passed at the annual general meeting. Mr. Chen Quansheng ceased to be an independent non-executive director of the Company according to the latest regulation about working for enterprises by governmental officials.

2. Change of senior management

(1) In July 2014, Mr. Xu Xiongfei no longer worked as Vice president, chairman of Labour Committee due to changes in work arrangements.

(2) In September 2014, Mr. Yu Zhanhai no longer worked as Vice president of the Company due to retirement.

(3) In September 2014, Ms. Kang Xin resigned and no longer worked as Vice president of the Company and Chief Legal Officer.

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

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

VII. EMPLOYEES OF THE COMPANY AND ITS MAJOR SUBSIDIARIES

(1) Employees

Number of existing employees of the Company	14,810
Number of existing employees of major subsidiaries	1,286
Total number of existing employees	16,096
Number of retired employees whose expenses need to be borne by the Company	0

Professional compositions

Professional type	*Number of employees*
Management post	3,294
Technical post	5,658
Operational post	7,144
Total	16,096

Educational level

Educational Level	*Number of employees (person)*
Master degree & above	727
Bachelor’s degree	6,878
Below bachelor’s degree level	4,236
Technical schools & alike	1,882
High school and below	2,373
Total	16,096

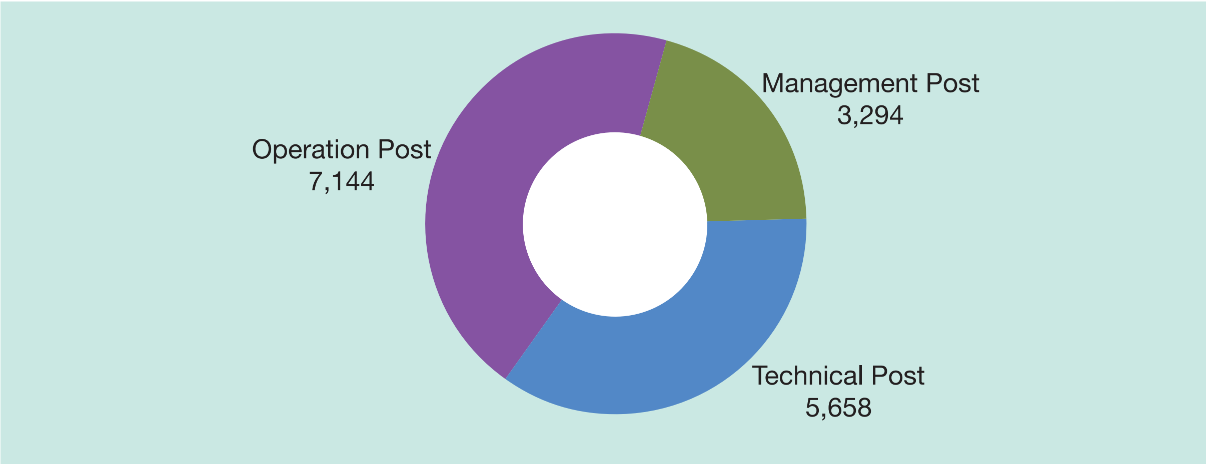
(2) **Remuneration Policies**

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

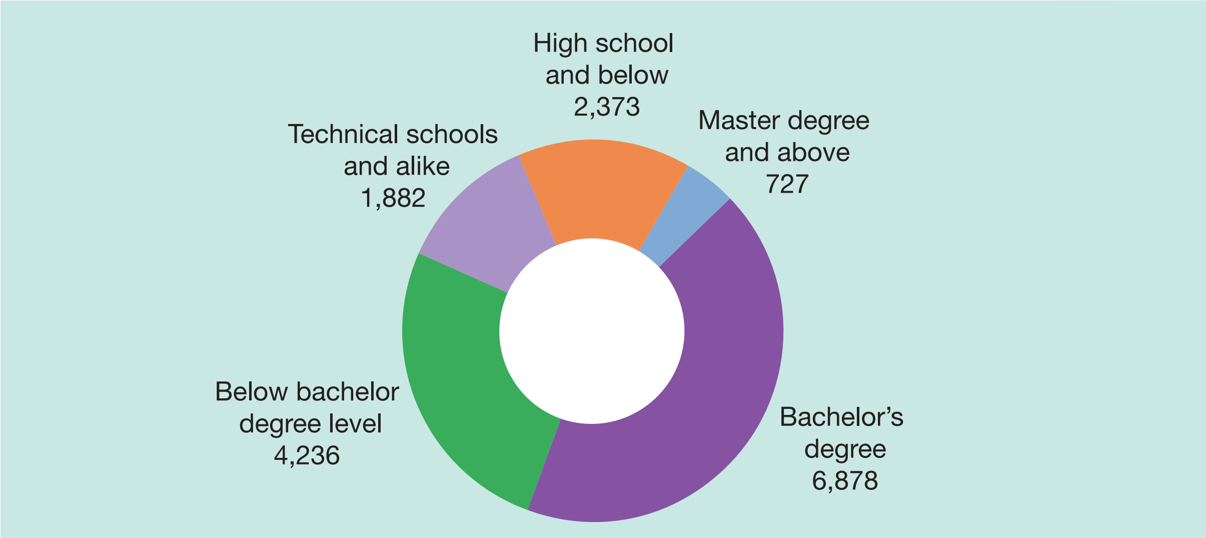
(3) **Training Plan**

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

(4) **Chart of professional compositions**



(5) **Chart of educational level**



Report of the Directors

The directors present the report and the audited financial statements of the Company and its subsidiaries (hereinafter collectively referred to as "the Group") for the year ended 31 December 2014.

DIRECTOR'S WORK

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

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDENDS

The Group's profit prepared under Hong Kong Financial Reporting Standards for the year ended 31 December 2014 and the statement of financial position of the Company and the Group at that date are set out in the financial statements of this annual report on pages 138 to 143.

The Directors recommend the payment of a final dividend of RMB48 cents (tax inclusive) per ordinary share in respect of the year to shareholders who are entitled to dividends. This recommendation has been incorporated as proposed cash dividends within the retained profits section of the consolidated statement of financial position. The total dividend amounts to approximately RMB2,290,364,000 (tax inclusive). Further details of this accounting treatment are set out in the Note 14 to financial statements in this annual report.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 31 December 2014 are set out in Note 19 to the financial statements in this annual report.

GEARING RATIO

The details of gearing ratio of the Group as at 31 December 2014 are set out in Note 42 to the financial statements in this annual report.

REMUNERATION POLICIES

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

SHARE CAPITAL

The Company completed the placing of 276,272,000 H shares on 15 January 2014, after which its total capital was increased from 4,495,320,000 shares to 4,771,592,000 shares.

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTING SECURITIES OF THE COMPANY

The Company placed 276,272,000 H shares on 15 January 2014 and raised fund of approximately HK$5,885 million. Save for the placing, neither the Company nor its subsidiaries purchased, redeemed or sold any of its listing securities during this year.

SUMMARY OF FINANCIAL INFORMATION

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

Unit: RMB'000

	2014	2013	2012	2011	2010
Revenue	32,993,239	27,363,812	22,104,699	18,426,133	17,560,985
Other revenues	223,721	163,306	174,043	112,710	88,633
	33,216,960	27,527,118	22,278,742	18,538,843	17,649,618
Depreciation of property, plant and equipment and amortisation of intangible assets	(3,769,586)	(3,310,618)	(3,173,463)	(3,069,595)	(3,122,338)
Employee compensation costs	(4,380,705)	(4,080,092)	(3,671,357)	(3,311,579)	(2,938,103)
Repair and maintenance costs	(1,094,907)	(930,115)	(793,854)	(538,646)	(437,722)
Consumption of supplies, materials, fuel, services and others	(5,955,000)	(4,897,780)	(4,071,683)	(3,447,908)	(3,277,048)
Subcontracting expenses	(5,445,405)	(3,913,722)	(2,825,522)	(1,514,062)	(1,143,711)
Operating lease expenses	(1,605,992)	(1,093,744)	(709,645)	(433,126)	(379,690)
Other operating expenses	(2,165,245)	(1,652,789)	(1,318,181)	(1,165,357)	(978,539)
Impairment of property, plant and equipment	(374,185)	–	(96,420)	(75,796)	(172,401)
Total operating expenses	(24,791,025)	(19,878,860)	(16,660,125)	(13,556,069)	(12,449,552)
Profit from operations	8,425,935	7,648,258	5,618,617	4,982,774	5,200,066
Exchange (loss)/gains, net	(5,690)	(6,403)	(41,913)	60,521	87,584
Finance costs	(587,535)	(638,328)	(512,718)	(469,743)	(674,152)
Interest income	155,033	124,555	127,460	63,804	76,900
Investment income	193,795	94,302	2,169	–	–
Share of profits of joint ventures, net of tax	340,954	297,221	243,193	174,273	143,839
Profit before tax	8,522,492	7,519,605	5,436,808	4,811,629	4,834,237
Income tax expense	(1,002,309)	(793,171)	(867,038)	(772,094)	(706,239)
Profit for the year	7,520,183	6,726,434	4,569,770	4,039,535	4,127,998

ASSETS AND LIABILITIES

Unit: RMB'000

	2014	2013	2012	2011	2010
Total assets	86,874,307	79,262,283	74,648,528	64,851,142	63,497,392
Total liabilities	39,552,208	42,002,480	42,443,614	36,391,988	37,907,467

PROPERTY, PLANT AND EQUIPMENT

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

DIVIDEND

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

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

In 2014, based on a net profit of RMB7,520,182,569 achieved by the Group (of which net profit attributable to the owners of the Company amounted to RMB7,492,057,527) plus the retained profit of RMB23,007,279,491 as at the beginning of the year and deducted the dividend of 2013 of RMB2,051,784,560 declared and paid in 2014, the total distributable profit would be RMB28,447,552,458 at the end of 2014. The Company recommended a cash dividend of RMB0.48 per share (tax inclusive) on the basis that the total share capital was 4,771,592,000 shares as at 31 December 2014. The total dividend amounts to RMB2,290,364,160 and the balance of retained profit of RMB26,157,188,298 will be carried forward to the following years.

According to the Company Law and the Articles of Association of the Company, the accumulated statutory common reserve fund of the Company for 2013 has reached more than 50% of the registered capital of the Company, no further provision of such fund is required for this year.

Such distribution proposal will be proposed at the Annual General Meeting of 2014 of the Company for approval.

Dividend of the Group in the previous four years:

Unit: thousand yuan Currency: RMB

Dividend year	Cash dividend per 10 shares (yuan) (tax inclusive)	Cash dividend (tax inclusive)	Net profit attributable to equity holders of the Company in the consolidated financial statement	Percentage of net profit attributable to equity holders of the Company in the consolidated financial statement (%)
2014	4.8	2,290,364	7,492,058	31
2013	4.3	2,051,785	6,715,967	31
2012	3.1	1,393,549	4,559,354	31
2011	1.8	809,158	4,039,277	20

CHARITABLE CONTRIBUTIONS

During the year, the Group made charitable donations totaling RMB616,200.

MAJOR CUSTOMERS AND SUPPLIERS

During the reporting period, sales to the Group's five largest customers accounted for approximately 83.0% of the total sales for the year and sales to the largest customer included therein accounted for approximately 65.7%. Purchases from the Group's five largest suppliers accounted for approximately 18.9% of the total purchases for the year; and purchases from the Group's largest supplier accounted for approximately 6.2% of the total purchases for the year.

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

ASSETS MEASURED AT FAIR VALUE

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

OUTLOOK OF THE COMPANY

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

PROGRESS OF PROJECTS FINANCED BY NON-PUBLIC RAISED PROCEEDS

Unit: RMB'000

Project Name	Amount	Progress	Invested amount for the year	Accumulated actually invested amount	Revenue
Construction of COSLProspector semi-submersible drilling rig	4,114,720	Commissioning after completing construction	589,788	4,033,131	Commissioning after completing construction, no revenue yet
Construction of a 5,000-feet deep-water semi-submersible drilling rig	3,917,235	Approved and under construction	274,930	466,865	Under construction, no revenue yet
Total	8,031,955	/	864,718	4,499,996	/

CHARGE ON ASSETS

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

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any contingent liabilities.

DIRECTORS AND SUPERVISORS

The directors and supervisors of the Company as at 31 December 2014 were:

Non-executive directors:	**Executive directors:**	**Independent Non-Executive directors:**
Liu Jian	Li Yong	Tsui Yiu Wa
Zeng Quan	Li Feilong	Fong Wo, Felix
		Law Hong Ping, Lawrence

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

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

Pursuant to the Rule 3.13 of the Listing Rules of the Hong Kong Stock Exchange, the Company had received annual confirmations of independence from Tsui Yiu Wa, Fong Wo, Felix and Law Hong Ping, Lawrence, and as at the date of this report, still considers them to be independent.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT BIOGRAPHIES

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

DIRECTORS’ SERVICE CONTRACTS

Each of the independent non-executive directors and independent supervisors is required to enter into a service contract with the Company for a term of three years, renewable upon re-election. Details of the directors remunerations for the year 2014 are set out “Directors, Supervisors, Senior Management and Employees” of the annual report.

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

DIRECTORS’ REMUNERATION

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

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

DIRECTORS' AND SUPERVISORS' INTEREST IN CONTRACTS

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

SIGNIFICANT CONTRACTS

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

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

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

As at 31 December 2014, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Name of Director	Capacity	Number of interested shares (shares)	Approximate percentage of the interests (H) in COSL (%)
Li Feilong	Beneficial Owner	60,000	0.003%

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

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

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

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 31 December 2014, other than the Directors or the chief executive of the Company as disclosed above, the following persons have interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and the Hong Kong Stock Exchange.

Name of shareholder	Shares held	Number of shares interest (share)	Approximate percentage of the interests (H) in COSL (%)
Commonwealth Bank of Australia	Interest in controlled corporation	217,900,000(L)	12.03(L)
BlackRock, Inc.	Interest in controlled corporation	144,392,237(L) 5,398,000(S)	7.97(L) 0.30(S)
JPMorgan Chase & Co.	Interest in controlled corporation	144,225,157(L) 1,868,647(S) 98,896,157(P)	7.96(L) 0.10(S) 5.46(P)
OppenheimerFunds, Inc.	Beneficial owner	127,436,000(L)	7.04(L)
Morgan Stanley	Interest in controlled corporation	124,926,797(L) 20,007,728(S) 0(P)	6.89(L) 1.10(S) 0.00(P)
Oppenheimer Developing Markets Fund	Beneficial owner	109,264,000(L)	6.03(L)

Notes:

(a) "L" means long position.

(b) "S" means short position.

(c) "P" means lending pool.

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

CONNECTED TRANSACTIONS

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

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

During the year ended 31 December 2014, the Group had the following continuing connected transactions:

a. *Included in revenue*

		Group 2014 RMB'000	Group 2013 RMB'000
i	CNOOC Limited Group		
	– Provision of drilling services	8,890,403	7,194,811
	– Provision of well services	7,838,913	4,999,328
	– Provision of marine support and transportation services	2,926,894	2,587,913
	– Provision of geophysical and surveying services	2,025,390	2,189,555
		21,681,600	16,971,607
ii	CNOOC Group		
	– Provision of drilling services	94,300	13,163
	– Provision of well services	101,973	121,394
	– Provision of marine support and transportation services	324,342	437,148
	– Provision of geophysical and surveying services	251,118	218,743
		771,733	790,448

b. *Included in operating expenses*

		Group 2014 RMB'000	Group 2013 RMB'000
i	CNOOC Limited Group		
	Materials, utilities and other ancillary services	4,067	2,342
ii	CNOOC Group		
	Labour services	8,366	32,807
	Materials, utilities and other ancillary services	966,976	961,899
	Transportation services	34,717	36,573
	Leasing of equipment	546,056	355,440
	Repair and maintenance services	34,113	2,975
	Management services	768	1,151
		1,590,996	1,390,845
	Property services	152,535	106,017
		1,743,531	1,496,862

c. Included in interest income/expenses

	Group	
	2014	2013
	RMB'000	RMB'000
CNOOC Finance Corporation Ltd. (a subsidiary of CNOOC) Interest income	**44,412**	40,239

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

d. Deposits

	Group	
	31 December 2014	31 December 2013
	RMB'000	RMB'000
Deposits placed with CNOOC Finance Corporation Ltd. as at the end of the reporting period	**1,503,902**	1,205,463

The independent shareholders of the Company have approved the connected transactions set out in (a) and (b) above on 20 December 2013. For items (c) and (d) above, the transactions were exempted from the independent shareholders' approval requirement and was approved by the Independent Directors on 29 April 2014.

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

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

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

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

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

Deloitte Touche Tohmatsu, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the Hong Kong Institute of Certified Public Accountants. Deloitte Touche Tohmatsu have issued their unqualified auditor's letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Hong Kong Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

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

The final results of the Group have been reviewed by the audit committee of the Board which consists of three independent nonexecutive directors. The committee has reviewed the accounting principles and practices adopted by the Company, and has also discussed auditing, internal control and financial reporting matters including the review of audited 2014 annual results with the management.

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 RMB7.5 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.

CORPORATE GOVERNANCE CODE AND MODEL CODE FOR SECURITIES TRANSACTIONS

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

AUDITORS

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

EXECUTION OF THE INSIDER INFORMATION MANAGEMENT SYSTEM

In 2014, the Company continuously worked on the regular registration of insiders. The Company also organised training related to insiders such as visiting the "Exhibition on Insider Trading Warning" in Tianjin Securities Regulatory Bureau to strengthen insiders' awareness of confidentiality and prevent insider trading, which has achieved expected result.

All directors and supervisors of the Company confirmed that they had not traded the Company's securities in violation of rules in the reporting period. Furthermore, pursuant to requirements of Provisions for the Establishment of Management Systems for the Registration of Persons Who Have Knowledge of Insider Information by Listed Companies issued by the China Securities Regulatory Commission, the Company also conducted self-assessment on whether there have been share transactions by any insider of the Company other than directors and supervisors during the reporting period, and did not find any insider trading of the Company's securities in violation of rules in 2014.

ON BEHALF OF THE BOARD

Liu Jian
Chairman
30 March 2015

Supervisory Committee Report

The Supervisory Committee of the Company for the year 2014 has diligently performed its responsibilities in accordance with the requirements of the Company law of the People's Republic of China, Articles of Association and the Rules of Procedure for the Supervisory Committee of the Company, supervised and examined the procedures for decision making, the operating situation according to the law, financial reports disclosure and the construction and operation of the internal control system of the Company, and provided necessary protection for the legal benefits of the shareholders, the Company and the staff.

In 2014, five Supervisory Committee's meetings were convened. In addition to attending the general meetings and Board meetings of the Company, members of the Supervisory Committee also attended the important management meetings of the Company to keep abreast of the issues of our daily production and operating activities, so as to further improve our supervision and inspection on compliance and risk control from procedures to content.

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

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

During the reporting period, there was no change in member of the Supervisory Committee. Zhang Zhaoshan were chairman of the Supervisory Committee, Li Zhi was Employee supervisor. Wang Zhile was independent supervisor.

2. OPERATION OF THE SUPERVISORY COMMITTEE

1) During the reporting period, 5 Supervisory Committee's meetings were convened, these 5 Supervisory Committee meetings were held on the same days and some time after the Board meetings which the Supervisors had attended ended. The meetings mainly verified the compliance in respect of procedures for calling the Board and board resolutions, and also expressed audit opinion in relation to the regular report approved by the Board.

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

3) The Supervisory Committee had given its professional audit advice in respect of the 2013 Annual Report, the 2014 Interim Report, the 1st quarterly report and the 3rd quarterly report for the year 2014 in compliance with the regulatory requirements of the issue of A shares during the reporting period.

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

5) During the reporting period, supervisor Zhang Zhaoshan attended 5 regular Board meetings; supervisor Li Zhi attended 5 regular Board meetings; supervisor Wang Zhile attended 4 regular Board meetings. Supervisor Zhang Zhaoshan and supervisor Li Zhi attended the Annual General Meeting held on 23 May 2014.

3. INDEPENDENT OPINIONS OF THE SUPERVISORY COMMITTEE

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

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

(2) Financial situation of the Company

The Supervisors have supervised and examined the financial management system and financial situation of the Company by participating the Board meetings and the meetings of the Audit Committee under the Board of Directors and have reviewed relevant financial information of the Company. After such examination, the Supervisory Committee is of the opinion that the Company is in strict compliance with the financial laws and regulations and the financial system. The financial management system of the Company is healthy and effective, the accounting treatment are consistent while the financial statements are true and reliable. Based on the domestic and international audit standards, Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu have audited the financial statements of the Company for year 2014 and has issued standard unqualified audit opinions on the financial statements. The Supervisory Committee considered the financial statements was objective and fairly reflected the financial position and the results of operation of the Company.

(3) Connected transactions

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

(4) Management situation and internal control of the Company

The Supervisory Committee is of the opinion that during the reporting period, the Company has been under the effective management and control of the Board and the management. The Company has continuously improved its internal control systems, enhanced the risk management capability to ensure regulated and steady operation of the Company. The Supervisory Committee is of the view that the Self-assessment Report of Internal Control of the Company was comprehensive, objective and matched the actual situations of the Company.

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

The Supervisory Committee is of the view that the Board of Directors, both collectively and individually, have earnestly performed their duties with integrity and diligence, and each Director has earnestly understood the operating situation of the Company and thoroughly discussed the Company's affairs before making decisions. Facing with the harsh market environment, the management has earnestly performed their duties according to their terms of reference and implemented the decisions of the Board in a scientific way; and led the Company to obtain excellent business results.

(6) Execution of the insiders' information management system

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

(7) External guarantee

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

(8) Other information

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

For and on behalf of
Supervisory Committee
Zhang Zhaoshan
Chairman of the Supervisory Committee

30 March 2015

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

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

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

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

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

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

As at 31 December 2014, the first tranche of SAR was forfeited in 2009, the second tranche and third tranche of SAR were approved and exercised. Exercise gains for the second tranche of SAR and the third tranche of SAR were measured at HK$1.82 and HK$2.27 per share respectively. After the exercise of the third tranche of SAR, Li Yong has reached the revenue caps and Zhong Hua, Chen Wei-dong and Li Xunke and Xu Xiongfei had resigned, and thus the fourth tranche of SAR will no longer be exercised.

As of 31 December 2014, there was no outstanding share appreciation right (31 December 2013: 1,173,075 shares).

		Share			
Title	Name	Balance at the beginning of the period	Exercised during the period	Forfeited during the period	Balance at the end of the period
Former Non-executive Director	Yuan Guangyu*	–	–	–	–
President and CEO	Li Yong	352,150	176,075	176,075	–
Former Executive Vice President and CFO	Zhong Hua*	176,075	176,075	–	–
Former Executive Vice President, CSO and Board Secretary	Chen Weidong *	176,075	176,075	–	–
Former Senior Vice President	Li Xunke*	164,225	131,380	32,845	–
Former Employee Supervisor	Tang Daizhi**	-	–	–	–
Former Vice President	Xu Xiongfei*	304,550	152,275	152,275	–
		1,173,075	811,880	361,195	–

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

Pursuant to the Performance Management Measures for the SAR Plan of COSL, the Remuneration Committee of the Board conducted a comprehensive assessment of the performance of incentive targets achieved in the period from 2006 to 2012. All of the incentive targets passed the assessment. During the reporting period, the Remuneration Committee of the Board conducted 2013 annual assessment of performance of incentive targets and again all of them passed the assessment. All of the incentive targets passed the assessment.

II. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

III. GUARANTEE

Unit: US$10,000

Total amount of guarantee occurred during the reporting period (excluding guarantee to subsidiaries)	0
Total balance of guarantee as at the end of the reporting period (A) (excluding guarantee to subsidiaries)	0
Guarantee provided by the Company to its subsidiaries	
Total amount of guarantee occurred by the Company to its subsidiaries during the reporting period	107,572.12
Total balance of guarantee provided by the Company to its subsidiaries at the end of the reporting period (B)	105,188.18
Total guarantee provided by the Company (including guarantee to subsidiaries)	
Total amount of guarantee (A+B)	105,188.18
Total amount of guarantee as a percentage of the Group's net assets (%)	13.6%
Including:	
Amount of guarantee provided to shareholders, the de facto controller and its related parties (C)	0
Debt guarantee directly or indirectly provided to parties with gearing ratio over 70% (D)	102,920.14
The excess of total amount of guarantee over 50% of the net assets (E)	0
Total amount of the above 3 guarantees (C+D+E)	102,920.14
Guarantee details	(1) Guarantee provided by the Company to its subsidiaries includes the guarantee in favor of bond issue by the Company of USD$1 billion. (2) Subject parties with gearing ratio over 70% under debt guarantee are foreign wholly-owned subsidiary of the Company and non-wholly-owned subsidiary actually controlled by the Company.

IV. ENGAGEMENT AND DISMISSAL OF AUDITORS OF THE COMPANY

Unit: RMB million

Change audit firm or not:	No	
	Originally appointed	**Currently appointed**
Name of domestic audit firm	–	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of domestic audit firm	–	–
The service period of domestic audit firm	–	1 year
Name of international audit firm	–	Deloitte Touche Tohmatsu
Remuneration of international audit firm	–	–
The service period of international audit firm	–	1 year
Remuneration of domestic and international audit firm	–	17.4

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

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

V. 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.

Independent Auditors' Report

Deloitte.
德勤

To the Shareholders of China Oilfield Services Limited

(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Oilfield Services Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 138 to 218, which comprise the consolidated and company statements of financial position as at 31 December 2014, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

30 March 2015

Consolidated Statement of Profit or Loss

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
REVENUE	6	32,993,239	27,363,812
Other revenues	6	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	7	(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	7	(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	8	(587,535)	(638,328)
Interest income		155,033	124,555
Investment income	7	193,795	94,302
Share of profits of joint ventures, net of tax	20	340,954	297,221
PROFIT BEFORE TAX	7	8,522,492	7,519,605
Income tax expense	12	(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)	15	157.36 cents	149.40 cents

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Note	2014 RMB'000	2013 RMB'000
PROFIT FOR THE YEAR		7,520,183	6,726,434
OTHER COMPREHENSIVE (EXPENSE)/INCOME	*13*		
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	16	55,338,074	51,292,406
Goodwill	17	4,122,652	4,107,763
Other intangible assets	18	383,976	393,220
Investments in joint ventures	20	750,721	710,465
Available-for-sale investments	21	–	–
Other non-current assets	26	2,514,040	1,160,437
Deferred tax assets	31	11,954	7,254
Total non-current assets		63,121,417	57,671,545
CURRENT ASSETS			
Inventories	22	1,300,605	1,051,527
Prepayments, deposits and other receivables	23	681,202	426,855
Accounts receivable	24	7,230,381	5,872,980
Notes receivable	25	2,775,827	1,513,375
Other current assets	26	4,985,523	2,363,446
Pledged deposits	27	39,119	32,630
Time deposits with original maturity of over three months	27	1,308,046	600,000
Cash and cash equivalents	27	5,432,187	9,600,797
		23,752,890	21,461,610
Assets classified as held for sale		–	129,128
Total current assets	28	23,752,890	21,590,738
CURRENT LIABILITIES			
Trade and other payables	29	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	32	3,817,369	3,803,582
Other current liabilities	26	117,016	112,876
Total current liabilities		14,311,756	12,544,009
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	31	753,081	1,128,733
Interest-bearing bank borrowings	32	15,755,490	19,489,968
Long term bonds	33	7,564,340	7,536,622
Deferred revenue	34	1,071,880	1,265,669
Employee benefit liabilities	11	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	35	4,771,592	4,495,320
Reserves	36(a)	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

Li Yong
Director

Li Feilong
Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Issued capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Remeasurement of defined benefit pension plan RMB'000	Exchange fluctuation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2013	4,495,320	8,074,565*	2,508,656*	-	-	(569,493)*	16,291,313*	1,393,549*	32,193,910	11,004	32,204,914
Profit for the year	-	-	-	-	-	-	6,715,967	-	6,715,967	10,467	6,726,434
Other comprehensive income/(expense) for the year	-	-	-	35,907	(50,965)	(262,608)	-	-	(277,666)	(330)	(277,996)
Total comprehensive income/(expense) for the year	-	-	-	35,907	(50,965)	(262,608)	6,715,967	-	6,438,301	10,137	6,448,438
Final 2012 dividend paid	-	-	-	-	-	-	-	(1,393,549)	(1,393,549)	-	(1,393,549)
Proposed final 2013 dividend (note 14)	-	-	-	-	-	-	(2,051,785)	2,051,785	-	-	-
At 31 December 2013	4,495,320	8,074,565*	2,508,656*	35,907*	(50,965)*	(832,101)*	20,955,495*	2,051,785*	37,238,662	21,141	37,259,803
Profit for the year	-	-	-	-	-	-	7,492,058	-	7,492,058	28,125	7,520,183
Other comprehensive income/(expense) for the year	-	-	-	3,232	(16,031)	33,054	-	-	20,255	199	20,454
Total comprehensive income for the year	-	-	-	3,232	(16,031)	33,054	7,492,058	-	7,512,313	28,324	7,540,637
Issue of the new shares	276,272	4,350,399	-	-	-	-	-	-	4,626,671	-	4,626,671
Transaction costs attributable to issue of shares	-	(53,227)	-	-	-	-	-	-	(53,227)	-	(53,227)
Final 2013 dividend paid	-	-						(2,051,785)	(2,051,785)	-	(2,051,785)
Proposed final 2014 dividend (note 14)	-	-	-	-	-	-	(2,290,364)	2,290,364	-	-	-
At 31 December 2014	4,771,592	12,371,737*	2,508,656*	39,139*	(66,996)*	(799,047)*	26,157,189*	2,290,364*	47,272,634	49,465	47,322,099

* These reserve accounts comprise the consolidated reserves of approximately RMB 42,501,042,000 (2013: RMB32,743,342,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	39	11,460,564	9,800,377
Taxes paid:			
Mainland China corporate income tax paid		(1,081,496)	(861,924)
Overseas income taxes paid		(219,410)	(475,267)
Net cash flows from operating activities		10,159,658	8,463,186
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other intangible assets		(7,717,086)	(7,720,593)
Government grant received		1,200	51,554
Purchase of available-for-sale investments		(18,876,200)	(8,532,700)
Proceeds from disposal of available-for-sale investments		16,523,662	8,445,054
Proceeds from disposal of property, plant and equipment		105,311	75,032
Investment in joint venture		(244)	–
Proceeds from balances with joint ventures		(8,995)	–
Placement of time deposits with original maturity of over three months		(2,726,480)	(1,500,000)
Withdrawal of time deposits with original maturity of over three months		2,018,434	4,854,185
Increase in pledged deposits		(6,489)	(1,875)
Interest received		143,081	142,239
Dividends received from joint ventures		229,339	137,468
Deposits for acquisition of property, plant and equipment		(2,123,865)	(735,692)
Net cash flows used in investing activities		(12,438,332)	(4,785,328)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,626,671	–
Expenses on issue of shares		(53,227)	–
Repayment of bank loans		(3,832,216)	(1,636,033)
Dividends paid		(2,051,785)	(1,394,215)
Interest paid		(608,603)	(663,180)
Net cash flows used in financing activities		(1,919,160)	(3,693,428)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(4,197,834)	(15,570)
Cash and cash equivalents at the beginning of year		9,600,797	9,814,893
Effect of foreign exchange rate changes, net		29,224	(198,526)
CASH AND CASH EQUIVALENTS AT END OF YEAR		5,432,187	9,600,797
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and balances with banks and financial institutions	27	6,779,352	10,233,427
Less: Pledged deposits with original maturity of less than three months	27	(39,119)	(32,630)
Non-pledged time deposits at banks with original maturity of over three months	27	(1,308,046)	(600,000)
Cash and cash equivalents as stated in the consolidated statement of cash flows	27	5,432,187	9,600,797

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	16	24,808,625	21,495,746
Other intangible assets	18	341,399	339,885
Investments in subsidiaries	19	7,323,799	7,323,799
Investments in joint ventures	20	148,926	148,682
Other long term receivables	19	19,980,201	21,406,938
Other non-current assets	26	2,123,865	735,692
Total non-current assets		54,726,815	51,450,742
CURRENT ASSETS			
Inventories	22	714,231	585,228
Prepayments, deposits and other receivables	23	835,029	453,880
Accounts receivable	24	5,783,520	4,546,513
Notes receivable	25	2,772,334	1,492,875
Other current assets	26	4,776,495	2,226,360
Pledged deposits	27	3,060	29,591
Time deposits with original maturity of more than three months	27	1,308,046	600,000
Cash and cash equivalents	27	3,688,748	6,096,344
		19,881,463	16,030,791
Assets classified as held for sale	28	–	129,128
Total current assets		19,881,463	16,159,919
CURRENT LIABILITIES			
Trade and other payables	29	6,948,182	4,740,507
Salary and bonus payables		1,273,903	1,063,553
Tax payable		174,110	192,281
Interest-bearing bank borrowings	32	3,817,369	3,803,582
Total current liabilities		12,213,564	9,799,923
NET CURRENT ASSETS		7,667,899	6,359,996
TOTAL ASSETS LESS CURRENT LIABILITIES		62,394,714	57,810,738
NON-CURRENT LIABILITIES			
Deferred tax liabilities	31	367,070	531,954
Interest-bearing bank borrowings	32	15,755,490	19,489,968
Long term bonds	33	1,500,000	1,500,000
Deferred revenue	34	251,862	312,266
Total non-current liabilities		17,874,422	21,834,188
Net assets		44,520,292	35,976,550
EQUITY			
Issued capital	35	4,771,592	4,495,320
Reserves	36(b)	39,748,700	31,481,230
Total equity		44,520,292	35,976,550

Li Yong
Director

Li Feilong
Director

Notes to Consolidated Financial Statement

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.

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

2.1 Amendments to HKFRSs and the new Interpretation that are mandatorily effective for the current year (continued)

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.

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

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

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 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.

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

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

HKFRS 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.

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

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

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.

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

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

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

- 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.

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

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

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. Significant accounting policies

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

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

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

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

3. Significant accounting policies (continued)

Basis of consolidation (continued)

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

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

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

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

Business combination and goodwill

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

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

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

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

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

3. Significant accounting policies (continued)

Investments in joint ventures

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

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

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

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

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

Non-current assets held for sale

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

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

Revenue recognition

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

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

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

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

3. Significant accounting policies (continued)

Non-current assets held for sale (continued)

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

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

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

Leases

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

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

Foreign currencies

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

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

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

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

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

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

3. Significant accounting policies (continued)

Borrowing costs

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

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

Government grants

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

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

Share-based payments

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

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

Other employee benefits

Defined contribution plan

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

Defined benefits plan

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

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

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

3. Significant accounting policies (continued)

Other employee benefits (continued)

Defined benefits plan (continued)

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

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

Income tax

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

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Income tax (continued)

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

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

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

Property, plant and equipment and depreciation

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

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

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

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

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

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

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

3. Significant accounting policies (continued)

Intangible assets (other than goodwill)

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

The estimated useful lives of intangible assets are as follows:

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

Research and development costs

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

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

Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its assets (other than inventories, financial assets, goodwill and non-current assets classified as held for sale) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Inventories

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

3. Significant accounting policies (continued)

Cash and cash equivalents

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

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

Related parties

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

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

   (i) has control or joint control over the Group;

   (ii) has a significant influence over the Group; or

   (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

   (i) the entity and the Group are members of the same group;

   (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

   (iii) the entity and the Group are joint ventures of the same third party;

   (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

   (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

   (vi) the entity is controlled or jointly controlled by a person identified in (a); and

   (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Dividends

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

Investments and other financial assets

Initial recognition and measurement

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

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

3. Significant accounting policies (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Loans and receivables

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

Available-for-sale financial investments

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

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

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

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

Derecognition of financial assets

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

Impairment of financial assets

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

3. Significant accounting policies (continued)

Impairment of financial assets (continued)

Financial assets carried at amortised cost

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

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

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

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

Available-for-sale financial investments

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

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

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

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

3. Significant accounting policies (continued)

Financial liabilities

Initial recognition and measurement

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

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

The Group's loans and borrowings include trade and other payables, interest-bearing bank borrowings and long-term bonds.

Subsequent measurement on loans and borrowings

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

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

Derecognition of financial liabilities

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

Offsetting of financial instruments

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

Fair value of financial instruments

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

4. Significant accounting judgements and estimates

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

Estimation uncertainty

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

Useful life and impairment of property, plant and equipment

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

Where there exists an indication of impairment of an asset within the unit containing the goodwill, the Group tests the asset for impairment first and recognises any impairment loss for that asset before testing for impairment the cash-generating units, or group of cash-generating units containing the goodwill. An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal. This requires management to make assumptions about the future cash flows and discount rate and hence they are subject to uncertainty. The provision for impairment of property, plant and equipment recognised during the current year is RMB374,185,000 (2013: Nil). As at 31 December 2014, the carrying amount of property, plant and equipment is RMB55,338,074,000 (2013: RMB51,292,406,000). Further details are given in note 16.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units or group of cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2014 was RMB4,122,652,000 (2013: RMB4,107,763,000). Further details are given in note 17.

4. Significant accounting judgements and estimates (continued)

Estimation uncertainty (continued)

Provisions for doubtful debts and inventories obsolescence

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

The impairment or provision amount is subject to management's assessment at each reporting date, and hence the provision amount is subject to uncertainty. At 31 December 2014, impairment losses of approximately RMB294,067,000 (2013: RMB186,654,000) have been recognised for accounts receivable and losses of approximately RMB36,792,000 (2013: RMB31,526,000) have been recognised for inventories. As at 31 December 2014, the carrying amount of accounts receivable and inventories are RMB7,230,381,000 and RMB1,300,605,000 respectively (2013: RMB5,872,980,000 and RMB1,051,527,000). Further details are given in note 24 and note 22, respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses and deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. No deferred tax assets has been recognised on the tax loss of RMB5,886,643,000 (2013: RMB3,947,881,000) and deductible temporary differences of RMB362,711,000 at 31 December 2014(2013: RMB258,035,000). Further details are contained in note 31. In case where there are actual future profits or the actual future profits generated are more than expected, or effective tax rate is changed, a material recognition or change of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such recognition or change takes place.

Taxes

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

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

5. Operating segment information

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

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

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

(c) the marine support and transportation services segment is engaged in the transportation of materials, supplies and personnel to offshore facilities, moving and positioning drilling structures, the transportation of crude oil and refined products;

(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.

5. Operating segment information (continued)

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

5. Operating segment information (continued)

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

5. Operating segment information (continued)

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/as at 31 December 2014 and 2013.

Year ended/as at 31 December 2014	China Offshore RMB'000	North sea RMB'000	Others RMB'000	Total 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 RMB'000	North sea RMB'000	Others RMB'000	Total RMB'000
Segment revenue:				
Sales to external customers	18,465,469	3,679,453	5,218,890	27,363,812
Non-current assets:	25,518,184	11,949,617	15,378,262	52,846,063

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, details of the segments with such revenue are given in note 40(A).

6. Revenue and other revenues

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

An analysis of revenue and other revenues is as follows:

	Group 2014 RMB'000	2013 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 34).

7. Profit before tax

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

	Group 2014 RMB'000	2013 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

	Notes	Group 2014 RMB'000	2013 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	*24*	106,984	(1,552)
Impairment of other receivables, net	*23*	1,208	3,670
Impairment of inventories	*22*	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

8. Finance costs

An analysis of finance costs is as follows:

	Group 2014 RMB'000	2013 RMB'000
Interest on bank borrowings		
Wholly repayable within five years	272,697	313,196
Wholly repayable after five years	77,741	95,471
Interest on long term bonds	265,728	270,301
Total interests	616,166	678,968
Less: Interest capitalised *(note 16)*	(38,525)	(48,508)
	577,641	630,460
Other finance costs:		
Others	9,894	7,868
	587,535	638,328

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

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

	Group 2014 RMB'000	2013 RMB'000
Fees	1,280	1,280
Other emoluments:		
Basic salaries, allowances and benefits in kind	947	926
Bonuses*	971	942
Share appreciation rights	244	–
Pension scheme contributions	178	167
	2,340	2,035
	3,620	3,315

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

(a) Independent non-executive directors and supervisor

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

	Group 2014 RMB'000	2013 RMB'000
Independent non-executive directors:		
Tsui Yiu Wa	400	400
Fong Wo, Felix (i)	400	400
Chen Quansheng (i) (ii)	200	400
Law Hong Ping, Lawrence (ii)	200	–
	1,200	1,200
Independent supervisor:		
Wang Zhile	80	80
	1,280	1,280

There were no other emoluments payable to the independent non-executive directors and the independent supervisor during the year (2013: Nil).

Notes:

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

(ii) Mr. Chen Quansheng retired as an independent non-executive director on 23 May 2014 and Mr. Law Hong Ping, Lawrence, has been appointed as an independent non-executive director with effect from 23 May 2014.

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

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

	Salaries, allowances and benefits in kind RMB'000	Bonuses RMB'000	Pension scheme contributions RMB'000	Share appreciation rights RMB'000	Total RMB'000
2014					
Executive director and chief executive:					
Li Yong	365	371	63	244	1,043
Executive director:					
Li Feilong	353	320	62	–	735
Non-executive directors:					
Liu Jian	–	–	–	–	–
Zeng Quan	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Zhang Zhaoshan	–	–	–	–	–
Li Zhi	229	280	53	–	562
	229	280	53	–	562
Total	947	971	178	244	2,340
2013					
Executive director and chief executive:					
Li Yong	354	356	59	–	769
Executive director:					
Li Feilong *(Note 4)*	343	316	58	–	717
Non-executive directors:					
Liu Jian	–	–	–	–	–
Wu Mengfei *(Note 2)*	–	–	–	–	–
Zeng Quan *(Note 2)*	–	–	–	–	–
	–	–	–	–	–
Supervisors:					
Zhang Zhaoshan *(Note 3)*	–	–	–	–	–
An Xuefen *(Note 3)*	–	–	–	–	–
Zi Shilong *(Note 1)*	96	212	20	–	328
Li Zhi *(Note 1)*	133	58	30	–	221
	229	270	50	–	549
Total	926	942	167	–	2,035

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

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

Notes:

(1) Li Zhi was appointed and Zi Shilong resigned as a supervisor on 16 May 2013.

(2) Zeng Quan was appointed and Wu Mengfei was not re-elected as a non-executive director on 24 May 2013.

(3) Zhang Zhaoshan was appointed and An Xuefen was not re-elected as a supervisor on 24 May 2013.

(4) Li Feilong was re-elected as an executive director on 20 December 2013.

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

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

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

10. Five highest paid employees

The five highest paid employees during the year do not include any Directors and the chief executive (2013: Nil), details of whose remuneration are set out in note 9. Details of the remuneration for the year of the five (2013: Five) non-director, non-supervisor, and non-chief executive highest paid employees for the year are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Basic salaries, allowances and benefits in kind	12,721	13,730
Bonuses	12,053	5,233
Pension scheme contributions	40	133
	24,814	19,096

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

	Number of employees	
	2014	2013
HK$3,500,001 to HK$4,000,000	–	1
HK$4,000,001 to HK$4,500,000	1	2
HK$4,500,001 to HK$5,000,000	2	1
HK$6,500,001 to HK$7,000,000	1	1
HK$10,500,001 to HK$11,000,000	1	–
	5	5

11. Pensions and defined benefit plan

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

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

The retirement expenses of the Group are as follows:

	Group	
	2014 RMB'000	2013 RMB'000
Contributions to the PRC government-regulated pension scheme	269,022	224,028
Contributions to overseas subsidiaries' pension scheme	181,250	182,341
	450,272	406,369

At 31 December 2014, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2013: Nil).

12. Income tax

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

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

On 30 October 2008, the Company was certified as an HNTE by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT"), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the CIT rate was approved to be 15% for the years 2009 and 2010. The Company has applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was re-certified as an HNTE on 8 October 2011, which is effective for three years commencing from 1 January 2011, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. 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%).

12. Income tax (continued)

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 RMB'000	2013 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

12. Income tax (continued)

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.

13. Other comprehensive income

	Group 2014 RMB'000	Group 2013 RMB'000
Other comprehensive income includes:		
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	–
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	32,028	(262,938)
Available-for-sale investments:		
Gains arising during the year	197,597	136,017
Reclassification adjustments for the cumulative gain/loss included in profit or loss upon disposal	(193,795)	(93,774)
Income tax impact	(570)	(6,336)
	3,232	35,907
Share of exchange differences of joint ventures	1,225	–
Other comprehensive income, net of income tax	20,454	(277,996)

14. Dividends

	Group and Company 31 December 2014 RMB'000	31 December 2013 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%.

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

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

	Group 2014 RMB'000	2013 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

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

	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.

16. 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 (Note 28)	–	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

16. Property, plant and equipment (continued)

Group (continued)

31 December 2013	Tankers and vessels RMB'000	Drilling rigs RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Buildings RMB'000	Construction in progress RMB'000	Total RMB'000
At 31 December 2012 and at 1 January 2013							
Cost	10,732,480	40,509,677	11,319,669	93,184	66,463	7,916,996	70,638,469
Accumulated depreciation and impairment	(4,567,723)	(11,791,241)	(6,637,710)	(66,722)	(15,413)	(483,984)	(23,562,793)
Carrying amount	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
Carrying amount							
At 1 January 2013	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
Additions	12,468	163,478	476,778	9,037	1,429	7,929,801	8,592,991
Depreciation provided during the year	(500,253)	(1,686,372)	(1,068,159)	(8,504)	(3,475)	–	(3,266,763)
Disposals/write-offs	(13,934)	(4,403)	(95,525)	(310)	–	–	(114,172)
Transfers from/(to) construction in progress ("CIP")	244,424	7,957,040	720,420	9,144	–	(8,931,028)	–
Reclassified as held for sale (note 28)	–	(129,128)	–	–	–	–	(129,128)
Impairment write-off	–	50	19,000	–	–	–	19,050
Exchange realignment	(14,795)	(700,471)	(14,185)	1	(3)	(155,795)	(885,248)
At 31 December 2013	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
At 31 December 2013							
Cost	10,663,122	47,577,582	12,207,577	107,318	67,891	6,410,122	77,033,612
Accumulated depreciation and impairment	(4,770,455)	(13,258,952)	(7,487,289)	(71,488)	(18,890)	(134,132)	(25,741,206)
Carrying amount	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406

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 (note 8), 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 5.

16. Property, plant and equipment (continued)

Company

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	10,041,732	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 (note 28)	–	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

16. Property, plant and equipment (continued)

Company (continued)

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

17. Goodwill

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

Group	2014 RMB'000	2013 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 5, for impairment testing.

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend of Asia Pacific and Norway for Jack-up and Semis Rigs with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8% (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.

18. Other intangible assets

Group

31 December 2014	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Management system and software RMB'000	Contract value RMB'000	Total RMB'000
Cost at 1 January 2014	326	234,702	158,192	–	393,220
Additions	–	–	42,974	–	42,974
Amortisation provided during the year	(41)	(5,234)	(47,179)	–	(52,454)
Exchange realignment	–	–	236	–	236
At 31 December 2014	285	229,468	154,223	–	383,976
At 31 December 2014:					
Cost	411	261,468	401,511	110,118	773,508
Accumulated amortisation	(126)	(32,000)	(247,288)	(110,118)	(389,532)
Carrying amount	285	229,468	154,223	–	383,976

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

18. Other intangible assets (continued)

Company

31 December 2014	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Software RMB'000	Total RMB'000
Cost at 1 January 2014	326	234,702	104,857	339,885
Additions	–	–	42,324	42,324
Amortisation provided during the year	(41)	(5,234)	(35,535)	(40,810)
At 31 December 2014	285	229,468	111,646	341,399
At 31 December 2014				
Cost	411	261,468	284,245	546,124
Accumulated amortisation	(126)	(32,000)	(172,599)	(204,725)
Carrying amount	285	229,468	111,646	341,399

31 December 2013	Trademark RMB'000	Prepaid land lease payments RMB'000 (note)	Software RMB'000	Total RMB'000
Cost at 1 January 2013	367	239,936	64,667	304,970
Additions	–	–	66,806	66,806
Amortisation provided during the year	(41)	(5,234)	(26,616)	(31,891)
At 31 December 2013	326	234,702	104,857	339,885
At 31 December 2013				
Cost	411	261,468	244,781	506,660
Accumulated amortisation	(85)	(26,766)	(139,924)	(166,775)
Carrying amount	326	234,702	104,857	339,885

Note: Pursuant to the announcement of the Company dated on 20 March 2012 in respect of connected transaction, land use right with carrying amount of approximately RMB128,954,000 included in prepaid land lease payments as at 31 December 2014 will be transferred to CNOOC Infrastructure Management Co., Ltd., a wholly-owned subsidiary of CNOOC, with the consideration of RMB157,032,500. Such land use right transfer agreement have already been signed and approved by the board of directors of the Company, and will become effective upon receiving the relevant government body's approval.

At the end of this reporting period, the Director was uncertain to obtain the government approval for the transfer of the land use right within one year from the end of this reporting period, hence such land use right was not classified as assets held for sale at 31 December 2014 and 31 December 2013 respectively.

19. Investments in subsidiaries

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted shares, at cost	7,323,799	7,323,799

As at 31 December 2014, loans to subsidiaries representing other long term receivables of the Company of approximately RMB19,980,201,000 (2013: RMB21,406,938,000) are unsecured, have a floating interest rate of LIBOR plus 300 basis points, and are repayable within two years.

As at 31 December 2014, the amounts due from and to subsidiaries included in the Company's current assets and current liabilities of RMB2,055,126,000 (2013: RMB1,619,772,000) and RMB 231,264,000 (2013: RMB109,095,000), respectively, are unsecured, interest-free and are repayable on demand or within one year.

Particulars of the principal subsidiaries are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital paid-in capital	Percentage of equity attributable to the Group 2014	2013	Principal activities
COSL Chemicals (Tianjin), Ltd. (formerly known as Tianjin Jinlong Petro-Chemical Company Ltd.) ("COSL Chemical")	Tianjin, PRC 7 September 1993	PRC	RMB20,000,000	100%	100%	Provision of drilling fluids services
COSL Holding AS (formerly known as COSL Drillings Europe AS)	Norway 21 January 2005	Norway	NOK1,494,415,487	100%	100%	Investment holding
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	100%	100%	Provision of drilling services
COSL HongKong Ltd ("COSL HongKong")	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar ("HK$") 10,000	100%	100%	Investment holding
COSL (Australia) Pty Ltd. ("COSL Australia")	Australia 11 January 2006	Australia	Australian Dollar ("A$") 10,000	100%	100%	Provision of drilling services
COSL Mexico S.A.de C.V ("COSL Mexico")	Mexico 26 May 2006	Mexico	US$8,504,525	100%	100%	Provision of drilling services
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	US$280,000	100%	100%	Provision of drilling services
COSL Norwegian AS ("COSL Norwegian ")	Norway 23 June 2008	Norway	NOK1,541,328,656	100%	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4 April 2009	Malaysia	US$1	100%	100%	Management of jack-up drilling rigs

19. Investments in subsidiaries (continued)

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital paid-in capital	Percentage of equity attributable to the Group 2014	2013	Principal activities
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1	100%	100%	Management of jack-up drilling rigs
PT Samudra Timur Santosa ("PT STS") (a)	Indonesia 27 July 2010	Indonesia	US$250,000	49%	49%	Provision of marine support and transportation services
COSL Oil-Tech (Singapore) Ltd. ("OIL TECH")	Singapore 31 January 2011	Singapore	US$100,000	100%	100%	Provision of oilfield services and related activities
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	100%	100%	Bond Issuance
COSL Deepwater Technology Co. Ltd.	Shenzhen, PRC 12 September 2013	PRC	RMB20,000,000	100%	100%	Provision of geophysical and surveying services

(a) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's consolidated financial statements for the years ended 31 December 2014 and 31 December 2013 respectively.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the operating results of the Group for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

20. Investments in joint ventures

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted investments, at cost	–	–	148,926	148,682
Share of net assets	750,721	710,465	–	–
	750,721	710,465	148,926	148,682

20. Investments in joint ventures (continued)

Particulars of the principal joint ventures are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2014	Percentage of Ownership interest 2013	Percentage of Voting rights held 2014	Percentage of Voting rights held 2013	Principal activities
China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd. ("China Offshore Fugro")	US$6,000,000	Shenzhen, PRC 24 August 1983	50	50	50	50	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd. ("China France")	US$6,650,000	Tianjin, PRC 30 November 1983	50	50	50	50	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company ("Logging-Atlas")	US$2,000,000	Shenzhen, PRC 10 May 1984	50	50	50	50	Provision of logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	60	60	50	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd. ("CNOOC-OTIS")	US$2,000,000	Tianjin, PRC 14 April 1993	50	50	50	50	Provision of well completion services
Eastern Marine Services Ltd. ("Eastern Marine") (a)	HK$1,000,000	Hong Kong 10 March 2006	51	51	50	50	Marine transportation services
COSL-Expro Testing Services (Tianjin) Company Ltd. ("COSL-Expro")	US$5,000,000	Tianjin, PRC 28 February 2007	50	50	50	50	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD (''PBS-COSL'') (b)	Brunei Dollar ("BND") 100,000	Brunei 20 March 2014	49	–	50	–	Provision of drilling services

(a) The Group has 60% and 51% of the equity interests in Magcobar and Eastern Marine respectively, and the remaining equity interests are held by the other respective sole investor of Magcobar and Eastern Marine. Pursuant to the articles of associations of Magcobar and Eastern Marine, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of these entities. In the opinion of the Directors, the Group does not have control over Magcobar and Eastern Marine and the investments in these joint arrangements constitute interests in joint ventures based on the rights and obligations of the parties to these joint arrangements. Accordingly, Magcobar and Eastern Marine have been accounted for in the Group's consolidated financial statements using the equity method.

(b) The Group has 49% of the equity interests in PBS-COSL, and the remaining equity interests are held by the other sole investor. Pursuant to the articles of association of PBS-COSL, the board of directors of PBS-COSL shall comprise four directors whereby both the Company and the other sole investor shall appoint two directors each. Unanimous approvals by the directors of PBS-COSL are required for decisions on directing the relevant activities of PBS-COSL. In the opinion of the Directors, the Group does not have control over PBS-COSL and the investment in this joint arrangement constitutes interest in joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, PBS-COSL has been accounted for in the Group's consolidation financial statements using the equity method.

20. Investments in joint ventures (continued)

All of the above investments in joint ventures are directly held by the Company except for Eastern Marine, which is indirectly held through China Oilfield Services (BVI) Limited.

The above joint ventures are accounted for using the equity method in these consolidated financial statements.

The aggregate financial information in respect of the Group's joint ventures is set out below since none of the joint ventures is individually material.

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
The Group's share of profit	340,954	297,221
The Group's share of other comprehensive income	1,225	–
The Group's share of total comprehensive income	342,179	297,221
Aggregate carrying amount of the Group's interests in these joint ventures	750,721	710,465

21. Available-for-sale investments

	Group and Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Unlisted equity investment, at cost (a)	125,970	125,515
Less: Provision for impairment	(125,970)	(125,515)
Total net carrying amount at 31 December	–	–

(a) As at 31 December 2014 and 2013, the equity investment in an equity's security, Petrojack ASA, was an unlisted investment. Petrojack ASA had withdrawn its listing status from the stock market since March 2010. Full provision against the equity investment in Petrojack ASA had been made.

22. Inventories

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Gross inventories	1,337,397	1,083,053	734,445	602,690
Less: Provisions	(36,792)	(31,526)	(20,214)	(17,462)
	1,300,605	1,051,527	714,231	585,228

As at 31 December 2014 and 2013, the Group's and the Company's inventories consisted of materials and supplies.

23. Prepayments, deposits and other receivables

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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 RMB'000	2013 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.

24. Accounts receivable

The general credit terms of the Group range from 30 to 45 days upon the issuance of invoices to its trade customers with good trading history in mainland China and no more than 6 months upon the issuance of invoices to its trade customers with good trading history in overseas. The Group's accounts receivable relate to a large number of diversified customers. Other than the accounts receivable related to CNOOC and its subsidiaries, excluding the CNOOC Limited Group (the "CNOOC Group") and the CNOOC Limited Group as disclosed 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 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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

24. Accounts receivable (continued)

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

	Group		Company	
	2014 RMB'000	2013 RMB'000	2014 RMB'000	2013 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

25. Notes receivable

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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.

26. Other current assets/liabilities and other non-current assets

	Group 31 December 2014 RMB'000	31 December 2013 RMB'000
Assets classified as available-for-sale (a)	4,776,495	2,226,360
Current portion of deferred expenses (b)	94,416	55,950
Value-added tax recoverable	114,612	81,136
Other current assets	4,985,523	2,363,446
Current portion of deferred revenue *(note 34)*	(117,016)	(112,876)
Other current liabilities	(117,016)	(112,876)
Non-current portion of deferred expenses (b)	200,967	211,049
Value-added tax recoverable	154,712	156,994
Deposits paid for the acquisition of property, plant and equipment	2,123,865	735,692
Others	34,496	56,702
Other non-current assets (b)	2,514,040	1,160,437

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
Assets classified as available-for-sale (a)	4,776,495	2,226,360
Other current assets	4,776,495	2,226,360
Deposits paid for the acquisition of property, plant and equipment	2,123,865	735,692
Other non-current assets (b)	2,123,865	735,692

(a) Assets classified as available-for-sale represent the Group's investments in corporate wealth management products issued by banks in the PRC and liquidity funds. The liquidity funds included in available-for-sale have no fixed maturity date and no coupon rate.

(b) Other non-current assets mainly consisted of deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, and deposits paid for the acquisition of property, plant and equipment. The current portion of deferred expenses was recorded as other current assets. The deferred expenses are amortised over their respective drilling contract periods.

27. Cash and cash equivalents, pledged deposits and time deposits

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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.

28. Non-current assets classified as held for sale

On 6 November 2013, the management of the Company resolved to dispose of certain land drilling equipment in Libya soon after 31 December 2013. As such, these assets were classified as held for sale and separately presented in the consolidated and the Company statements of financial position at 31 December 2013. Those assets were previously included in the Group's drilling service for segment reporting purposes (see note 5).

As of 31 December 2014, the aforesaid planned disposal transaction was not completed and the management was uncertain whether this disposal transaction will be completed within the following one year. As such, those assets were reclassified and reflected as part of property, plant and equipment as of 31 December 2014 accordingly, and was measured at the lower of its carrying amount, which was adjusted by the depreciation as if the equipment has not been classified as held for sale, and the recoverable amount.

The assets classified as held for sale as of 31 December 2013 represented:

	RMB'000
Property, plant and equipment	129,128

29. Trade and other payables

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

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 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

30. Share appreciation rights plan

The share appreciation rights plan for senior officers (the "SAR Plan") was approved by the shareholders of the Company in an extraordinary general meeting on 22 November 2006. A total of five million share appreciation rights with an exercise price of HK$4.09 per share were awarded under the SAR Plan to seven senior officers, including the chief executive officer (president), three executive vice presidents, and three other vice presidents. The share appreciation rights will become vested upon completion of a two-year service period from the approval date, and the senior officers can exercise their rights in four equal batches, beginning year 3 (first exercisable date: the first trading day after 22 November 2008), 4, 5 and 6 from the approval date of the SAR Plan. The share appreciation rights will be settled in cash. According to the SAR Plan, the exercise gain for excisable share appreciation rights will be determined by the difference between the average closing price of the shares on the HKSE as stated in the HKSE's quotation from the 30th day immediately after the date of its annual report published to the last transaction date of that year, and the exercise price.

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

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

The first batch of share appreciation rights has been forfeited in 2009, the second batch has been approved and exercised in 2011, the third batch has 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 Number of shares	2013 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

31. Deferred taxation

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	Group 31 December 2014 RMB'000	Group 31 December 2013 RMB'000	Company 31 December 2014 RMB'000	Company 31 December 2013 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

31. Deferred taxation (continued)

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.

32. Interest-bearing bank borrowings

Current:

	Group and Company 31 December 2014 RMB'000	31 December 2013 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 RMB'000	31 December 2013 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 RMB'000	31 December 2013 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).

33. Long term bonds

Group

	Year of maturity	31 December 2014 RMB'000	31 December 2013 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 RMB'000	31 December 2013 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).

34. 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 RMB'000	Mobilisation revenue RMB'000	Government grant related to assets RMB'000	Government grant related to income RMB'000	Subsidies RMB'000	Total 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

34. Deferred revenue (continued)

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

	Group 2014 RMB'000	Group 2013 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

35. 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 30).

36. Reserves

(a) Group

The amounts of the Group's reserves and the movements therein for the current year are presented in the consolidated statement of changes in equity of the financial statements.

(b) Company

	Capital reserve RMB'000	Statutory reserve funds RMB'000	Revaluation reserve RMB'000	Retained profits RMB'000	Proposed final dividend RMB'000	Cumulative translation reserve RMB'000	Total RMB'000
Balance at 1 January 2013	8,074,565	2,508,656	–	15,608,304	1,393,549	(42,928)	27,542,146
Profit for the year	–	–	–	5,338,605	–	–	5,338,605
Other comprehensive income for the year	–	–	35,907	–	–	(41,879)	(5,972)
Total comprehensive income for the year	–	–	35,907	5,338,605	–	(41,879)	5,332,633
Final 2012 dividend paid	–	–	–	–	(1,393,549)	–	(1,393,549)
Proposed final 2013 dividend	–	–	–	(2,051,785)	2,051,785	–	–
At 31 December 2013	8,074,565	2,508,656	35,907	18,895,124	2,051,785	(84,807)	31,481,230
Balance at 1 January 2014	8,074,565	2,508,656	35,907	18,895,124	2,051,785	(84,807)	31,481,230
Profit for the year	–	–	–	6,013,556	–	–	6,013,556
Other comprehensive income for the year	–	–	3,232	–	–	5,295	8,527
Total comprehensive income for the year	–	–	3,232	6,013,556	–	5,295	6,022,083
Issue of the new shares	4,350,399	–	–	–	–	–	4,350,399
Transaction costs attributable to issue of shares	(53,227)	–	–	–	–	–	(53,227)
Final 2013 dividend paid	–	–	–	–	(2,051,785)	–	(2,051,785)
Proposed final 2014 dividend	–	–	–	(2,290,364)	2,290,364	–	–
At 31 December 2014	12,371,737	2,508,656	39,139	22,618,316	2,290,364	(79,512)	39,748,700

(i) As detailed in note 14, the Company is required to transfer a minimum percentage of after-tax profit, if any, to the statutory common reserve fund, until the fund aggregates 50% of the Company's registered capital. As the aggregate amount of the statutory reserve funds as at 31 December 2014 were in excess of 50% of the Company's registered capital, the Directors are of the view that no further provision of these funds is required for this year.

36. Reserves (continued)

As at 31 December 2014, in accordance with the PRC Company Law, an amount of approximately RMB12,372 million (2013: RMB8,075 million) standing to the credit of the Company's capital reserve account and an amount of approximately RMB2,509 million (2013: RMB2,509 million) standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting principles and financial regulations in the PRC, were available for distribution by way of a future capitalisation issue. In addition, the Company had retained profits of approximately RMB22,618 million (2013: RMB18,895 million) available for distribution as dividends. Save as the aforesaid, the Company did not have any reserves available for distribution to its shareholders at 31 December 2014.

The retained profits of the Company determined under the relevant PRC accounting principles and financial regulations in the PRC amounted to approximately RMB25,433 million as at 31 December 2014 (2013: RMB21,433 million).

37. Operating lease arrangements

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

At 31 December 2014 and 2013, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Within one year	929,773	569,594	922,471	562,870
In the second to fifth year, inclusive	2,273,418	900,234	2,261,605	881,740
	3,203,191	1,469,828	3,184,076	1,444,610

38. Capital commitments

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

	Group		Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Contracted, but not provided for	11,403,926	9,935,575	11,375,142	9,739,913
Authorised, but not contracted for	2,503,429	8,149,329	2,500,424	7,752,323
	13,907,355	18,084,904	13,875,566	17,492,236

At the end of the reporting period, the Group's and the Company's share of joint ventures' own capital commitments were insignificant.

39. Notes to the consolidated statement of cash flows

Reconciliation of profit before tax to cash generated from operations

	Notes	2014 RMB'000	2013 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		8,522,492	7,519,605
Adjustments for:			
Finance costs	8	577,641	630,460
Interest income		(155,033)	(124,555)
Investment income		(193,795)	(94,302)
Share of profits of joint ventures	20	(340,954)	(297,221)
Exchange loss, net		5,690	6,403
Loss on disposal of items of property, plant and equipment, net	7	32,096	20,090
Depreciation of property, plant and equipment and amortisation of intangible assets		3,769,586	3,310,618
Impairment of accounts receivable and other receivables	7	108,192	2,118
Provision of inventories	7	5,201	14,106
Impairment of property, plant and equipment	7	374,185	–
		12,705,301	10,987,322
Increase in inventories		(254,344)	(116,757)
Increase in accounts receivable		(1,464,814)	(1,722,051)
Increase in notes receivable		(1,262,452)	(893,435)
Increase in prepayments, deposits and other receivables, net of deposits for property, plant and equipment		(231,328)	(116,697)
Increase in trade and other payables, net of payables for purchases of property, plant and equipment		1,928,454	1,418,303
Increase in salary and bonus payables		296,007	296,948
Decrease in deferred revenue		(256,260)	(53,256)
Cash generated from operations		11,460,564	9,800,377

40. Related party transactions

As disclosed in note 1, the Company is a subsidiary of CNOOC, which is an SOE subject to the control of the State Council of the PRC Government.

(A) Related party transactions and outstanding balances with related parties

The Group

The Group has extensive transactions and relationships with the members of CNOOC. The transactions were made on terms agreed among the parties.

In addition to the transactions and balances detailed elsewhere in these financial statements, the following is a summary of significant transactions carried out between the Group and (i) the CNOOC Limited Group; (ii) the CNOOC Group; and (iii) the Group's joint ventures.

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

		Group	
		2014 RMB'000	2013 RMB'000
i	CNOOC Limited Group		
	– Provision of drilling services	8,890,403	7,194,811
	– Provision of well services	7,838,913	4,999,328
	– Provision of marine support and transportation services	2,926,894	2,587,913
	– Provision of geophysical and surveying services	2,025,390	2,189,555
		21,681,600	16,971,607
ii	CNOOC Group		
	– Provision of drilling services	94,300	13,163
	– Provision of well services	101,973	121,394
	– Provision of marine support and transportation services	324,342	437,148
	– Provision of geophysical and surveying services	251,118	218,743
		771,733	790,448
iii	Joint ventures		
	– Provision of drilling services	41	1,040
	– Provision of well services	8,070	18,628
	– Provision of marine support and transportation services	4,279	–
	– Provision of geophysical and surveying services	22,499	3,409
		34,889	23,077

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

b. Included in operating expenses

	Group 2014 RMB'000	2013 RMB'000
i CNOOC Limited Group		
Materials, utilities and other ancillary services	**4,067**	2,342
ii CNOOC Group		
Labour services	**8,366**	32,807
Materials, utilities and other ancillary services	**966,976**	961,899
Transportation services	**34,717**	36,573
Leasing of equipment	**546,056**	355,440
Repair and maintenance services	**34,113**	2,975
Management services	**768**	1,151
	1,590,996	1,390,845
Property services	**152,535**	106,017
	1,743,531	1,496,862
iii Joint ventures		
Materials, utilities and other ancillary services	**70,263**	153,716
Leasing of equipment	**61,972**	37,002
	132,235	190,718

c. Included in interest income/expenses

	Group 2014 RMB'000	2013 RMB'000
CNOOC Finance (a subsidiary of CNOOC)		
Interest income	**44,412**	40,239

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

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

d. Disposal of assets

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

e. Deposits

	Group 31 December 2014 RMB'000	Group 31 December 2013 RMB'000
Deposits placed with CNOOC Finance as at the end of the reporting period	**1,503,902**	1,205,463

Except for items a(iii) and b(iii) in note 40(A) above, the above transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

f. Commitments with related parties

(a) Operating lease commitments

The Group has the following significant operating lease commitments with related parties principally for properties and equipment, which have been included in note 37:

	Group 31 December 2014 RMB'000	Group 31 December 2013 RMB'000
Within one year	**377,042**	283,285
In the second to fifth years, inclusive	**391,226**	–
	768,268	283,285

During the year ended 31 December 2014, the Group leased a jack-up drilling rig "HYSY932" and a semi-submersible drilling rig "HYSY981" from CNOOC Group.

(b) Capital commitments

The Group has no capital commitments with related parties as of 31 December 2014 and 2013.

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

g. Outstanding balances with related parties

Accounts receivable

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

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	4,104,708	2,806,822
Due from CNOOC Group	147,906	155,659
Due from joint ventures	8,177	1,218
	4,260,791	2,963,699

Prepayments, deposits and other receivables

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	5,432	15,929
Due from CNOOC Group	702	921
Due from joint ventures	11,059	1,235
	17,193	18,085
Less: Provision for impairment of other receivables	(500)	(500)
	16,693	17,585

Dividend receivable

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Dividend receivable from joint ventures	85,242	12,136

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

g. Outstanding balances with related parties (continued)

Notes receivable

	Group 31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	2,738,213	1,473,412

Included in trade and other payables

	Group 31 December 2014 RMB'000	31 December 2013 RMB'000
Due to CNOOC Limited Group	8,515	3,223
Due to CNOOC Group	585,351	506,958
Due to joint ventures	192,053	193,483
	785,919	703,664

The Company and the above related parties are within the CNOOC Group and are under common control (except for the joint ventures of the Group) by the same ultimate holding company.

The balances with related parties at 31 December 2014 included in accounts receivables, prepayments, deposits and other receivables, notes receivable, dividend receivable and trade and other payables of the Group, are unsecured and interest-free, and have no fixed terms of repayment.

In connection with the Reorganisation of CNOOC in preparation for the listing of the Company's shares on the HKSE, the Company entered into several agreements with the CNOOC Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

Prior to the Reorganisation, the Group occupied certain properties owned by CNOOC at nil consideration. The Company entered into various property lease agreements in September 2002 with the CNOOC Group to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually.

The Directors are of the opinion that the above transactions with related parties were conducted in the usual course of business.

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Group (continued)

h. Transactions with other SOEs in the PRC

The Group has entered into extensive transactions covering the sales of goods and rendering of services, receipt of construction services of vessels and drilling rigs, purchases of goods, services or property, plant and equipment in the PRC, other than the CNOOC Group, in the normal course of business at terms comparable to those with other non-SOEs. None of these transactions are material related party transactions, individually or collectively, that require separate disclosure.

In addition, the Group has certain of its cash and time deposits and outstanding interest-bearing bank borrowings with certain state-owned banks in the PRC as at 31 December 2014, as summarised below:

	Group	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Cash and cash equivalents	**747,316**	1,908,240
Time deposits with financial institutions	**1,755,890**	4,351,205
	2,503,206	6,259,445
Long-term bank loans *(note 32)*	**15,755,490**	19,489,968
Current portion of long term bank loans *(note 32)*	**3,817,369**	3,803,582
	19,572,859	23,293,550

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

	Group	
	2014 RMB'000	2013 RMB'000
Finance cost	**350,438**	408,667

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Company

The Company has the following outstanding balances with the members of CNOOC, its subsidiaries and joint ventures.

Accounts receivable

	Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	3,756,096	2,615,477
Due from CNOOC Group	100,377	155,659
Due from joint ventures	8,177	1,218
Due from subsidiaries of the Company:		
PT COSL INDO	420,854	596,547
COSL (Middle East) FZE	394,301	276,920
COSL Australia	305,381	296,655
COSL Mexico	294,099	59,258
COSL Chemical	36,839	41,757
OIL TECH	20,547	13,270
COSL Drilling Power Pte. Ltd.	11,828	4,983
COSL Drilling Craft Pte. Ltd.	9,279	4,977
COSL Holding AS	3,900	2,579
Other subsidiaries	123,335	136,459
	1,620,363	1,433,405
	5,485,013	4,205,759

Prepayments, deposits and other receivables

	Company	
	31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	5,393	15,876
Due from CNOOC Group	702	921
Due from joint ventures	11,059	1,235
Due from subsidiaries of the Company:		
COSL International Middle East FZE	168,408	–
COSL Norwegian	79,034	108,483
COSL Drilling Power Pte. Ltd.	64,449	9,547
PT STS	27,136	20,434
COSL Drilling Craft Pte. Ltd.	20,939	6,008
COSL Drilling Pan-Pacific Ltd.	10,891	7,595
COSL Australia	4,840	10,281
Other subsidiaries	59,066	24,019
	434,763	186,367
	451,917	204,399
Less: Provision for impairment of other receivables	(500)	(500)
	451,417	203,899

40. Related party transactions (continued)

(A) Related party transactions and outstanding balances with related parties (continued)

The Company (continued)

Notes receivable

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
Due from CNOOC Limited Group	2,738,213	1,473,412

Long-term receivables

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
Due from subsidiaries of the Company:		
COSL Norwegian	16,432,064	18,325,531
COSL Drilling Craft Pte. Ltd.	1,271,406	1,175,360
COSL Drilling Power Pte. Ltd.	1,191,859	1,175,360
PT STS	451,888	201,198
OIL TECH	274,743	154,252
COSL (Middle East) FZE	226,403	243,876
COSL HongKong	97,904	97,550
Other subsidiaries	33,934	33,811
	19,980,201	21,406,938

Included in trade and other payables

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
Due to the ultimate holding company	215,534	216,889
Due to CNOOC Limited Group	4,520	1,546
Due to other CNOOC Group companies	336,734	229,653
Due to joint ventures	120,023	121,712
Due to subsidiaries of the Company:		
COSL Chemical	192,858	86,301
Other subsidiaries	38,406	22,794
	231,264	109,095
	908,075	678,895

40. Related party transactions (continued)

(B) Compensation of key management personnel of the Group

	2014 RMB'000	2013 RMB'000
Short-term employee benefits	7,105	5,078
Post-employment benefits	592	463
Total compensation paid to key management personnel	7,697	5,541

Further details of Directors' and the chief executive's emoluments are included in note 9.

41. Financial instruments

(a) Financial instruments by category

The carrying amounts of each of the categories of financial instruments of the Group as at the end of the reporting period are as follows:

Financial assets

	Group					
	31 December 2014			31 December 2013		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in deposits and other receivables *(note 23)*	398,248	–	398,248	186,217	–	186,217
Accounts receivable *(note 24)*	7,230,381	–	7,230,381	5,872,980	–	5,872,980
Notes receivable *(note 25)*	2,775,827	–	2,775,827	1,513,375	–	1,513,375
Pledged deposits *(note 27)*	39,119	–	39,119	32,630	–	32,630
Time deposits with original maturity of over three months *(note 27)*	1,308,046	–	1,308,046	600,000	–	600,000
Cash and cash equivalents *(note 27)*	5,432,187	–	5,432,187	9,600,797	–	9,600,797
Financial assets included in other current assets *(note 26)*	–	4,776,495	4,776,495	–	2,226,360	2,226,360
Total	17,183,808	4,776,495	21,960,303	17,805,999	2,226,360	20,032,359

41. Financial instruments (continued)

(a) Financial instruments by category (continued)

Financial liabilities

	Group 31 December 2014 RMB'000	31 December 2013 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	8,083,077	6,726,152
Salary and bonus payables	1,463,861	1,210,005
Interest-bearing bank borrowings – current portion *(note 32)*	3,817,369	3,803,582
Subtotal	13,364,307	11,739,739
Non-current		
Interest-bearing bank borrowings *(note 32)*	15,755,490	19,489,968
Long term bonds *(note 33)*	7,564,340	7,536,622
Subtotal	23,319,830	27,026,590
Total	36,684,137	38,766,329

The carrying amounts of each of the categories of financial instruments of the Company as the end of the reporting period are as follows:

Financial assets

	Company					
	31 December 2014			31 December 2013		
	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000	Loans and receivables RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
Financial assets included in deposits and other receivables *(note 23)*	693,664	–	693,664	323,204	–	323,204
Accounts receivable *(note 24)*	5,783,520	–	5,783,520	4,546,513	–	4,546,513
Notes receivable *(note 25)*	2,772,334	–	2,772,334	1,492,875	–	1,492,875
Pledged deposits *(note 27)*	3,060	–	3,060	29,591	–	29,591
Time deposits with original maturity of over three months *(note 27)*	1,308,046	–	1,308,046	600,000	–	600,000
Cash and cash equivalents *(note 27)*	3,688,748	–	3,688,748	6,096,344	–	6,096,344
Financial assets included in other current assets *(note 26)*	–	4,776,495	4,776,495	–	2,226,360	2,226,360
Total	14,249,372	4,776,495	19,025,867	13,088,527	2,226,360	15,314,887

41. Financial instruments (continued)

(a) Financial instruments by category (continued)

Financial liabilities

	Company 31 December 2014 RMB'000	31 December 2013 RMB'000
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	6,588,304	4,495,354
Salary and bonus payables	1,273,903	1,063,553
Interest-bearing bank borrowings		
– current portion *(note 32)*	3,817,369	3,803,582
Subtotal	11,679,576	9,362,489
Non-current		
Interest-bearing bank borrowings *(note 32)*	15,755,490	19,489,968
Long term bonds *(note 33)*	1,500,000	1,500,000
Subtotal	17,255,490	20,989,968
Total	28,935,066	30,352,457

(b) Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique(s) and inputs used).

Financial assets	Fair value as at 31/12/2014 RMB'000	31/12/2013 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments – money market fund	1,870,800	711,991	Level 1	Quoted bid prices in an active market
Available-for-sale investments – corporate wealth management products with underlying of debt securities	2,905,695	1,514,369	Level 2	Discounted cash flow using the rate that reflects the expected yield and the credit risk of the counterparties

41. Financial instruments (continued)

(c) Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Group

	Carrying amounts		Fair values	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Financial liabilities				
Non-current				
Long term bonds *(note 33)*	**7,564,340**	7,536,622	**7,261,059**	6,797,701
Total	**7,564,340**	7,536,622	**7,261,059**	6,797,701

Company

	Carrying amounts		Fair values	
	31 December 2014 RMB'000	31 December 2013 RMB'000	31 December 2014 RMB'000	31 December 2013 RMB'000
Financial liabilities				
Non-current				
Long term bonds *(note 33)*	**1,500,000**	1,500,000	**1,458,167**	1,324,758
Total	**1,500,000**	1,500,000	**1,458,167**	1,324,758

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

Corporate bonds issued by the Company, with fair value hierarchy of Level 2, is traded on China Interbank Bond Market of which its fair value is provided by China Central Depository & Clearing Co., Ltd. and determined by using the present value valuation technique under income approach and applying the discount rate that reflect its own credit spread as the key input and the fair value of senior unsecured USD bonds issued by COSL Finance (BVI) Limited with fair value hierarchy of Level 2 is using the present value valuation technique under income approach and applying treasury bond rate as adjusted its own credit spread as key input.

42. Financial risk management objectives and policies

The Group's principal financial instruments comprise short term bank borrowings, long term bank borrowings, long-term bonds, cash and short term deposits and available-for-sale investments. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Foreign currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. With the majority of the Group's businesses transacted in RMB and USD, the aforesaid currency is defined as the functional currency of the Company and some subsidiaries respectively. The RMB is not freely convertible into foreign currencies and conversion of RMB into foreign currencies is subject to rules and regulations of foreign exchange control promulgated by the PRC government.

The Group has foreign currency sales, purchases, bank borrowings, long term bonds, pledged deposits, time deposits with original maturity over three months and cash and cash equivalents denominated in US$, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values of monetary assets and liabilities) by using a sensitivity analysis on the change in the foreign exchange rates of the US dollar, from which the Group's foreign currency risk has arisen as at 31 December 2014 and 2013. Based on management's assessment at 31 December 2014, a change in depreciation of US dollars by 5% would lead to a decrease in the Group's net profit by 2.27%. Conversely, a change in appreciation of US dollars by 5% would lead to an increase in the Group's net profit by 2.27%. Based on management's assessment at 31 December 2013, such exposure is insignificant.

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate long-term bonds (see note 33 for details of the bonds). The cash flow interest rate risk of the Group relates primarily to variable-rate bank borrowings (see note 32 for details of these borrowings), pledge deposits and certain cash and cash equivalent (see note 27). The Group currently does not have an interest rate policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise. The fair value interest rate risk on time deposits is insignificant as the fixed deposits are short-term.

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of financial instruments outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2013: 50 basis points) increase or decrease is used which represents management's assessment of the reasonably possible change in interest rates.

At the end of the reporting period, if interest rates had been increased (decreased) by 50 basis points (2013: 50 basis points) and all other variables were held constant, the Group's post-tax profit would decrease (increase) by approximately RMB64,000,000 for the year ended 31 December 2014 (2013: RMB104,000,000).

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and available-for-sale investments, arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group manages this credit risk by only dealing with reputable financial institutions.

42. Financial risk management objectives and policies (continued)

Credit risk (continued)

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are analysed by customer/counterparty, by geographical region and by industry sector. The Group has concentration of credit risk in respect of accounts receivable as the Group's largest trade receivable and the five largest trade receivables represent 57% (2013: 48%) and 89% (2013: 83%) of the total trade receivables respectively.

No other financial assets carry a significant exposure to credit risk.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The Group's objective is to maintain a balance between continuity of funding and flexibility through long term bonds and interest-bearing loans. 14% of the Group's borrowings would mature in less than one year as at 31 December 2014 (2013: 12%) based on the carrying value of interest-bearing bank and other borrowings reflected in the financial statements.

The following table details the Group's and the Company's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Group

	31 December 2014						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	4,118,189	7,362,291	8,316,019	521,107	20,317,606	19,572,859
Long term bonds	–	266,068	266,068	798,203	8,616,070	9,946,409	7,564,340
Financial liabilities included in trade and other payables	–	8,083,077	–	–	–	8,083,077	8,083,077
Salary and bonus payables	–	1,463,861	–	–	–	1,463,861	1,463,861
	–	13,931,195	7,628,359	9,114,222	9,137,177	39,810,953	36,684,137

	31 December 2013						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	4,160,907	4,103,106	15,236,961	1,069,380	24,570,354	23,293,550
Long term bonds	–	265,349	265,349	796,048	8,658,297	9,985,043	7,536,622
Financial liabilities included in trade and other payables	–	6,726,152	–	–	–	6,726,152	6,726,152
Salary and bonus payables	–	1,210,005	–	–	–	1,210,005	1,210,005
	–	12,362,413	4,368,455	16,033,009	9,727,677	42,491,554	38,766,329

42. Financial risk management objectives and policies (continued)

Liquidity risk (continued)

Company

	31 December 2014						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	4,118,189	7,362,291	8,316,019	521,107	20,317,606	19,572,859
Long term bonds	–	67,200	67,200	201,600	1,701,600	2,037,600	1,500,000
Financial liabilities included in trade and other payables	–	6,588,304	–	–	–	6,588,304	6,588,304
Salary and bonus payables	–	1,273,903	–	–	–	1,273,903	1,273,903
	–	12,047,596	7,429,491	8,517,619	2,222,707	30,217,413	28,935,066

	31 December 2013						
	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000	Carrying amount RMB'000
Interest-bearing bank borrowings	–	4,160,907	4,103,106	15,236,961	1,069,380	24,570,354	23,293,550
Long term bonds	–	67,200	67,200	201,600	1,768,800	2,104,800	1,500,000
Financial liabilities included in trade and other payables	–	4,495,354	–	–	–	4,495,354	4,495,354
Salary and bonus payables	–	1,063,553	–	–	–	1,063,553	1,063,553
	–	9,787,014	4,170,306	15,438,561	2,838,180	32,234,061	30,352,457

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

42. Financial risk management objectives and policies (continued)

Capital management (continued)

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes interest-bearing bank borrowings, long term bonds, trade and other payables, less cash and cash equivalents (not including pledged deposits). Capital represents equity attributable to owners of the Company and non-controlling interests. The gearing ratios as at the end of the reporting periods were as follows:

Group	31 December 2014 RMB'000	31 December 2013 RMB'000
Interest-bearing bank borrowings *(note 32)*	**19,572,859**	23,293,550
Trade and other payables *(note 29)*	**8,634,342**	7,159,326
Long term bonds *(note 33)*	**7,564,340**	7,536,622
Less: Cash and cash equivalents and time deposit with original maturity of over three months *(note 27)*	**(6,740,233)**	(10,200,797)
Net debt	**29,031,308**	27,788,701
Equity attributable to owners of the Company	**47,272,634**	37,238,662
Non-controlling interests	**49,465**	21,141
Total capital	**47,322,099**	37,259,803
Capital and net debt	**76,353,407**	65,048,504
Gearing ratio	**38%**	43%

43. Comparative amounts

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

44. Approval of the financial statements

These financial statements were approved and authorised for issue by the board of directors on 30 March 2015.

Company Information

Legal name
中海油田服务股份有限公司

English Name
China Oilfield Services Limited

Short Name
中海油服/COSL

Authorised Representative
Mr. Li Yong

First registration Address
3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin

The registration date
26 September 2002

Business Address
Room 902, CNOOC Plaza,
6 Dongzhimenwai Xiaojie,
Dongcheng District, Beijing
Postal Code: 100027
Tel: 86-10-84521687
Fax: 86-10-84521325
Website: www.cosl.com.cn
Email: cosl@cosl.com.cn

Hong Kong Office
65/F, Bank of China Tower,
One Garden Road,
Central, Hong Kong
Tel: (852)2213 2500
Fax: (852)2525 9322

Corporate Secretary & Secretary to the Board of Directors
Mr. Yang Haijiang
Tel: 010-8452 1685
Fax: 010-8452 1325
E-mail: yanghj@cosl.com.cn
Contact Address:
Room 902, CNOOC Plaza,
6 Dongzhimenwai Xiaojie,
Dongcheng District, Beijing
Postal Code: 100027

Newspapers for disclosure of information
China Securities Journal
Shanghai Securities News
Securities Times
Securities Daily
Website designated by CSRC on which the Company's annual report is posted:
www.sse.com.cn

Legal Adviser
China:
Jun He Law Offices
China Resources Building,
20/F 8 Jiangusmembei Avenue, Beijing
Tel: 86-10-85191300
Fax: 86-10-85191350

Hong Kong:
Sidley Austin
39/F Two International Finance Centre,
8 Finance Street, Central, Hong Kong
Tel: (852)2509 7888
Fax: (852)2509 3110

Share Registrar
H Share:
Computershare Hong Kong
Investor Services limited
Shops 1712-1716, 17/F,
Hopewell Centre,
183 Queen's Road East,
Wanchai, Hong Kong

A Share:
China Securities Depository and
Clearing Corporation Limited
Shanghai Branch
China Insurance Building, 166 East
Lujiazui Road, Shanghai

Place where this annual report is available
Room 902, CNOOC Plaza,
6 Dongzhimenwai Xiaojie,
Dongcheng District, Beijing

Place of Listing of Shares, Stock Name and Stock Code
Place of Listing of H Share
The Stock Exchange of
Hong Kong Limited
Stock Code of H Share: 2883

Place of Listing of A Share
Shanghai Stock Exchange
Stock Name of A Share: COSL
Stock Code of A Share: 601808

Business license registration number of corporate legal person:
100000000036124

Tax Registration Number
12011871092921X

Corporate Business Number
71092921X

Name and Office Address of the Company's Auditor
Domestic: Deloitte Touche Tohmatsu
Certified Public Accountants LLP
Address: 8/F, Office Tower W2,
The Towers, Oriental Plaza,
1 East Chang An Ave.,
Beijing, China

International: Deloitte Touche
Tohmatsu
Address: 35/F One Pacific Place
88 Queensway
Hong Kong

Documents for Inspection

1. Financial statements signed and sealed by legal representative, the person in charge of accounting work and the person in-charge of accounting department.

2. Original copy of auditors' report (PRC) with seals of audit firm and signed by certified public accountants.

3. Original copy of auditors' report (Hong Kong) signed by certified public accountants.

4. Original copy of all documents of the Company and Announcements disclosed on the newspaper designated by CSRC during the reporting period.

China Oilfield Services Limited

Liu Jian
Chairman
30 March 2015

Glossary

COSL or the Group	China Oilfield Services Limited
CNOOC	China National Offshore Oil Corporation
CNOOC Limited	CNOOC Limited
2D	Seismic data collected in two dimensional form, by utilizing a single sound source and one or more collection points; typically 2D is used to map geographical structures for initial analysis.
3D	Seismic data collected in three-dimensional form, by utilizing two sound sources and two or more collection points; typically 3D is used to acquire refined seismic data and to raise the probability of successful exploration well drilling
COSL Holding AS	Formerly COSL Drilling Europe AS or CDE, the subsidiary of the Company in Norway
ELIS	Enhanced Logging Imaging System
LWD	Logging-while-drilling
OSHA	Statistical standard for occupational injuries and diseases
QHSE	Quality, health, safety and environment management system
WTI	West Texas Intermediate crude oil
Logging-while-drilling	Generally means the measuring of physical parameters of rock formation during the process of drilling, and transmitting the real time measured results by data telemetry system to the ground surface for processing.
Cementing	The technique of filling of cement slurries into the ring-shaped space formed between the inner well hole casing and the well wall to cement them together.
Well completion	Services and installation of equipment that are necessary to prepare a well for production, including casing and well treatment, such as acidizing and fracing
Well workover	Any work on a completed well designed to maintain, restore or improve production from a currently producing petroleum reservoir, this may include replacement of casing and well treatment, such as sand control, fracing and acidizing
Available day utilization rate	Operating days/(calendar days-days of repairs and maintenance)
Calendar day utilization rate	Operating days/calendar days
Integrated marine surveying vessels	Vessels providing marine surveying, marine geological coring, CPT in-situ testing, marine environment observation/sampling and marine supporting services.
Geophysical vessels	Vessels carrying out marine seismic survey. Equipped with seismic survey equipment, streamers towed behind vessel, collecting seismic data by generating and receiving seismic waves during continuous sailing.
Seismic data	Data recorded in either two dimensional (2D) or three dimensional (3D) form from sound wave reflections off of subsurface geology. This data is used to understand and map geological structures for exploratory purposes to predict the location of undiscovered reserves.
Streamers	Clear flexible tubing containing numerous hydrophones used for marine seismic surveys; streamers are towed behind seismic vessels at controlled shallow water depths to collect seismic data
Jack-up rigs	Jack-up rigs are so named because they are self-elevating—with three or four movable legs that can be extended ("jacked") above or below the drilling deck. During towing, the legs of a jack-up rig are elevated. When the rig reaches the drill site, the crew jacks the legs downward through the water and into the sea floor (or onto the sea floor with mat supported jack-ups). This anchors the rig and holds the drilling deck well above the waves.
Semi-submersibles	Semi-submersibles do not rest on the sea floor as jackup rigs. Instead, the working deck sits atop giant pontoons and hollow columns. These afloat above the water when the rig moves. At the drill site, the crew pumps seawater into the pontoons and columns to partially submerge the rig, hence the name semisubmersible. With much of its bulk below the water's surface, the semi-submersible becomes a stable platform for drilling, moving only slightly with wind and currents. Like jack-ups, most semi-submersibles are towed to the drill site. Because of their exceptional stability, "semis" are well suited for drilling in rough waters. Semisubmersibles can drill in water as deep as 10,000 feet Drillships are specially built seagoing vessels that also drill in water as deep as 10,000 feet.
Module rigs	Complete rig installation fixed on offshore jacket which is immovable as a whole.
bbl	A barrel, which is equivalent to approximately 158.988 liters or 0.134 tons of oil (at a API gravity of 33 degrees).
foot	Measuring unit of length, which is equivalent to approximately 0.305 meter.
Standard coal	The uniform standard of thermal value, China required the thermal value of 1 kg standard coal to be 7,000 kilocalorie.
Recordable incidents	Injury incident caused by work or impact of the work environment leading to death or occupational diseases or loss of consciousness, restricted working ability or mobility, or job transfer or injury incident which requires more than a simple medical treatment.

CHINA OILFIELD SERVICES LIMITED

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

This annual report is printed on recyclable paper

Designed and produced by : Equity Financial Press Limited www.equitygroup.com.hk