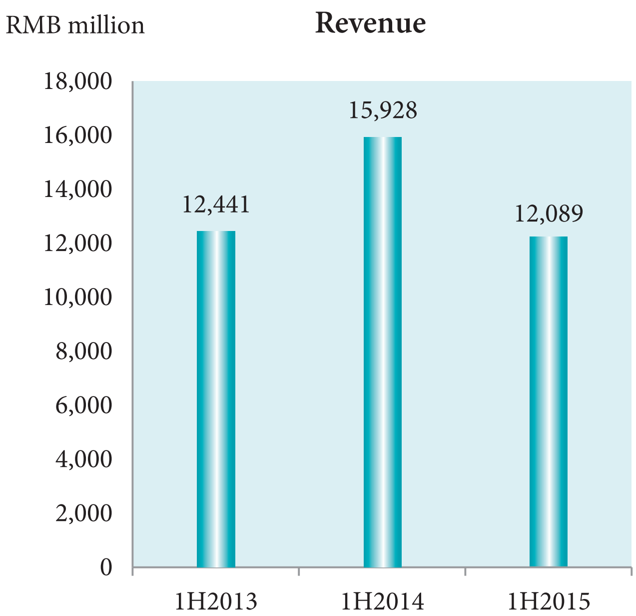
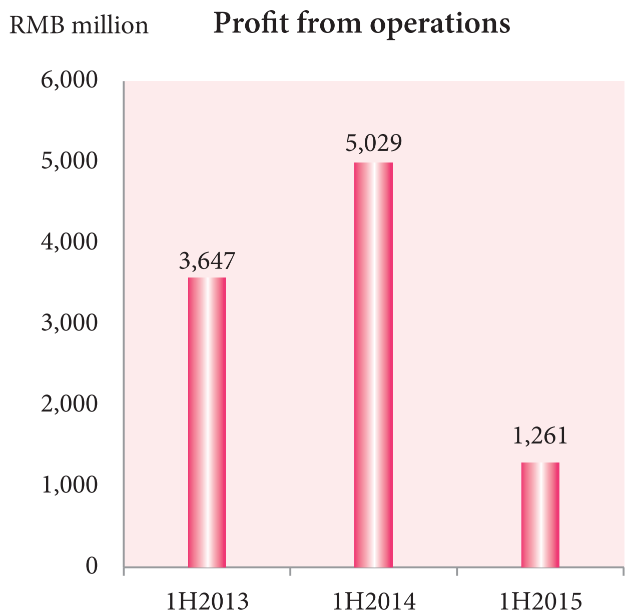
CHINA OILFIELD SERVICES LIMITED
中海油田服務股份有限公司
(Stock Code 股票代號 A股: 601808 ; H股: 2883)

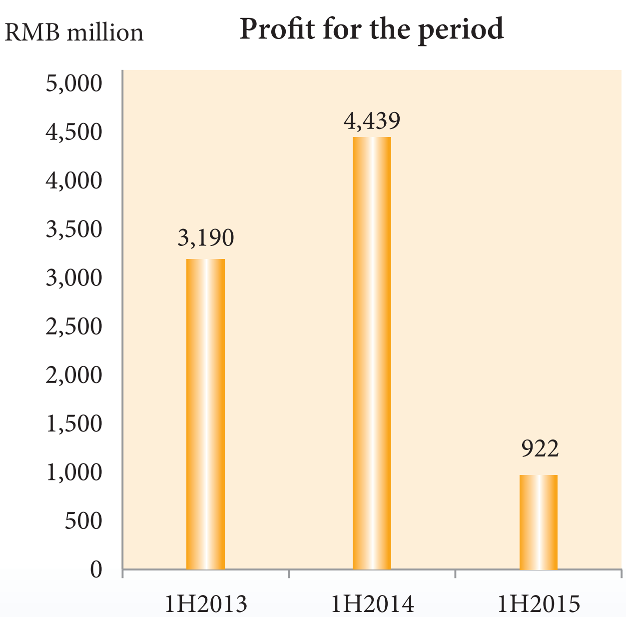
Capture Opportunities **Amid Changes**
把握變化中的**時機**

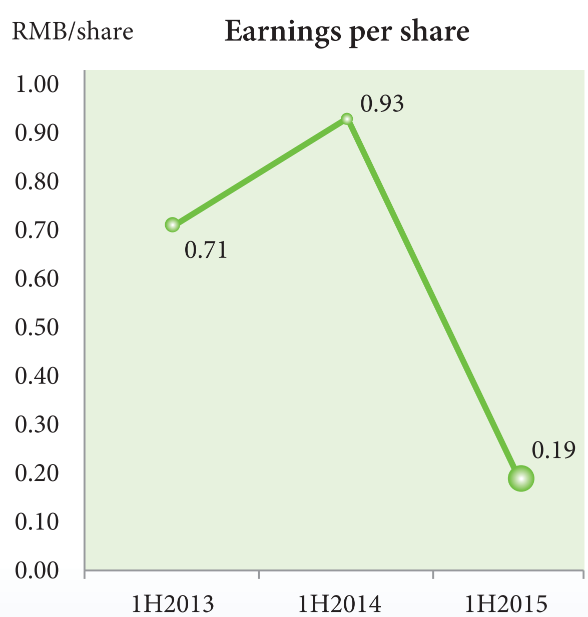
INTERIM REPORT **2015**
中期報告

Financial Highlights









Contents

Chief Executive Officer's Report

Dear shareholders,

During the first half of 2015, international crude oil prices continued its downward trend while global oil and gas exploration and development investments declined substantially. The oilfield service industry faced severe challenges with intense market competition. COSL coped with the market changes proactively, endeavoring to explore markets with multiple measures, controlling costs tightly, promoting technology research and development as well as research results and strengthening production and operations management capability. The Company's absolute leading position in offshore China was consolidated and business development in the international market was effectively achieved.

For the first half of the year, the Company achieved revenue of RMB12.09 billion with profit from operations of RMB1.26 billion; the available cash reserve is sufficient with capital structure further optimized. The Company's capability for risk aversion has been constantly enhanced.

PROGRESS IN MARKET DEVELOPMENT

In the domestic market, the Company has strengthened its strategic partnership with CNOOC Limited and capitalized on our cost advantages to continue to provide quality service for clients under the lower oil price conditions. We have enhanced our deep water operation capability and obtained remarkable achievement. "NH9" successfully completed its first over 1,000-meter deep water well; "COSLProspector" successfully started drilling in South China Sea; Enhanced Rotary Sidewall Coring Tool ("ERSC"), an ELIS high-spec equipment, was also applied to the deep-water operation in western South China Sea, eloquently demonstrating the advantages and capability of the Company in the research, development and application of new high technologies in deep-water operation.

Key projects were advanced and emerging markets were expanded in the international market. "HYSY981" completed the deep-water operation in the Bay of Bengal, setting a new record in the deep-water semi-submersible drilling rig operation in Asia with a completed well depth of 5,030 meters and obtained the commendation from the client with an operation efficiency as high as 99%. After extremely intense competition, "HYSY 937" won the drilling contract of 4+1 wells in the Indonesian market, demonstrating Company's competitiveness in large equipment and service capability; ELIS equipment completed its operation in 4 wells in Canada; "BH517" and "Dongfangmingzhu" went to Thailand and the Gulf of Mexico for operation respectively; "HYSY681" and "NH222", the deep-water AHTS vessels, also completed their first deep-water towing operation overseas. The Company also earned the title of "Best Contractor" from Shell for its high temperature and high pressure well cementing and drilling fluid service, further reinforcing its image as an international oilfield service contractor.

SIGNIFICANT EFFECT IN COSTS REDUCTION AND EFFICIENCY IMPROVEMENT

In the first half of 2015, the Company continued to make progress to refine its management so as to achieve the target of reducing costs and improving efficiency. The Company adjusted its procurement method, transferred the cost pressure downstream to other vendors and realized procurement savings by 15%.The Company also strengthened its daily maintenance and self-repair ability, reduced the ratio of outsourcing repair and saved maintenance costs; administrative expenses were reduced; surplus manpower was laid off and compensation structure was adjusted following the industry practice. The Company also phased out old equipment, strengthened the comprehensive management and control of materials and consumables and cut down expenditures. The Company managed to speed up the commercial application of independent research and development technologies and lower the proportion of equipment leasing. The variable costs of the Company have been decreased by RMB1.08 billion in the first half of the year.

Chief Executive Officer's Report (continued)

REMARKABLE ACHIEVEMENTS IN SCIENTIFIC RESEARCH

The Company continued to invest in research and development to help oil companies to raise recovery rates and boost outputs for their wells within fixed budgets and help to meet operation requirements for high temperature and high pressure wells. The Company's self-developed EZFLOW drill-in fluid was successfully applied in Bohai Sea with significant output results. The high temperature and high pressure well cementing and drilling fluid system has brought off its operation in a large number of wells in the South China Sea and Indonesia with success. Furthermore, progress has been made in the scientific research achievements of a batch of key projects, for example, the first trial production operation has been carried out by HQI-NAVI Integrated Navigation System for towed streamer; ELIS-eXceed, the third version of surface system, has been promoted for industrialized production in Bohai, Shanxi Province and Canada; our rotary steerable drilling system and logging while drilling system have finished operation in the four wells of Caofeidian and Chengbei Oilfields.

SAFETY AND ENVIRONMENTAL PERFORMANCE IMPROVED

The Company has thoroughly observed safety and environmental protention laws, standards and regulations and improved the relevant institutional system. The office of safety, environmental protection and work standard supervision was established to advance the investigation and solution of accident potential, comprehensively enhance the work standards, strengthen the high-risk operation management and conduct special examination of safety and environmental protection. The Company has maintained an overall stable safety and environment-friendly situation, eliminated the buds of potential incidents and markedly reduced grade of accidents. The occurrence rate of recordable incidents was 0.07. The energy consumption of RMB10,000 worth production was 0.1957 ton of standard coal, which was ahead of the annual target.

Faced with intense competition in the oil and gas industry, the Company coped with challenges proactively. With the principle of "More Professional, More Superior", the Company continues to strengthen its management foundation, uncover its potential, expand its market and improve its service standards. We care about improving the quality of business growth and consistently endeavoring to beef up our development potential during this period of transformation for the industry. Meanwhile, the Company prepares itself for the possible prolonged weaknesses in oil prices. The Company will enact more reasonable plans in resources allocation between the domestic and overseas markets, such as more detailed market division, flexible business strategies and management for differentiation. We seek to expand our international market share while reinforcing the share in the existing market. The Company is adhering to improve our integrated service capability, cost management and capital management thereby achieving healthy and sustainable development.

Li Yong
Chief Executive Officer and President of COSL

Hong Kong, 27 August 2015

Management Discussion and Analysis

Industry Review

In the first half of 2015, the global economy recovered slowly, while China's economic growth slowed down obviously and the price of crude oil fluctuated at a low level. The average price of Brent and WTI crude oil reached USD57.9 per barrel and USD53.2 per barrel respectively, both representing a decrease of 47% as compared with the same period last year. According to the third party data from IHS, the global oilfield exploration and development capital expenditure in 2015 will decrease by 25.7% YOY to USD545.3 billion, of which marine exploration and development capital expenditure will decrease by 11.7% YOY to USD180.1 billion. The exploration and development investment in each international business region will be reduced to some extent, especially in North America where a decrease of 37% is expected. The total value of the oilfield services market decreased by 22% over the same period last year to USD352.8 billion. The oilfield services industry has been in a decline cycle, reflecting the substantial decrease in clients' demand and the service prices and utilization rate of each business declined to different extents.

Business Review

In the first half of the year, global oil prices continued their decline, oil companies scaled down their investments, cancelled or postponed some projects, and demand in the oilfield services dropped resulting in fierce competition. As a result, service prices and operation volume of the four main business segments of the Group declined to different extents.

Drilling Services Segment

Affected by the decline in both service prices and operation volume, revenue of the drilling services segment in the first half of the year was RMB6,558.9 million, representing a decrease of 23.8% as compared with RMB8,602.9 million for the same period last year.

Faced with a sluggish market environment, the Group adjusted its strategies promptly. While insisting on safe production, we have also actively explored the market and consistently strengthened resources integration to enhance work efficiency. The Group employed various approaches to save costs, such as cutting administrative expenses, improving self-maintenance capability, and reducing procurement, subcontracting, and rental prices.

In respect of equipment operation, "HYSY936", "COSL1", "COSL2" and "COSL7" won the praise of PEMEX for their excellent and efficient services, coordination and communication; "HYSY981" made its debut into the international market and successfully accomplished operation; "HYSY937" successfully completed its first drilling in international new market; "COSLProspector" started drilling in the deep waters of South China Sea.

As of the end of June 2015, the Group operated and managed a total of 44 drilling rigs (including 33 jack-up drilling rigs and 11 semi-submersible drilling rigs). 19 of those were operating in the China Sea, and 10 were operating in international regions such as the North Sea of Norway, Mexico and Indonesia, 14 rigs were on standby, and 1 was under repair and maintenance. In addition, the Group also owned 2 accommodation rigs and 5 module rigs.

During the first half of the year, the number of operating days of the Group's drilling rigs amounted to 6,245 days, representing a decrease of 348 days when compared with the same period last year. The calendar day utilization rate was 80.0%, a decrease of 11.0 percentage points when compared with the same period last year due to the increase in the number of standby days.

Management Discussion and Analysis (continued)

The operation details of our jack-up and semi-submersible drilling rigs in the first half of 2015 are as follows:

	For the six months ended 30 June 2015	2014	Increase/(decrease)	Percentage change
Operating days (day)	**6,245**	6,593	(348)	(5.3%)
Jack-up drilling rigs	**4,893**	4,814	79	1.6%
Semi-submersible drilling rigs	**1,352**	1,779	(427)	(24.0%)
Available day utilization rate	**83.2%**	97.9%	Down 14.7 percentage points	
Jack-up drilling rigs	**85.1%**	97.2%	Down 12.1 percentage points	
Semi-submersible drilling rigs	**76.9%**	100.0%	Down 23.1 percentage points	
Calendar day utilization rate	**80.0%**	91.0%	Down 11.0 percentage points	
Jack-up drilling rigs	**81.9%**	88.6%	Down 6.7 percentage points	
Semi-submersible drilling rigs	**73.6%**	98.3%	Down 24.7 percentage points	

The increase by 79 operating days of jack-up drilling rigs as compared with the same period last year was mainly attributable to an increase of 461 operating days as "COSLHunter", "HYSY932", "Gulf Driller I" and "Kai Xuan I" started operation last year; and standby days increased by 692 days during the period due to the market influence. In addition, operating days increased by 310 days due to reasons such as decrease in repair and maintenance days.

Operating days of semi-submersible drilling rigs decreased by 427 days which was mainly attributable to an increase of 406 standby days and an increase of 47 maintenance days. Further, operating days increased by 26 days due to the maiden voyage of "COSLProspector" this year.

Two accommodation rigs continued to operate in the North Sea for 311 days, representing a decrease of 2 days as compared with the same period last year. The calendar day utilization rate was 85.9%, representing an increase of 0.5 percentage point as compared with the same period last year.

Five module rigs operated in the Mexican Bay had 850 operating days during the period, representing an increase of 141 days as compared with the same period last year, mainly due to the addition of one more drilling rig. The calendar day utilization rate was 93.9%, representing a decrease of 4.0 percentage points as compared with the same period last year.

The average day income of the drilling rigs of the Group for the first half of 2015 decreased as compared with the same period last year, with details as follows:

Average day income (ten thousand US$/day)	For the six months ended 30 June 2015	2014	Decrease	Percentage decrease
Jack-up drilling rigs	**10.3**	12.3	(2.0)	(16.3%)
Semi-submersibles drilling rigs	**30.4**	32.1	(1.7)	(5.3%)
Drilling rigs sub-total	**14.7**	17.6	(2.9)	(16.5%)
Accommodation rigs	**24.8**	27.0	(2.2)	(8.1%)
Group's average	**15.2**	18.0	(2.8)	(15.6%)

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

(2) The average day income of semi-submersible drilling rigs for the first half of 2014 did not include the settlement of US$65 million in respect of the standby fee dispute between COSL Offshore Management AS, a subsidiary of the Group, and Statoil Petroleum AS.

(3) US$/RMB exchange rate was 1: 6.1136 on 30 June 2015 and 1: 6.1528 on 30 June 2014, respectively.

Management Discussion and Analysis (continued)

Well Services Segment

Operation of well services segment decreased in the first half of 2015 with revenue dropping by 17.4% to RMB3,298.8 million from the same period last year.

Faced with the downward pressure across the industry, the Group insisted on upgrading its R&D technology in a steady pace. The two technological systems of the self-developed Rotary Steerable System Welleader® and the Logging While Drilling System Drilog® successfully completed the business operation of 5 wells, which was the first time for them to apply in small-scale in the offshore oilfield. For the first time they completed the complex three-dimensional horizontal wells offshore landing operation and obtained the Job Sheet. The Group has now become the first company in China, and the fourth in the world owning the both technologies, which will enhance the Company's competitiveness in the international high-spec well services market and reduce service costs significantly in the future. The self-developed EZFLOW drill-in fluid was applied successfully in Bohai with significant oil output. Testing on two new achievements, Plate type Extra-large Probe of EFDT and Incongruous Pushing and Struck Releasing Device has been completed and made commercial application, signifying that the Group has made important improvement in solving different technical problems such as pressure testing and sampling in low porosity and low permeability reservoir and controlling operation risks. The self-owned EALT (Enhanced Array Lateralog Tool) has completed the prototype tool development and well testing demonstrating that the Tool bears the preliminary generalization ability. The Company completed the first horizontal well CTU acidizing operation on its own in Iraq.

Marine Support Services Segment

Affected by the market, revenue of the marine support services segment decreased in the first half of the year by 14.4% from the same period last year to RMB1,484.3 million. In the first half of the year, our chartered vessels operated 7,726 days in total, representing a decrease of 749 days as compared with the same period last year and realized revenue of RMB571.1 million.

In response to market changes, the Group actively redeployed its resources by sending five utility vessels to the Southeast Asian regions including Singapore for operation. Meanwhile, the Group further adjusted its equipments and structure to conform to the requirement of deep-water operation and enhance its core competitiveness.

The calendar day utilization rate of the self-owned vessels in the first half of 2015 was 90.5%, representing a decrease of 2.5 percentage points as compared with the same period last year. The operation of self-owned vessels increased with the commencement of operation of three new vessels during the period, details are as follows:

Operating days (day)	For the six months ended 30 June 2015	2014	Increase/ (Decrease)	Percentage change
Standby vessels	**6,426**	6,509	(83)	(1.3%)
AHTS vessels	**2,627**	2,457	170	6.9%
Platform supply vessels	**1,492**	1,327	165	12.4%
Multi-purpose vessels	**623**	629	(6)	(1.0%)
Workover support barges	**724**	719	5	0.7%
Total	**11,892**	11,641	251	2.2%

The transportation volume of oil tankers was 851,000 tons for the first half of the year, representing a decrease of 65,000 tons as compared with 916,000 tons for the same period last year.

Geophysical and Surveying Services Segment

Revenue of the geophysical and surveying services segment of the Group was RMB747.4 million for the first half of the year, representing a decrease of RMB849.4 million or 53.2% over the same period last year.

Faced with a competitive market environment, the Group implemented different measures and fully exploited its business potential, adjusted operating strategy in time, and strived to lower its operating and management costs. The Group expanded the international market through deployment of two seismic acquisition vessels for overseas operation to make up for the inadequacy of the domestic market, and meanwhile, service standard was further improved and technological research accelerated. The self-developed HQI-NAVI Integrated Navigation System for towed streamer carried out its first trial-production operation successfully, indicating that the Company has achieved an important milestone in the R&D of streamer integrated navigation system and preliminarily mastered the technique of streamer exploration integrated navigation.

Due to market downturn and scrapping of one collection vessel upon expiry in the second half of last year and one collection vessel is waiting for scrapping upon expiry during the period, the 2D collection, 3D collection and 3D processing operation volume of the Group decreased in the first half of 2015, details are as follows:

Services	For the six months ended 30 June		Increase/ (Decrease)	Percentage change
	2015	2014		
2D collection (km)	**10,859**	12,215	(1,356)	(11.1%)
2D processing (km)	**9,032**	4,034	4,998	123.9%
3D collection (km^2)	**8,258**	17,085	(8,827)	(51.7%)
of which: submarine cable (km^2)	**–**	306	(306)	(100.0%)
3D processing (km^2)	**7,565**	11,305	(3,740)	(33.1%)

In the first half of 2015, the Group's surveying services recorded revenue of RMB152.6 million, which decreased by RMB124.4 million from RMB277.0 million in the same period last year.

Management Discussion and Analysis (continued)

Financial Review

1. Analysis of condensed consolidated statement of profit or loss

1.1 Revenue

As affected by the declining demand in the oilfield services market in the first half of 2015, the operation volume and service price of the Group's four main business segments dropped to varying extents. Revenue decreased by RMB3,838.3 million or 24.1% over the same period last year to RMB12,089.4 million, detailed analysis is as follow:

Revenue of each of the business segments in the first half of 2015:

Unit: RMB million Business segments	For the six months ended 30 June **2015**	 2014	Decrease	Percentage decrease
Drilling services	**6,558.9**	8,602.9	(2,044.0)	(23.8%)
Well services	**3,298.8**	3,994.6	(695.8)	(17.4%)
Marine support services	**1,484.3**	1,733.4	(249.1)	(14.4%)
Geophysical and surveying services	**747.4**	1,596.8	(849.4)	(53.2%)
Total	**12,089.4**	15,927.7	(3,838.3)	(24.1%)

- Revenue generated from drilling services decreased by 23.8% over the same period last year. The main reasons include: 1) Operation days of drilling rigs decreased by 348 days as compared with the same period last year. 2) Operating rate of drilling rigs dropped. 3) The Group's subsidiary, COSL Offshore Management AS, reached settlement of USD65 million with Statoil Petroleum AS with respect to the dispute of standby fees in the same period last year, while no such settlement was recorded during the period.

- Revenue of well services decreased by 17.4% over the same period last year, which was mainly due to the decrease in operation volume and service price.

- Revenue from marine support services decreased by 14.4% over the same period last year, which was mainly due to the decrease of 749 days in operation volume of chartered vessels during the period. Though the operation volume of self-owned vessels increased, the service prices dropped.

- Revenue from geophysical and surveying services decreased by 53.2% as compared with the same period last year, which was mainly due to the downscaling of investment in exploration development by oil companies and reduced operation volume.

1.2 Operating expenses

In the first half of 2015, the operating expenses of the Group amounted to RMB10,857.8 million, representing a decrease of RMB108.5 million or 1.0% from RMB10,966.3 million for the same period last year.

The table below shows the breakdown of operating expenses of the Group in the first half of 2015:

Unit: RMB million	For the six months ended 30 June 2015	2014	Increase/ (Decrease)	Percentage change
Depreciation of property, plant and equipment and amortization of intangible assets	**1,987.5**	1,863.3	124.2	6.7%
Employee compensation costs	**2,044.4**	2,078.2	(33.8)	(1.6%)
Repair and maintenance costs	**301.9**	410.4	(108.5)	(26.4%)
Consumption of supplies, materials, fuel, services and others	**2,231.6**	2,538.7	(307.1)	(12.1%)
Subcontracting expenses	**1,644.6**	2,392.7	(748.1)	(31.3%)
Operating lease expenses	**815.7**	721.9	93.8	13.0%
Other operating expenses	**841.5**	805.5	36.0	4.5%
Impairment of goodwill	**923.2**	-	923.2	100.0%
Impairment of property, plant and equipment	**67.4**	155.6	(88.2)	(56.7%)
Total operating expenses	**10,857.8**	10,966.3	(108.5)	(1.0%)

From the above breakdown in operating expenses, the new equipments led to an increase in depreciation of property, plant and equipment and amortization of intangible assets of RMB124.2 million.

A decrease in repair and maintenance days of drilling rigs and utility vessels, and strengthened self-maintenance ability led to a decrease of repair and maintenance costs of RMB108.5 million.

A decrease in operation volume and the adoption of variety measures in controlling costs by the Group led to a decrease of materials consumption of RMB307.1 million.

To lower costs effectively, the Group reduced the use of external resources which led to a decrease in subcontracting expenses of RMB748.1 million.

Due to the full operation of leased drilling rigs of "HYSY932", "Gulf Driller I" and "Kai Xuan I" during the period, the operating lease expenses increased by RMB93.8 million.

Other operating expenses increased by RMB36.0 million, which was mainly due to the increase in provisions of RMB131.1 million made for accounts receivables and other receivables and bad debts allowance during the period.

Unfavourable market environment led to an impairment loss of goodwill amounting to RMB923.2 million during the period.

During the period, impairment loss on property, plant and equipment was RMB67.4 million, which was mainly attributable to the impairment losses against fixed assets of RMB67.4 million in respect of an individual asset in Norway in light of market condition. While in the same period last year, the asset impairment loss made in respect of four chemical carriers was RMB143.7 million and the asset impairment loss made in respect of the well services equipment in Libya was RMB11.9 million.

Management Discussion and Analysis (continued)

The table below shows the operating expenses of each of the business segments in the first half of 2015:

Unit: RMB million Business segments	For the six months ended 30 June 2015	 2014	Increase/ (Decrease)	Percentage change
Drilling services	**5,801.9**	4,988.4	813.5	16.3%
Well services	**2,967.4**	3,079.1	(111.7)	(3.6%)
Marine support services	**1,278.5**	1,659.2	(380.7)	(22.9%)
Geophysical and surveying services	**810.0**	1,239.6	(429.6)	(34.7%)
Total	**10,857.8**	10,966.3	(108.5)	(1.0%)

1.3 Profit from operations

The profit from operations of the Group during the first half of 2015 amounted to RMB1,260.9 million, representing a decrease of RMB3,768.2 million or 74.9% from RMB5,029.1 million for the same period last year.

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

Unit: RMB million Business segments	For the six months ended 30 June 2015	 2014	Increase/ (Decrease)	Percentage change
Drilling services	**759.5**	3,621.0	(2,861.5)	(79.0%)
Well services	**353.5**	938.1	(584.6)	(62.3%)
Marine support services	**207.4**	82.0	125.4	152.9%
Geophysical and surveying services	**(59.5)**	388.0	(447.5)	(115.3%)
Total	**1,260.9**	5,029.1	(3,768.2)	(74.9%)

1.4 Financial expenses, net

In the first half of 2015, the net financial expenses of the Group were RMB250.2 million, representing an increase of RMB47.6 million or 23.5% from RMB202.6 million for the same period last year, mainly due to the decrease in finance costs by RMB16.2 million, increase in exchange loss by RMB23.8 million and decrease in interest income by RMB40.0 million during the period.

1.5 Investment income

During the first half of 2015, the investment income of the Group amounted to RMB81.5 million, representing a decrease of RMB5.0 million or 5.8% from RMB86.5 million for the same period last year, which was mainly due to the decrease in investment income from the corporate wealth management products during the period.

1.6 Share of profits of joint ventures, net of tax

As affected by the market environment, profits of joint ventures decreased. In the first half of 2015, the Group's share of profits of joint ventures amounted to RMB94.2 million, representing a decrease of RMB58.8 million as compared with RMB153.0 million for the same period last year.

1.7 Income tax

In the first half of 2015, the income tax expense of the Group was RMB264.5 million, representing a decrease of RMB362.6 million or 57.8% as compared with RMB627.1 million for the same period last year. This was mainly due to the downturn of oilfield services market which resulted in the decrease of profit before tax during the period.

1.8 Profit for the period

In the first half of 2015, profit for the period of the Group was RMB921.9 million, representing a decrease of RMB3,517.1 million or 79.2% as compared with RMB4,439.0 million for the same period last year.

1.9 Basic earnings per share

In the first half of 2015, the Group's basic earnings per share was RMB19 cents, representing a decrease of RMB74 cents or 79.6% as compared with RMB93 cents for the same period last year.

2. Analysis on condensed consolidated statement of financial position

As of 30 June 2015, total assets of the Group amounted to RMB86,286.9 million, representing a decrease of RMB587.4 million or 0.7% as compared with RMB86,874.3 million as at the end of 2014. Total liabilities were RMB40,322.5 million, representing an increase of RMB770.3 million or 1.9% as compared with RMB39,552.2 million as at the end of 2014. Total equity was RMB45,964.3 million, representing a decrease of RMB1,357.8 million or 2.9% as compared with RMB47,322.1 million as at the end of 2014.

An analysis of significant changes in account items on the condensed consolidated statement of financial position is as follows:

Unit: RMB million **Items**	**30 June** **2015**	31 December 2014	Increase/ (Decrease)	Reasons
Accounts receivable	**10,379.3**	7,230.4	43.6%	The client's internal approval process before payment has lengthened.
Notes receivable	**876.0**	2,775.8	(68.4%)	Notes receivables of RMB2,789.0 million of the Group were received, and new notes receivables of RMB889.2 million increased during the current interim period.
Other current assets	**2,782.1**	4,985.5	(44.2%)	Decreases in the subscription of non-fixed income money funds and investment in corporate wealth management products issued by banks as compared with the beginning of the period.
Pledged deposits	**25.2**	39.1	(35.5%)	Certain pledged time deposits were due.
Time deposits with original maturity of over three months	**200.0**	1,308.0	(84.7%)	Time deposits were due.
Interest-bearing borrowings (current portion)	**9,131.8**	3,817.4	139.2%	Borrowings of US$311.9 million were repaid during the period, there was new short-term borrowing of RMB3,668.2 million, while US$893.7 million will be due within one year.
Other current liabilities	**597.7**	117.0	410.9%	Due to the contractual compensation from the compensation agreement entered into between the Group and Statoil Petroleum AS in respect of cancelling the service contract of "COSL Pioneer", the semisubmersible drilling platform.
Non-controlling interest	**76.6**	49.5	54.7%	PT.SAMUDAR TIMUR SANTOSA generated profit for the period.

Management Discussion and Analysis (continued)

3. Analysis of condensed consolidated statement of cash flows

At the beginning of 2015, the Group held cash and cash equivalents of RMB5,432.2 million. Net cash inflows from operating activities for the period amounted to RMB1,461.6 million. Net cash inflows from investing activities were RMB137.8 million. Net cash outflows from financing activities were RMB854.1 million. The impact of foreign exchange fluctuations on cash and cash equivalents was a decrease of RMB31.5 million. As at 30 June 2015, the Group's cash and cash equivalents amounted to RMB6,146.0 million.

3.1 Cash flows from operating activities

For the six months ended 30 June 2015, the Group's net cash inflows from operating activities amounted to RMB1,461.6 million, representing a decrease of RMB3,116.9 million or 68.1% as compared with the same period last year. This is mainly due to the declining demand in oilfield services market resulted in cash generated from product sales and provision of duty decreased by RMB3,032.5 million during the period.

3.2 Cash flows from investing activities

For the six months ended 30 June 2015, the net cash inflows from the Group's investing activities amounted to RMB137.8 million, representing an increase of RMB6,386.7 million in cash inflows as compared with the same period last year. This is mainly due to decrease in purchase of wealth management products over the same period last year, causing cash payment for purchasing available-for-sale investment to decrease by RMB4,406.2 million, and the decrease in placement of time deposits with maturity of over three months by RMB1,123.5 million. The cash inflows from other investing activities increased by RMB857.0 million.

3.3 Cash flows from financing activities

For the six months ended 30 June 2015, the Group's net cash outflows from financing activities amounted to RMB854.1 million, representing an increase of RMB1,120.3 million in cash outflows over the same period last year. This is mainly due to the Company's successful placing of 276,272,000 H shares last year, but there was no such financing activities during the current period which resulted in the decrease in cash receipt from issuing new shares (deduction of transaction fees) of RMB4,573.4 million. Meanwhile, cash from borrowings increased by RMB3,668.2 million. The dividends paid increased by RMB238.6 million as compared with the same period last year, while cash outflows from other financing activities decreased by RMB23.5 million.

3.4 The impact of foreign exchange rate changes on cash and cash equivalents during the period was a decrease of RMB31.5 million.

4. Capital Expenditure

In the first half of 2015, the capital expenditure of the Group was RMB4,122.3 million, representing an increase of RMB1,339.0 million or 48.1% as compared with RMB2,783.3 million for the same period last year.

The capital expenditure of each business segment is shown in the table below:

Unit: RMB million Business segments	For the six months ended 30 June **2015**	 2014	Increase/ (Decrease)	Percentage change
Drilling services	**1,776.8**	1,253.6	523.2	41.7%
Well services	**470.7**	228.8	241.9	105.7%
Marine support services	**875.8**	634.1	241.7	38.1%
Geophysical and surveying services	**999.0**	666.8	332.2	49.8%
Total	**4,122.3**	2,783.3	1,339.0	48.1%

The capital expenditure of the drilling services segment was mainly used for the construction of two 400 ft jack-up drilling rigs and one 5000 ft semi-submersible drilling rig. The capital expenditure of the well services segment was mainly used for the construction and purchase of relevant well services equipment relating to such business segment. The capital expenditure of the marine support services segment was mainly used for the purchase and construction of oilfield utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the construction of two deep-water surveying vessels.

5. Major Subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary of the Group engaged in drilling operations. COSL Holding AS is a major subsidiary of CNA. As of 30 June 2015, the total assets of CNA amounted to RMB28,697.4 million and equity amounted to RMB6,329.8 million. Affected by the changes in market environment, CNA realized revenue of RMB1,931.4 million in the first half of 2015, representing a decrease of RMB816.0 million or 29.7% as compared with the same period last year. The loss of net profit amounted to RMB1,450.0 million and net profits decreased by RMB1,478.4 million as compared with the same period last year, which was mainly due to a decrease of revenue and recognition of asset impairments increased by RMB989.3 million during the period.

Business Outlook

Looking forward to the second half of 2015, the international oil prices will continue to fluctuate at low level under the influence of various factors. The global marine exploration and development investment will continue to shrink, and competition in the oilfield service market will further intensify. Against such gloomy industrial background, each business segment of the Company will still face enormous challenges.

Supplementary Information

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2015 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2015, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, for the six months ended 30 June 2015, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

PURCHASE, DISPOSAL AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the six months ended 30 June 2015.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2015, none of the directors and supervisors had any material interest, whether direct or indirect, in any contract that was significant to the Group's business and to which the Company, its controlling shareholder or any of its subsidiaries or subsidiaries of the Group was a party.

DIRECTORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2015, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and HKSE pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

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

Save as disclosed above, as at 30 June 2015, none of the Directors, chief executives of the Company or their respective associates had any other interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and HKSE pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or chief executive of the Company, as at 30 June 2015, other than the Directors or the chief executive of the Company as disclosed above, the following persons had interests or short positions in the H Shares or underlying H Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under Section 336 of the SFO or were otherwise notified to the Company and HKSE:

Name of shareholder	Shares held	Number of shares in 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	125,774,873 (L) 2,054,000 (S)	6.94 (L) 0.11 (S)
JPMorgan Chase & Co.	Interest in controlled corporation	108,405,174 (L) 1,447,922 (S) 84,541,673 (P)	5.98 (L) 0.07 (S) 4.66 (P)
Gray Allan William Buchanan	Interest in controlled corporation	91,268,000 (L)	5.04 (L)
Rhone Trustee (Switzerland) SA	Interest in controlled corporation	91,268,000 (L)	5.04 (L)
Rhone Trustees (Bahamas) Limited	Interest in controlled corporation	91,268,000 (L)	5.04 (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.

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

At no time during the six months period ended 30 June 2015 were rights to acquire benefits by means of acquisition of shares in or debentures of the Company granted to any directors, supervisors and senior management or their respective spouses or minor children, or were any such rights exercised by them; nor was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

EMPLOYEE AND REMUNERATION POLICY

As at 30 June 2015, the Group has 15,953 employees. The Group relies on incentive approaches to enable an efficient macro and micro human resources management. We adopt different incentive schemes based on various kinds of professions and establish an appropriate appraisal system to create fair competition, thereby maximizing the development opportunities for quality staff. Besides, we also provided various benefits to employees, including provisions of social insurance.

Supplementary Information (continued)

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) The Company held its 2014 AGM on Tuesday, 2 June 2015, for, among other things, the re-election of Mr. Liu Jian as a non-executive director of the Company and the re-election of Mr. Li Yong as an executive director of the Company; the term of office is three years from the approval date of the AGM. Mr. Fong Chung, Mark was elected as an independent non-executive director of the Company at the AGM; the term of office is three years from the approval date of the AGM. Mr. Tsui Yiu Wa retired as an independent non-executive director of the Company.

(2) The Company held its 2014 AGM on Tuesday, 2 June 2015, for, among other things, the election of Mr. Cheng Xinsheng as an independent supervisor of the Company; the term of office is three years from the approval date of the AGM. Mr. Wang Zhile retired as an independent supervisor of the Company.

UPDATED INFORMATION ON DIRECTOR PURSUANT TO RULE 13.51B OF THE LISTING RULES

Mr. Liu Jian, the chairman of the Board and a non-executive director of the Company, was appointed as a director and the president of CNOOC, and ceased to be the vice president of CNOOC in August 2015. Mr. Zeng Quan, a non-executive director of the Company, ceased to be the General Manager of the Finance and Assets Department of CNOOC from 22 June 2015 and cased to be the director of CNOOC Investment Holdings Limited and CNOOC Insurance Limited from 29 June 2015.

Mr. Fong Wo, Felix JP, an independent non-executive director of the Company, was appointed as an independent non-executive director of Xinming China Holdings Limited (stock code: 02699, a company listed on the main board of the Hong Kong Stock Exchange) on 6 July 2015.

GEARING RATIO

As at 30 June 2015, the net current assets of the Group decreased to RMB3,681.9 million compared with RMB9,441.1 million as at 31 December 2014, while the current ratio decreased to 1.20 times, compared with 1.66 times as at 31 December 2014.

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

Group	30 June 2015 RMB'000	31 December 2014 RMB'000
Interest-bearing bank borrowings	**21,321,876**	19,572,859
Trade and other payables	**7,691,899**	8,634,342
Long term bonds	**7,561,904**	7,564,340
Less: Cash and cash equivalents and time deposit with original maturity of over three months	**6,346,007**	6,740,233
Net debt	**30,229,672**	29,031,308
Equity attributable to owners of the Company	**45,887,751**	47,272,634
Non-controlling interest	**76,598**	49,465
Total capital	**45,964,349**	47,322,099
Capital and net debt	**76,194,021**	76,353,407
Gearing ratio	**40%**	38%

PROGRESS OF BUSINESS PLAN

In the first half of the year, affected by further deterioration in the global oilfield service market, both the utilization rate of the Group's large equipment and service price decreased, and there was impairment recognized for the assets and goodwill. The net profit attributable to the owners of the Company reduced by 79.8% as compared with the same period in 2014.

In the second half of the year, due to the downturn in oil prices and no recovery was shown in the demand from oil companies, it is expected that the service prices for large equipment of the Group will remain low and the utilization rate will be further decreased. It is estimated that the net profit attributable to the owners of the Company for the first three quarters and the full year 2015 will record substantial decline as compared with last year. In this regard, the Company will implement more positive and flexible strategies in response to market challenges, continue to lower cost and improve efficiency and exercise stricter cost control.

Supplementary Information (continued)

FOREIGN CURRENCY RISK

The Group's operation is affected by the exchange rate fluctuation of RMB against other foreign currencies. If the exchange rate fluctuation is significant, the Group's net profit will be impacted to a certain extent. The management of the Group will continuously monitor such exposure.

CHARGES ON ASSETS

As at 30 June 2015, the Group had no material charges against its assets.

PLACING OF H SHARES IN 2014

On 7 January 2014, the Company entered into a placing agreement with the placing agents in relation to the placing ("Placing") of an aggregate of 276,272,000 new H Shares (the "Placing Shares") with an aggregate nominal value of RMB276,272,000 at the placing price ("Placing Price") of HK$21.30 per Placing Share and a net Placing Price of HK$21.06 per Placing Share to no fewer than six but no more than ten independent professional, institutional and/or individual investors.

The Placing Shares represent approximately 18.00% and 6.15%, respectively, of the total existing issued H Share capital of the Company and the total issued share capital of the Company prior to the Placing, and approximately 15.25% and 5.79%, respectively, of the total issued H Share capital and the total issued share capital of the Company as enlarged by the allotment and issue of the Placing Shares.

Based on the closing price of the H Shares of HK$22.90 per H Share on 7 January 2014, the Placing Shares had a market price of HK$6,326,628,800. The net proceeds from the Placing of HK$5,819,392,302.91 were applied for general corporate purposes. The Placing was conducted to broaden the shareholders' base of the Company and to raise capital for the Company for its future business development. The Placing was completed on 15 January 2014.

MISCELLANEOUS

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 30 June 2015, the infrastructure project has fulfilled the investment requirements for the transfer. The transfer procedures of such land transaction were not yet completed, and the Company is now actively undertaking relevant communication and coordination in respect of the transfer.

On 30 July 2015, COSL Singapore Capital Ltd., a wholly owned subsidiary of the Company, successfully completed the issue of: (1) US$500 million five-year Euro medium term notes with a coupon of 3.5% per annum, and (2) US$500 million ten-year Euro medium term notes with a coupon of 4.5% per annum. The Company provided guarantee for the issue of the above medium term notes.

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2014, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix16 of the Listing Rules will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn) in due course.

By Order of the Board
China Oilfield Services Limited
Li Yong
Executive Director

27 August 2015

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

To the Board of Directors of China Oilfield Services Limited

INTRODUCTION

We have reviewed the condensed consolidated financial statements of China Oilfield Services Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 19 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2015 and the related condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
27 August 2015

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2015

	Notes	Six months ended 30 June 2015 RMB'000 (Unaudited)	 2014 RMB'000 (Unaudited)
REVENUE	*3*	**12,089,396**	15,927,665
Other revenues		**29,308**	67,812
		12,118,704	15,995,477
Depreciation of property, plant and equipment and amortisation of intangible assets		**(1,987,474)**	(1,863,272)
Employee compensation costs		**(2,044,375)**	(2,078,199)
Repair and maintenance costs		**(301,893)**	(410,464)
Consumption of supplies, materials, fuel, services and others		**(2,231,646)**	(2,538,682)
Subcontracting expenses		**(1,644,561)**	(2,392,757)
Operating lease expenses		**(815,728)**	(721,908)
Other operating expenses		**(841,582)**	(805,506)
Impairment of goodwill	*9*	**(923,154)**	–
Impairment of property, plant and equipment	*8*	**(67,416)**	(155,552)
Total operating expenses		**(10,857,829)**	(10,966,340)
PROFIT FROM OPERATIONS		**1,260,875**	5,029,137
Exchange (losses)/gains, net		**(16,982)**	6,767
Finance costs		**(281,486)**	(297,664)
Interest income		**48,263**	88,275
Investment income		**81,520**	86,509
Share of profits of joint ventures, net of tax		**94,245**	153,020
PROFIT BEFORE TAX	*4*	**1,186,435**	5,066,044
Income tax expense	*5*	**(264,510)**	(627,054)
PROFIT FOR THE PERIOD		**921,925**	4,438,990
Attributable to:			
Owners of the Company		**894,748**	4,424,022
Non-controlling interests		**27,177**	14,968
		921,925	4,438,990
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	*7*	**18.75 cents**	93.13 cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**921,925**	4,438,990
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Item that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	–	12,787
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(11,487)**	83,192
Net fair value gain on available-for-sale investments	**26,314**	4,823
Share of exchange differences of joint ventures	**(191)**	–
Income tax relating to items that may be reclassified subsequently to profit or loss	**(3,947)**	(724)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**10,689**	100,078
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**932,614**	4,539,068
Attributable to:		
Owners of the Company	**905,481**	4,523,783
Non-controlling interests	**27,133**	15,285
	932,614	4,539,068

Condensed Consolidated Statement of Financial Position

At 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**57,321,512**	55,338,074
Goodwill	*9*	**3,195,861**	4,122,652
Other intangible assets		**377,035**	383,976
Investments in joint ventures		**753,843**	750,721
Available-for-sale investments		**–**	–
Other non-current assets	*12*	**2,183,635**	2,514,040
Deferred tax assets		**11,944**	11,954
Total non-current assets		**63,843,830**	63,121,417
CURRENT ASSETS			
Inventories		**1,416,850**	1,300,605
Prepayments, deposits and other receivables		**617,600**	681,202
Accounts receivable	*10*	**10,379,302**	7,230,381
Notes receivable	*11*	**876,040**	2,775,827
Other current assets	*12*	**2,782,070**	4,985,523
Pledged deposits		**25,183**	39,119
Time deposits with original maturity of over three months		**200,000**	1,308,046
Cash and cash equivalents		**6,146,007**	5,432,187
Total current assets		**22,443,052**	23,752,890

Condensed Consolidated Statement of Financial Position (continued)

At 30 June 2015

	Notes	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*13*	**7,691,899**	8,634,342
Salary and bonus payables		**1,076,729**	1,463,861
Tax payable		**263,049**	279,168
Interest-bearing bank borrowings	*14*	**9,131,777**	3,817,369
Other current liabilities	*12*	**597,702**	117,016
Total current liabilities		**18,761,156**	14,311,756
NET CURRENT ASSETS		**3,681,896**	9,441,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**67,525,726**	72,562,551
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**683,303**	753,081
Interest-bearing bank borrowings	*14*	**12,190,099**	15,755,490
Long-term bonds	*15*	**7,561,904**	7,564,340
Deferred revenue	*16*	**1,040,047**	1,071,880
Employee benefit liabilities		**86,024**	95,661
Total non-current liabilities		**21,561,377**	25,240,452
NET ASSETS		**45,964,349**	47,322,099
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*17*	**4,771,592**	4,771,592
Reserves		**41,116,159**	42,501,042
		45,887,751	47,272,634
Non-controlling interests		**76,598**	49,465
Total equity		**45,964,349**	47,322,099

Li Yong
Director

Li Feilong
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2015

	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 2015 (audited)	**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**
Profit for the period	–	–	–	–	–	–	**894,748**	–	**894,748**	**27,177**	**921,925**
Other comprehensive income/ (expense) for the period	–	–	–	**22,367**	–	**(11,634)**	–	–	**10,733**	**(44)**	**10,689**
Total comprehensive income/ (expense) for the period	–	–	–	**22,367**	–	**(11,634)**	**894,748**	–	**905,481**	**27,133**	**932,614**
Final 2014 dividend paid (note 6)	–	–	–	–	–	–	–	**(2,290,364)**	**(2,290,364)**	–	**(2,290,364)**
At 30 June 2015 (unaudited)	**4,771,592**	**12,371,737**	**2,508,656**	**61,506**	**(66,996)**	**(810,681)**	**27,051,937**	–	**45,887,751**	**76,598**	**45,964,349**
At 1 January 2014 (audited)	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 period	–	–	–	–	–	–	4,424,022	–	4,424,022	14,968	4,438,990
Other comprehensive income for the period	–	–	–	4,099	12,787	82,875	–	–	99,761	317	100,078
Total comprehensive income for the period	–	–	–	4,099	12,787	82,875	4,424,022	–	4,523,783	15,285	4,539,068
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 (note 6)	–	–	–	–	–	–	–	(2,051,785)	(2,051,785)	–	(2,051,785)
At 30 June 2014 (unaudited)	4,771,592	12,371,737	2,508,656	40,006	(38,178)	(749,226)	25,379,517	–	44,284,104	36,426	44,320,530

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2015

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**1,461,602**	4,578,457
INVESTING ACTIVITIES		
Purchases of property, plant and equipment	**(1,617,490)**	(2,372,067)
Government grant received	**700**	109
Purchase of available-for-sale investments	**(4,900,000)**	(9,306,200)
Proceeds on disposal/maturity of available-for-sale investments	**7,213,180**	7,278,381
Proceeds from disposal of property, plant and equipment	**51,345**	13,458
Cash advance to joint venture	**(12,282)**	–
Placement of time deposits with original maturity of over three months	**(400,000)**	(1,523,508)
Withdrawal of time deposits with original maturity of over three months	**1,508,046**	708,228
Decrease in pledged deposits	**13,936**	15,662
Interest received from bank deposits	**48,314**	78,895
Dividends received from joint ventures	**44,525**	110,815
Deposits for acquisition of property, plant and equipment	**(1,812,509)**	(1,252,626)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	**137,765**	(6,248,853)
FINANCING ACTIVITIES		
Proceeds from issue of shares	**–**	4,626,671
Expenses on issue of shares	**–**	(53,227)
New bank borrowing raised	**3,668,160**	–
Repayment of bank borrowings	**(1,911,731)**	(1,914,796)
Dividends paid	**(2,290,364)**	(2,051,785)
Interest paid	**(320,123)**	(340,641)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(854,058)**	266,222
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**745,309**	(1,404,174)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**5,432,187**	9,600,797
Effect of foreign exchange rate changes	**(31,489)**	52,224
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**6,146,007**	8,248,847

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2015

1. Corporate information and principal activities

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 period, 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 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.

As at 30 June 2015, particulars of the principal subsidiaries of the Group 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 30 June 2015	30 June 2014	Principal activities
COSL Chemicals (Tianjin), Ltd. (formerly known as Tianjin Jinlong Petro-Chemical Company Ltd.) ("COSL Chemical")	Tianjin, PRC 7 September 1993	PRC	Renminbi ("RMB") 20,000,000	**100%**	100%	Provision of drilling fluids services
COSL Holding AS (formerly known as COSL Drillings Europe AS)	Norway 21 January 2005	Norway	Norwegian Krone ("NOK") 1,494,415,487	**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	NOK 1,541,328,656	**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
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 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	RMB 20,000,000	**100%**	100%	Provision of geophysical and surveying services
COSL Blue Tech International Limited	Hebei, PRC 12 November 2014	PRC	RMB 25,000,000	**100%**	N/A	Provision of chemical products, R&D and manufacturing services

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

1. Corporate information and principal activities (continued)

(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 condensed consolidated financial statements for the six months ended 30 June 2015 and 2014.

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 current interim period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 30 June 2015, particulars of the joint ventures of the Group are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2015	Percentage of Ownership interest 2014	Percentage of Voting rights held 2015	Percentage of Voting rights held 2014	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") (b)	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") (b) (d)	HK$1,000,000	Hong Kong 10 March 2006	**–**	51	**–**	50	Provision of 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") (c)	Brunei Dollar ("BND") 100,000	Brunei 20 March 2014	**49**	49	**50**	50	Provision of drilling services

(b) 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 condensed consolidated financial statements using the equity method.

(c) 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 condensed consolidation financial statements using the equity method.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

1. Corporate information and principal activities (continued)

(d) During the current interim period, Eastern Marine was liquidated and the investment in Eastern Marine was written off by the Group.

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

2. Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The HKSE (the "Listing Rules").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2014.

Accounting policies and adoption of Hong Kong Financial Reporting Standards ("HKFRSs")

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014. The adoption of amendments to standards and annual improvements to HKFRSs effective for the current interim period commenced from 1 January 2015 does not have any material impact on the accounting policy adopted, interim financial position or performance of the Group.

3. Operating segment information

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

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

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

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

(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 (losses)/gains 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 of over three months, certain 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 are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

3. Operating segment information (continued)

Six months ended 30 June 2015 (Unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
Revenue:					
Sales to external customers	6,558,925	3,298,797	1,484,310	747,364	12,089,396
Intersegment sales	822,034	516,596	49,012	29,113	1,416,755
Segment revenue	7,380,959	3,815,393	1,533,322	776,477	13,506,151
Reconciliation:					
Elimination of intersegment sales	(822,034)	(516,596)	(49,012)	(29,113)	(1,416,755)
Group revenue	6,558,925	3,298,797	1,484,310	747,364	12,089,396
Segment results	756,261	417,102	204,302	(22,545)	1,355,120
Reconciliation:					
Exchange losses, net					(16,982)
Finance costs					(281,486)
Interest income					48,263
Investment income					81,520
Profit before tax					1,186,435
As at 30 June 2015					
Segment assets	55,041,388	8,167,419	9,268,043	6,307,888	78,784,738
Unallocated assets					7,502,144
Total assets					86,286,882
Segment liabilities	5,114,835	2,759,743	1,655,394	833,966	10,363,938
Unallocated liabilities					29,958,595
Total liabilities					40,322,533

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

3. Operating segment information (continued)

Six months ended 30 June 2014 (Unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
Revenue:					
Sales to external customers	8,602,880	3,994,612	1,733,345	1,596,828	15,927,665
Intersegment sales	1,235,038	424,860	50,848	46,454	1,757,200
Segment revenue	9,837,918	4,419,472	1,784,193	1,643,282	17,684,865
Reconciliation:					
Elimination of intersegment sales	(1,235,038)	(424,860)	(50,848)	(46,454)	(1,757,200)
Group revenue	8,602,880	3,994,612	1,733,345	1,596,828	15,927,665
Segment results	3,620,984	1,049,044	81,772	430,357	5,182,157
Reconciliation:					
Exchange gains, net					6,767
Finance costs					(297,664)
Interest income					88,275
Investment income					86,509
Profit before tax					5,066,044
As at 31 December 2014 (audited)					
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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

4. Profit before tax

The Group's profit before tax is arrived at after charging:

	Note	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Loss on disposal of property, plant and equipment, net	8	**16,784**	10,927
Impairment of accounts receivable recognised in profit or loss		**169,465**	38,183
Impairment of other receivables recognised in profit or loss		**7,472**	7,630
Impairment of inventories		**5,418**	5,106
Income from available-for-sale investments		**81,520**	86,509
Cost of inventories recognised as an expense		**1,302,750**	1,283,415

5. 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 High-New Technology Enterprise ("HNTE") by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT"), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the 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 six months ended 30 June 2015 (six months ended 30 June 2014: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (six months ended 30 June 2014: 25%). The Group's activities in Australia are subject to income tax of 30% (six months ended 30 June 2014: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to deemed income tax calculated at 3.5% (six months ended 30 June 2014: 3.5%) of service income generated in Myanmar. The Group's activities in Mexico are subject to income tax of 30% (six months ended 30 June 2014: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 27% (six months ended 30 June 2014: 27%). The Group's activities in the U.K. are subject to income tax of 21% (six months ended 30 June 2014: 28%). The Group's activities in Thailand are subject to withhold tax based on 3% of revenue generated every month (six months ended 30 June 2014: 3%). The Group's activities in Qatar are subject to income tax of 10% (six months ended 30 June 2014: 10%). The Group's activities in Iraq are subject to income tax of 35% (six months ended 30 June 2014: 35%). The Group's activities in Singapore are subject to income tax of 17% (six months ended 30 June 2014: 17%). The Group's activities in the United States are subject to income tax of 34% (six months ended 30 June 2014: 34%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's activities in Denmark commenced in the second half year of 2014 are subject to income tax of 24.5%. The Group's activities in Canada commencing in the current interim period are subject to the net federal corporate income tax of 15% and provincial income tax ranging from 10% to 16%, depending on the province and the size of the business. The Group's activities in Malaysia commencing in the current interim period are subject to income tax of 25%.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

5. Income tax (continued)

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

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Hong Kong profits tax	–	–
Overseas income taxes:		
Current	**138,008**	103,837
Deferred	**(99,161)**	(30,617)
PRC corporate income taxes:		
Current	**200,132**	554,885
Deferred	**25,531**	(1,051)
Total tax charge for the period	**264,510**	627,054

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:

	Six months ended 30 June 2015 RMB'000 (Unaudited)	%	2014 RMB'000 (Unaudited)	%
Profit before tax	**1,186,435**		5,066,044	
Tax at the statutory tax rate of 25% (six months ended 30 June 2014: 25%)	**296,609**	**25.0**	1,266,511	25.0
Tax reduction as an HNTE	**(186,296)**	**(15.7)**	(368,188)	(7.3)
Tax effect of income not subject to tax	**(36,844)**	**(3.1)**	(38,212)	(0.8)
Tax effect of expense not deductible for tax	**277,578**	**23.4**	7,592	0.1
– Effect of impairment of goodwill	**230,788**	**19.5**	–	–
– Others	**46,790**	**3.9**	7,592	0.1
Tax benefit for qualifying research and development expenses	**(22,337)**	**(1.9)**	(18,537)	(0.4)
Effect of different tax rates for overseas subsidiaries	**(23,302)**	**(2.0)**	(122,452)	(2.4)
Tax losses unrecognised/(utilised) tax losses	**202,010**	**17.0**	(32,009)	(0.6)
Deductible translation adjustment (a)	**(244,348)**	**(20.6)**	(57,243)	(1.1)
Others	**1,440**	**0.2**	(10,408)	(0.1)
Total tax charge at the Group's effective rate	**264,510**	**22.3**	627,054	12.4

(a) Deductible translation adjustment mainly represents the tax effect of differences arising from foreign exchange effects to 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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

6. Dividends paid and proposed

During the current interim period, a final dividend of RMB0.48 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2014 (2014: RMB0.43 per ordinary share in respect of the year ended 31 December 2013) was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the current interim period amounted to RMB2,290,364,000 (2014: RMB2,051,785,000).

The Directors have determined that no dividend will be paid in respect of the current interim period.

7. 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:

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to ordinary equity holders of the Company)	**894,748**	4,424,022

	Six months ended 30 June 2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,750,222,895

No diluted earnings per share is presented for the six-month periods ended 30 June 2015 and 2014 as the Group had no dilutive potential ordinary shares in issue during those periods.

8. Property, plant and equipment

During the current interim period, the Group acquired certain machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB4,102 million (six months ended 30 June 2014: RMB2,773 million). Machines and equipment with an aggregate net carrying amount amounting to RMB68.1 million (six months ended 30 June 2014: RMB24.4 million) were disposed of during the current interim period, resulting in a loss on disposal of RMB16.8 million (six months ended 30 June 2014: RMB10.9 million).

Out of the total interest costs incurred, an amount of approximately RMB17.3 million (six months ended 30 June 2014: RMB18.6 million) was capitalised in property, plant and equipment, with a capitalisation rate of 1.44% per annum (six months ended 30 June 2014: 1.46% per annum).

During the current interim period, the Directors carried out the review of the recoverable amounts of the Group's plant and machinery due to the downturn of global oilfield services market. Those assets are used in the Group's drilling services segment, marine support services segment, geophysical and surveying services segment, and well services segment respectively. The review led to the recognition of an impairment loss of RMB67,416,000 (six months ended 30 June 2014: RMB155,552,000), which has been recognised in profit or loss. The impairment losses have been classified under the drilling services segment. The recoverable amounts of the relevant assets have been determined on the basis of its value in use. The discount rate used in measuring value in use was 8% per annum.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

9. Goodwill

During the six months ended 30 June 2015, based on the impairment assessment review, an impairment loss of goodwill of approximately RMB923,154,000 (six months ended 30 June 2014: nil) was recognised in the condensed consolidated statement of profit or loss in view of the unfavourable future prospect of the business of the Group due to the forecasted low utilisation rate and fall of services prices of the Group's drilling rigs as a result of further deterioration in the global oilfield services market.

Goodwill was generated in the acquisition of COSL Holding AS (formerly known as COSL Drillings Europe AS) in 2008 and has been allocated to a group of the drilling services cash-generating units under the drilling services segment as disclosed in note 3, for impairment testing.

The recoverable amounts were determined based on value in use calculation which uses 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 Semi-submersible drilling rigs with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8% (2014: 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 expectations 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.

10. Accounts receivable

The Group normally allows a credit period of 30 to 45 days to its trade customers in mainland China and no more than 6 months to its trade customers with good trading history in overseas. The following is an analysis of the accounts receivable by age, presented based on the invoice date.

	30 June 2015 RMB'000 (Unaudited)	**31 December 2014 RMB'000 (Audited)**
Outstanding balances aged		
Within six months	**9,216,948**	6,376,482
Six months to one year	**574,850**	536,561
One to two years	**535,866**	315,068
Two to three years	**51,638**	2,270
	10,379,302	7,230,381

11. Notes receivable

	30 June 2015 RMB'000 (Unaudited)	**31 December 2014 RMB'000 (Audited)**
Trade acceptances	**863,662**	2,738,214
Bank acceptances	**12,378**	37,613
	876,040	2,775,827

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 condensed consolidated financial statements, all the trade acceptances as at 30 June 2015 have been fully settled.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Assets classified as available-for-sale (a)	**2,571,149**	4,776,495
Current portion of deferred expenses (b)	**81,771**	94,416
Value-added tax recoverable	**129,150**	114,612
Other current assets	**2,782,070**	4,985,523
Current portion of deferred revenue (note 16)	**(597,702)**	(117,016)
Other current liabilities	**(597,702)**	(117,016)
Non-current portion of deferred expenses (b)	**172,763**	200,967
Value-added tax recoverable	**163,899**	154,712
Deposits paid for the acquisition of property, plant and equipment (b)	**1,812,509**	2,123,865
Others	**34,464**	34,496
Other non-current assets (b)	**2,183,635**	2,514,040

(a) Assets classified as available-for-sale represent the Group's investments in corporate wealth management products issued by commercial banks in the PRC and liquidity funds. The liquidity funds included in the available-for-sale investments have no fixed maturity date and coupon rate. Details of fair value measurement are disclosed in note 20.

(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.

13. Trade and other payables

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Outstanding balances aged		
Within one year	**6,596,594**	7,270,558
One to two years	**68,919**	114,775
Two to three years	**19,789**	27,764
Over three years	**34,753**	30,875
	6,720,055	7,443,972

14. Interest-bearing bank borrowings

During the current interim period, the Group obtained new bank loan amounting to US$600 million (six months ended 30 June 2014: nil), which is equivalent to approximately RMB3,668 million. The loan was guaranteed by CNOOC as at 30 June 2015.

During the current interim period, the Group repaid bank loans of US$312 million (equivalent to approximately RMB1,912 million) (six months ended 30 June 2014: US$312 million (equivalent to approximately RMB1,914.8 million)).

For all bank borrowings of the Group, the weighted average effective interest rate for the period ended 30 June 2015 was 1.55% per annum (six months ended 30 June 2014: 1.59% per annum) and the borrowings are repayable in instalments over a period of 1 to 6 years.

15. Long-term bonds

	Year of maturity	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Non-current:			
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured US$ bonds (b)	2022	**6,061,904**	6,064,340
		7,561,904	7,564,340

(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 (six months ended 30 June 2014: 4.48% per annum), which is payable annually in arrears on 14 May each year, and the redemption or maturity date is 14 May 2022.

(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 6 March and 6 September of each year, and the redemption or maturity date is 6 September 2022. The effective interest rate of the senior unsecured bonds was 3.38% per annum (six months ended 30 June 2014: 3.38% per annum).

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

16. 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") and the compensation fee from customer in respect of the cancellation of service contract. 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 the compensation fee arising from the cancellation of service contract are amortised over the remaining service contract period and are credited to other revenues of the Group. The deferred revenue generated from government grants is recognised in the condensed consolidated statement of profit or loss according to the depreciable periods of the related assets and the periods in which the related costs incurred, and is credited to other revenue of the Group.

	Contract value RMB'000	Mobilisation revenue RMB'000	Government grant related to assets RMB'000	Government grant related to income RMB'000	Compensation Fee RMB'000	Subsidies RMB'000	Total RMB'000
At 1 January 2014 (audited)	514,261	208,467	227,717	51,759	–	376,341	1,378,545
Addition	–	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 (audited)	**443,717**	**190,842**	**216,165**	**16,164**	**–**	**322,008**	**1,188,896**
Additions	**–**	**8,564**	**700**	**13,750**	**567,285**	**122**	**590,421**
Credited to profit or loss	**(36,623)**	**(33,521)**	**(17,088)**	**(4,296)**	**(10,806)**	**(38,123)**	**(140,457)**
Exchange realignment	**(369)**	**(156)**	**–**	**–**	**(323)**	**(263)**	**(1,111)**
At 30 June 2015 (unaudited)	**406,725**	**165,729**	**199,777**	**25,618**	**556,156**	**283,744**	**1,637,749**

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

	30 June 2015 RMB'000 (Unaudited)	**31 December 2014 RMB'000 (Audited)**
Current portion (note 12)	**597,702**	117,016
Non-current portion	**1,040,047**	1,071,880
Balance at end of the period/year	**1,637,749**	1,188,896

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

17. Issued capital

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
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**	1,811,124
A shares of RMB1.00 each	**500,000**	500,000
	4,771,592	4,771,592

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 approximately RMB16.75).

18. Operating lease arrangements

The Group leases certain of its office properties and equipment under operating lease arrangements. Leases for properties and equipment are negotiated for terms ranging from one to six years.

As at 30 June 2015 and 31 December 2014, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	**643,495**	929,773
In the second to fifth year, inclusive	**1,645,093**	2,273,418
	2,288,588	3,203,191

19. Capital commitments

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Contracted, but not provided for	**6,120,754**	8,516,313
Authorised, but not contracted for	**2,899,535**	5,391,042
	9,020,289	13,907,355

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

20. 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

	30 June 2015 (Unaudited)			31 December 2014 (Audited)		
	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	**397,278**	**–**	**397,278**	398,248	–	398,248
Accounts receivable (note 10)	**10,379,302**	**–**	**10,379,302**	7,230,381	–	7,230,381
Notes receivable (note 11)	**876,040**	**–**	**876,040**	2,775,827	–	2,775,827
Pledged deposits	**25,183**	**–**	**25,183**	39,119	–	39,119
Time deposits with original maturity of over three months	**200,000**	**–**	**200,000**	1,308,046	–	1,308,046
Cash and cash equivalents	**6,146,007**	**–**	**6,146,007**	5,432,187	–	5,432,187
Financial assets included in other current assets (note 12)	**–**	**2,571,149**	**2,571,149**	–	4,776,495	4,776,495
Total	**18,023,810**	**2,571,149**	**20,594,959**	17,183,808	4,776,495	21,960,303

Financial liabilities

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	**7,221,172**	8,083,077
Salary and bonus payables	**1,076,729**	1,463,861
Interest-bearing bank borrowings – current portion	**9,131,777**	3,817,369
Subtotal	**17,429,678**	13,364,307
Non-current		
Interest-bearing bank borrowings	**12,190,099**	15,755,490
Long term bonds (note 15)	**7,561,904**	7,564,340
Subtotal	**19,752,003**	23,319,830
Total	**37,181,681**	36,684,137

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

20. Financial instruments (continued)

(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), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30/06/2015 RMB'000 (Unaudited)	Fair value as at 31/12/2014 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments-money market fund	**2,068,387**	1,870,800	Level 1	Quoted bid prices in an active market
Available-for-sale investments-corporate wealth management products with underlying of debt securities	**502,762**	2,905,695	Level 2	Discounted cash flow using the rate that correspond to the expected risk level

(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 recorded at amortised cost in the condensed consolidated financial statements approximate their fair values.

	Carrying amounts		Fair values	
	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Financial liabilities				
Non-current				
Long term bonds (note 15)	**7,561,904**	7,564,340	**7,259,371**	7,261,059
Total	**7,561,904**	7,564,340	**7,259,371**	7,261,059

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 US$ 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.

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

21. 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 of 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.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	30 June 2015 RMB'000 (Unaudited)	**31 December 2014 RMB'000 (Audited)**	**30 June 2015 RMB'000 (Unaudited)**	**31 December 2014 RMB'000 (Audited)**
USD	**18,099,887**	20,221,838	**21,083,839**	23,521,992

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values or future cash flows 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 30 June 2015. Based on management's assessment at 30 June 2015, a change in depreciation of US dollars by 5% would lead to a decrease in the Group's net profit by approximately RMB115,935,000 (six months ended 30 June 2014: RMB158,550,000). Conversely, a change in appreciation of US dollars by 5% would lead to an increase in the Group's net profit by approximately RMB115,935,000 (six months ended 30 June 2014: RMB158,550,000).

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate long-term bonds (see note 15 for details of the bonds). The cash flow interest rate risk of the Group relates primarily to variable-rate bank borrowings, pledge deposits and certain cash and cash equivalent. 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 period. A 50 basis points (2014: 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 (2014: 50 basis points) and all other variables were held constant, the Group's post-tax profit would decrease (increase) by approximately RMB31,000,000 for the six months ended 30 June 2015 (six months ended 30 June 2014: RMB47,000,000).

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.

21. 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 61% (31 December 2014: 57%) and 91% (31 December 2014: 89%) 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. 32% of the Group's borrowings would mature in less than one year as at 30 June 2015 (31 December 2014: 14%) based on the carrying value of interest-bearing bank borrowings and long-term bonds reflected in the financial statements.

The following table details the Group'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.

	30 June 2015 (Unaudited)						
	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	–	9,433,065	10,590,131	1,659,986	258,947	21,942,129	21,321,876
Long term bonds	–	265,892	265,892	797,676	8,244,730	9,574,190	7,561,904
Financial liabilities included in trade and other payables	–	7,221,172	–	–	–	7,221,172	7,221,172
Salary and bonus payables	–	1,076,729	–	–	–	1,076,729	1,076,729
	–	17,996,858	10,856,023	2,457,662	8,503,677	39,814,220	37,181,681

	31 December 2014 (Audited)						
	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

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

21. Financial risk management objectives and policies (continued)

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 period ended 30 June 2015 and 2014.

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	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Interest-bearing bank borrowings	**21,321,876**	19,572,859
Trade and other payables (note 13)	**7,691,899**	8,634,342
Long term bonds (note 15)	**7,561,904**	7,564,340
Less: Cash and cash equivalents and time deposit with original maturity of over three months	**(6,346,007)**	(6,740,233)
Net debt	**30,229,672**	29,031,308
Equity attributable to owners of the Company	**45,887,751**	47,272,634
Non-controlling interests	**76,598**	49,465
Total capital	**45,964,349**	47,322,099
Capital and net debt	**76,194,021**	76,353,407
Gearing ratio	**40%**	38%

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

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

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

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

		Six months ended 30 June	
		2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
i	CNOOC Limited Group		
	Provision of drilling services	**2,845,475**	4,060,987
	Provision of well services	**2,917,905**	2,944,960
	Provision of marine support services	**1,251,084**	1,440,002
	Provision of geophysical and surveying services	**681,110**	1,266,064
		7,695,574	9,712,013
ii	CNOOC Group		
	Provision of drilling services	**33,467**	38
	Provision of well services	**2,449**	10,571
	Provision of marine support services	**62,789**	201,120
	Provision of geophysical and surveying services	**57,391**	166,127
		156,096	377,856
iii	Joint ventures		
	Provision of drilling services	**–**	60
	Provision of well services	**2,163**	6,199
	Provision of geophysical and surveying services	**14,968**	235
		17,131	6,494

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

22. Related party transactions (continued)

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

b. Included in operating expenses

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
i CNOOC Limited Group		
Materials, utilities and other ancillary services	–	2,132
Leasing of equipment	**1,107**	1,115
	1,107	3,247
ii CNOOC Group		
Labour services	**1,695**	3,564
Materials, utilities and other ancillary services	**205,282**	370,446
Transportation services	**4,228**	2,811
Leasing of equipment	**295,060**	245,546
Repair and maintenance services	**19,254**	1,595
Management services	**903**	715
	526,422	624,677
Property services	**35,705**	50,480
	562,127	675,157
iii Joint ventures		
Materials, utilities and other ancillary services	**33,604**	42,832
Property services	**14,257**	11,470
	47,861	54,302

c. Included in interest income

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
CNOOC Finance Co., Ltd. (a subsidiary of CNOOC)		
Interest income	**21,973**	17,177

d. Deposits

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Deposits placed with CNOOC Finance Co., Ltd.	**1,016,226**	1,503,902

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

22. Related party transactions (continued)

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

e. Dividend received from joint ventures

	Six months ended 30 June 2015 RMB'000 (Unaudited)	2014 RMB'000 (Unaudited)
Magcobar	**18,411**	12,135
COSL-Expro	**7,500**	17,500
China France	**–**	68,700
China Offshore Fugro	**18,614**	12,480
	44,525	110,815

f. Commitments with the related parties

i. Operating lease commitments

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

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Within one year	**167,375**	377,042
In the second to fifth years, inclusive	**312,376**	391,226
	479,751	768,268

ii Capital commitments

As at 30 June 2015, the Group does not have any significant capital commitments with the members of CNOOC.

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.

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Due from CNOOC Limited Group	**6,319,892**	4,104,708
Due from CNOOC Group	**221,983**	147,906
Due from joint ventures	**10,467**	8,177
	6,552,342	4,260,791

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

22. Related party transactions (continued)

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

g. Outstanding balances with related parties (continued)

Prepayments, deposits and other receivables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Due from CNOOC Limited Group	**4,941**	5,432
Due from CNOOC Group	**931**	702
Due from joint ventures	**35,118**	11,059
	40,990	17,193
Less: Provision for impairment of other receivables	**(500)**	(500)
	40,490	16,693

Dividend receivable (included in other receivables)

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Dividend receivable from joint ventures	**65,445**	85,242

Notes receivable

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Due from CNOOC Limited Group	**862,590**	2,738,213

Included in trade and other payables

	30 June 2015 RMB'000 (Unaudited)	31 December 2014 RMB'000 (Audited)
Due to CNOOC Limited Group	**9,158**	8,515
Due to CNOOC Group	**691,004**	585,351
Due to joint ventures	**63,541**	192,053
	763,703	785,919

22. Related party transactions (continued)

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

g. Outstanding balances with related parties (continued)

The Company and the above related parties are under common control (except for the joint ventures of the Group) by the same ultimate holding company.

The balances with related parties at 30 June 2015 included in accounts receivables, prepayments, deposits and other receivables, notes receivables, dividend receivable from joint ventures and trade and other payables of the Group, are unsecured and interest-free, and have no fixed terms of repayment.

In connection with the Reorganisation of CNOOC in preparation for the listing of the Company's shares on the HKSE, the Company entered into several agreements with the CNOOC Group which govern the employee benefit arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the leasing of properties and various other commercial arrangements.

Prior to the Reorganisation, the Group occupied certain properties owned by CNOOC at nil consideration. The Company entered into various property lease agreements in September 2002 with the CNOOC Group to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually.

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 and the CNOOC Limited 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 30 June 2015, as summarised below:

	30 June 2015 RMB'000 (Unaudited)	**31 December 2014 RMB'000 (Audited)**
Cash and cash equivalents	**508,168**	747,316
Time deposits with financial institutions	**787,418**	1,755,890
	1,295,586	2,503,206
Long-term bank loans (note 14)	**12,190,099**	15,755,490
Current portion of long-term bank loans (note 14)	**5,463,617**	3,817,369
	17,653,716	19,572,859

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

	Six months ended 30 June	
	2015 RMB'000 (Unaudited)	**2014 RMB'000 (Unaudited)**
Finance costs	**152,497**	181,203

Notes to the Condensed Consolidated Financial Statements (continued)

For the six months ended 30 June 2015

22. Related party transactions (continued)

(B) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2015	**2014**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Short-term employee benefits	**2,939**	4,845
Post-employment benefits	**242**	306
Total compensation paid to key management personnel	**3,181**	5,151

23. Events after the date of statement of financial position

On 20 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, established the Euro medium term note programme ("EMTN Programme"). Under the EMTN Programme, COSL Singapore Capital Ltd. may issue drawdown notes in tranches up to an aggregate principle amount of US$3,500,000,000. On 30 July 2015, COSL Singapore Capital Ltd. issued two tranches of guaranteed notes pursuant to drawdowns under EMTN Programme with nominal amount of US$500,000,000 each ("First Drawdown Note" and "Second Drawdown Note"). The First Drawdown Note will be matured on 30 July 2020, carries a coupon rate of 3.5% per annum and guaranteed by the Company. The Second Drawdown Note will be matured on 30 July 2025, carries a coupon rate of 4.5% per annum and guaranteed by the Company.

24. Approval of these condensed consolidated financial statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 27 August 2015.

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The Stock Exchange of
Hong Kong Limited: 2883
U.S. ADR-1: CHOLY

Company Directory (continued)

Board of Directors

Liu Jian
Chairman & Non-Executive Director

Li Yong
Executive Director

Li Feilong
Executive Director

Zeng Quan
Non-Executive Director

Fong Wo, Felix
Independent Non-Executive Director

Law Hong Ping, Lawrence
Independent Non-Executive Director

Fong Chung, Mark
Independent Non-Executive Director

Audit Committee

Fong Chung, Mark (Chairman)

Fong Wo, Felix

Law Hong Ping, Lawrence

Remuneration Committee

Fong Wo, Felix (Chairman)

Zeng Quan

Fong Chung, Mark

Law Hong Ping, Lawrence

Nomination Committee

Law Hong Ping, Lawrence (Chairman)

Li Yong

Fong Wo, Felix

Supervisory Committee

Zhang Zhaoshan
Supervisor (Chairman)

Li Zhi
Employee Supervisor

Cheng Xinsheng
Independent Supervisor

Senior Management

Li Yong
CEO & President

Dong Weiliang
Executive Vice President & CIO

Li Feilong
Executive Vice President & CFO

Cao Shujie
Vice president

Zi Shilong
Vice president

Qi Meisheng
Vice president

Yang Haijiang
(Resigned on 28 August 2015)
Company Secretary

Wang Baojun
(appointed on 28 August 2015)
Company Secretary

CHINA OILFIELD SERVICES LIMITED
中海油田服務股份有限公司
(Stock Code 股票代號 A 股: 601808 ; H 股: 2883)

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