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)

HOPE AHEAD
砥礪前行

INTERIM REPORT
中期報告 2016

Contents

Introduction

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

Financial Highlights

	First Half of 2014 RMB million	First Half of 2015 RMB million	**First Half of 2016 RMB million**
Revenue	15,928	12,089	**6,963**
Profit from operations	5,029	1,261	**-8,142**
Profit from operations (excluding impairment of fixed assets and goodwill)	5,185	2,252	**-998**
Profit for the period	4,439	922	**-8,400**
Profit for the period (excluding impairment of fixed assets and goodwill)	4,595	1,913	**-1,256**
	RMB/share	RMB/share	**RMB/share**
Earnings per share	0.93	0.19	**-1.76**

Chief Executive Officer’s Report

Dear shareholders,

In the first half of 2016, the competition in the oilfield services industry was further intensified by the continuously low international crude oil prices and a decrease in total investment by global oil and gas companies. The utilization rates of equipment and the prices of oilfield service in various types have decreased to different extent, the Company is confronted with a severe challenge on operation during the first half of the year. The business volume and the service price fall substantially as compared with the same period last year. There is a significant decline in business performance, of which, the revenue amounted to RMB6.963 billion. I was appointed by the Board as the CEO and President of the Company on 15 June 2016 in such circumstances. I hereby express my gratitude for the trust from the Board and the shareholders, while fully recognising responsibility. In the first half of this year, though the current operation performance of the Company was affected by industry environment and faced the biggest industry challenge since its listing, the shareholders, the Board, the management and the staff of the Company actively worked with concerted effort to focus on the enhancement of the Company’s core competitiveness and have achieved certain results in aspects detailed below.

SAFETY AND ENVIRONMENTAL PROTECTION PERFORMANCE REMAIN STABLE

The Company continued to comply with the safety and environmental regulations, standards and specifications. In the first half of the year, the management function positioning of our QHSE system was adjusted to ensure the QHSE management of the Company was in line with the actual operating conditions. We have established special gradient plans for promotion through bench marking with international advanced QHSE management practices. During the current period, the Company’s occurrence rate of recordable incident was 0.08. Material risks were effectively controlled, hence the overall safety performance remained stable.

SIGNIFICANT RESULTS FROM MARKET EXPANSION THE PROPORTION OF REVENUE FROM OVERSEAS EXCEEDED 40% FOR THE FIRST TIME

Domestic market: The Company continued to strengthen the strategic partnership with CNOOC Limited, proactively explored new mode for provisions of services. Leveraging on its own advantages, the Company continued to provide service with high quality and efficiency under the low oil price environment. During the current period, the Company obtained a series of contracts such as drilling, marine support, logging, cementing and drilling fluid services from Shell by virtue of its ability and performance in integrated oilfield services and achieved high recognition from customer during the service period due to the safe, high-quality and efficient operation with superior equipment.

International market: The Company made a significant adjustment to the marketing network in the international market, including rationalizing the management of certain overseas entities, establishing information sharing system for the global market, which enabled all business segments to have different degrees of benefits in national market and regional market. The Company has successfully entered the Far East market in addition to existing four overseas operating areas, including “NH8” and “NH9”, which have successfully operated in such region. The Company’s four business segments all made breakthroughs in the international market. The seismic vessels “HYSY 718” and “HYSY 720” of the Company won contracts in relation to seismic data collection in the international market. Besides, “HYSY 720” completed operation in two blocks of Barents Sea of the Arctic Ocean in 100 days which filled the vacuum of China’s oilfield services sector in 3D seismic data acquisition in the Arctic region, and it has also created a new record of monthly production of 1,820.58 km^2 of 3D seismic data acquisition. In terms of business model, the Company continued to strive for the integrated projects and obtained well workover, production and optimization integrated services contract during the period.

SIGNIFICANT RESULTS IN APPLICATION OF SCIENTIFIC RESEARCH

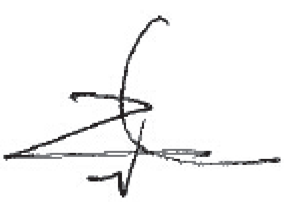
In the first half of the year, the Company continued to promote the scientific research directed by customers' needs and market changes. A batch of self-developed scientific research results were tested one by one and put into application: self-developed LWD Drilog® and the RSS Welleader® achieved operation success in the domestic market, signifying an enhancement in operating the high-end equipment of self-developed LWD and RSS; the self-developed Enhanced Array Lateralog Tool performed well in South China Sea; the operation of Oil-based Mud Imaging Tool achieved customers' recognition in offshore China Sea, which has grounded a foundation for future commercial application; the success operation of hybrid remote control cementing devices has won the praise from the customer.

OPTIMIZE INTERNAL RESOURCES TO ENHANCE COMPANY'S COMPETITIVENESS

In order to strengthen market expansion under such circumstances, the Company promoted institutional reforms in a steady pace to optimize the functions of the institution, strengthened reforms on performance and efficiency for better market expansion and customer service. Corporate bonds of RMB5 billion were successfully issued to refine funding management, replenish liquidity and ensure that the Company's capital was adequate. The optimization of the equipment structure is basically completed and the equipment is updated through disposal of some outdated equipment. The Company also strengthened cost control, optimized procurement and enhanced the self-maintenance of equipment to reduce costs and improve efficiency.

OUTLOOK FOR THE SECOND HALF OF THE YEAR

Facing the industry downturn, I clearly understand the difficulties and challenges ahead. My fellow colleagues and I thoroughly recognize that innovation and reforms are the only ways to stand out from the competitors. Based on the outstanding past development to date, the Company is brave in getting rid of the outdated management philosophy, insisting on "Specialize to become strong", especially in term of development. The Company will concentrate on adjusting management and its core business to enhance overall internationalized operating ability. I have confidence in the mid- and long-term development of the Company.



Qi Meisheng
Chief Executive Officer and President of COSL

29 August 2016

Management Discussion and Analysis

Industry Review

In the first half of 2016, the global economy growth has maintained a low level. The economic performances for the world's major economies have seen remarkable differences. The advanced economies have recovered slowly while the growth in emerging economies slowed down. Although the petroleum prices have picked up gradually from a lower point in the first quarter of 2016, the expenditure for petroleum and gas industry has still been restrained. According to the statistics from the third parties, such as IHS, the exploration and development expenditure for the upper stream worldwide has a year-on-year decrease of 32% in 2015. It is expected the figure will further dropped by 22% to US$380.0 billion in 2016. While the world's offshore exploration and development expenditure has recorded a year-on-year decrease of 12.6% in 2015 and such figure will further decrease by 24% to US$128.0 billion in 2016, presenting a more tightening circumstances. According to the expected figures of Spears & Associates, the total market value for oilfield services in 2016 amounted to US$257.7 billion, representing a year-on-year decrease of 22%. The overall oilfield services industry remains in a downturn.

Business Review

In the first half of 2016, international crude oil prices continued its downward trend while global expenditure on petroleum exploration and production declined continuously. The global oilfield services industry continued to be gloomy. As such, the volume and service prices of oilfield services industry all had a certain degree of decrease; hence the Group's operating pressure of the four business segments further increased.

In facing the fierce market competition, on one hand, the Group continued to consolidate production safety, enhance working efficiency, promote self-developed technology steadily and optimize capital management as well as by various means of financing to ensure the sufficient liquidity of the Group; on the other hand, the Group saw the market expansion as a breakthrough and took initiatives to grasp opportunities. While consolidating the domestic market shares, the Group devoted major effort in developing overseas business. Meanwhile, the Group continued to have strict control on every expenses and further reduced the cost by reforms and reorganizations, resources allocation and optimization.

Drilling Services Segment

Revenue of the drilling services segment in the first half of the year was RMB3,501.8 million, representing a decrease of 46.6% as compared with RMB6,558.9 million for the same period last year.

Facing the severe operating situation of low oil prices, while the Group adhered to enhance service quality and strict control on operating cost, we also put effort in developing international business. In the first half of 2016, "NH8" and "NH9" obtained operating contracts in Far East, efficiently completed the adaptive change and headed to perform the operation; "COSLSuperior" and "COSLCraft" have further expanded the oilfield services market in the Middle East; after just having the only two operating contracts with "COSLSeeker" in Indonesia in 2015, "HYSY937" obtained a contract from the Indonesian customer again through tender negotiation in the first half of 2016. For operation of the equipment, "HYSY943" was awarded "Dragon Team" by Shell China Exploration and Production Company for the first time. Its project in Nanhai gained high recognition from the customer.

At the end of June 2016, the Group operated and managed a total of 45 drilling rigs (including 34 jack-up drilling rigs and 11 semi-submersible drilling rigs). 9 of them were operating in Bohai, China, 6 were operating in South China Sea, 2 were operating in East China Sea, and 7 were operating in international regions such as the North Sea of Norway, Mexico and Indonesia, and 21 rigs were on standby. 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 3,972 days, representing a decrease of 2,273 days compared with the same period last year. The calendar day utilization rate was 49.7%, a decrease of 30.3 percentage points compared with the same period last year due to the increase in the number of standby days.

The operation details of the Group's jack-up and semi-submersible drilling rigs in the first half of 2016 are as follows:

Drilling Services	For the six months ended 30 June **2016**	2015	Percentage change
Operating days (day)	**3,972**	6,245	(36.4%)
Jack-up drilling rigs	**3,336**	4,893	(31.8%)
Semi-submersible drilling rigs	**636**	1,352	(53.0%)
Available day utilization rate	**53.8%**	83.2%	Down 29.4 percentage points
Jack-up drilling rigs	**58.2%**	85.1%	Down 26.9 percentage points
Semi-submersible drilling rigs	**38.4%**	76.9%	Down 38.5 percentage points
Calendar day utilization rate	**49.7%**	80.0%	Down 30.3 percentage points
Jack-up drilling rigs	**55.6%**	81.9%	Down 26.3 percentage points
Semi-submersible drilling rigs	**31.8%**	73.6%	Down 41.8 percentage points

Among which, the number of operating days of the jack-up drilling rigs amounted to 3,336 days, representing a decrease of 1,557 days compared with the same period last year, which was mainly attributable to (1) a decrease of operating days of 181 days due to the operation of "Kantan II" in the first half of the previous year and the rig was terminated in September last year; (2) compared with the same period last year, the calender days increased 43 days in current period while the operating days decreased by 1,556 days because of the increase of standby days for maintenance; (3) "HYSY943", "HYSY944" put in production this year, resulted in an increase of 137 operating days. The number of operating days of semi-submersible drilling rigs amounted to 636 days, representing a decrease of 716 days compared with the same period last year, which was mainly attributable to the increase in maintenance and standby days.

The operating days of the 2 accommodation rigs of the Group reduced by 90 days due to an increase in maintenance and standby days. The calendar day utilization rate was decreased by 25.2 percentage points to 60.7%. Five module rigs operated in the Mexican Bay had 391 operating days during the period, representing a decrease of 459 days as compared with the same period last year, mainly due to the increase in standby days of "COSL1", "COSL3", "COSL4" and "COSL7". The calendar utilization rate was 43.0%.

The average day income of the drilling rigs of the Group for the first half of 2016 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 **2016**	2015	Decrease	Percentage decrease
Jack-up drilling rigs	7.6	10.3	(2.7)	(26.2%)
Semi-submersible drilling rigs	23.6	30.4	(6.8)	(22.4%)
Drilling rigs sub-total	10.7	14.7	(4.0)	(27.2%)
Accommodation rigs	8.0	24.8	(16.8)	(67.7%)
Group's average	10.6	15.2	(4.6)	(30.3%)

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

(2) US$/RMB exchange rate was 1: 6.6312 on 30 June 2016 and 1: 6.1136 on 30 June 2015, respectively.

(3) The revenue of the average day income of semi-submersible drilling rigs including the compensation of US$40.19 million in relation to the termination for rig operation contract between COSL Offshore Management AS, a subsidiary of the Group, and Statoil Petroleum for the first half of 2016, is calculated on the basis of 182 operating days.

Well Services Segment

In the first half of the year, revenue from the well services segment of the Group was RMB2,134.8 million, representing a decrease of RMB1,164.0 million or 35.3% from RMB3,298.8 million of the same period last year.

Faced with the downward pressure brought by the low oil prices, the Group insisted on upgrading its R&D technology in a steady pace. In the first half of 2016, the operation of the self-developed LWD 800 series and RSS 950 series of the Group achieved success in the East Sea, signifying that the operational capacity of the Group's self-developed high-end LWD and directional drilling equipment could cover major sizes of the offshore well hole; and the application of the Enhanced Resistivity Micro-Imager was successfully adopted in the offshore China. Meanwhile, the Group has developed and applied 5 new materials for well cementing which successfully contributed to the revenue from materials; completed 22 types of customized design for drill completion tools, among which, 7-inch packer was put in massive production.

The Group has actively expanded its well services business to the international market in the first half of the year. The Group obtained the offshore LWD service contract in the Middle East, the drilling fluid service contract in Indonesia and well workover, production and optimization integrated services contract in Iraq.

Marine Support Services Segment

In the first half of 2016, revenue from the marine support services segment of the Group was RMB859.4 million, representing a decrease of 42.1% over the same period last year, among which, revenue from chartered vessels amounted to RMB185.0 million.

In response to fierce market competition, the Group adhered to expand market. The Group obtained a project for a term of 3 years to further consolidate the market share of the Group in South China Sea. Meanwhile, "HYSY685" has entered into the Far East market successfully in March this year.

The operating days of the self-owned vessels of the Group amounted to 11,525 days as of 30 June 2016, representing a decrease of 367 days when compared with the same period last year, which was mainly due to the decrease in operation volume of the standby vessels and the AHTS vessels as a result of the market environment. The calendar day utilization rate of the vessels decreased 13.7 percentage points to 76.8% as compared with the same period last year. Details are as follows:

Marine Support Services (self-owned vessels)	For the six months ended 30 June **2016**	2015	Percentage change
Operating days (day)	**11,525**	11,892	(3.1%)
Standby vessels	**5,719**	6,426	(11.0%)
AHTS vessels	**2,242**	2,627	(14.7%)
Platform supply vessels	**2,357**	1,492	58.0%
Multi-purpose vessels	**533**	623	(14.4%)
Workover support barges	**674**	724	(6.9%)

In the first half of the year, our chartered vessels operated 3,447 days in total, representing a decrease of 4,279 days or 55.4% as compared with the same period last year.

Geophysical and Surveying Services Segment

Revenue of the geophysical and surveying services segment of the Group was RMB466.6 million for the first half of the year, representing a decrease of RMB280.8 million or 37.6% over the same period last year.

Faced with a competitive market environment, the Group strictly controlled expenses, reasonably allocated resources and strived to expand to international market to compensate the impact brought by the exploration market downturn. In the first half of 2016, the source vessel "HYSY751" and support barge "HYSY770" obtained leasing contracts for 9 months in the Middle East, "HYSY718" and "HYSY720" obtained contracts from New Zealand and Far East respectively in the first half of the year and performed well.

In the first half of 2016, the 2D collection of the Group operated for 9,419 km, representing a decrease of 13.3% over the same period last year. The 3D collection operated 7,825 km^2, representing a decrease of 433 km^2 or 5.2% over the same period last year. For the data processing, the data processing of 2D collection reduced 61.0% while the data processing of 3D collection reduced 3.1% over the same period last year, which was mainly due to the decrease in operation volume as a result of market influence. Details are as follows:

Geophysical and Surveying Services	For the six months ended 30 June **2016**	2015	Percentage change
2D			
Collection (km)	**9,419**	10,859	(13.3%)
Data processing (km)	**3,518**	9,032	(61.0%)
3D			
Collection (km^2)	**7,825**	8,258	(5.2%)
of which: submarine cable (km^2)	**107**	–	100.0%
Data processing (km^2)	**7,329**	7,565	(3.1%)

In the first half of 2016, the Group's surveying services recorded revenue of RMB86.7 million, which decreased by RMB65.9 million from RMB152.6 million in the same period last year.

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 2016, the operation volume and service prices of the Group's four main business segments dropped to varying extents. Revenue decreased by RMB5,126.8 million or 42.4% over the same period last year, detailed analysis is as follow:

Revenue of each of the business segments in the first half of 2016:

Unit: RMB million Business segments	For the six months ended 30 June **2016**	 2015	Decrease	Percentage decrease
Drilling services	**3,501.8**	6,558.9	(3,057.1)	(46.6%)
Well services	**2,134.8**	3,298.8	(1,164.0)	(35.3%)
Marine support services	**859.4**	1,484.3	(624.9)	(42.1%)
Geophysical and surveying services	**466.6**	747.4	(280.8)	(37.6%)
Total	**6,962.6**	12,089.4	(5,126.8)	(42.4%)

- Revenue generated from drilling services decreased by 46.6% over the same period last year. The main reasons include: 1) Operating days of drilling rigs decreased by 2,273 days as compared with the same period last year. 2) Operating prices of drilling rigs dropped.

- Revenue of well services decreased by 35.3% over the same period last year, which was mainly due to the decrease in operation volume and service prices.

- Revenue from marine support services decreased by 42.1% over the same period last year, which was mainly due to the decrease of 4,279 days in operation volume of chartered vessels during the period. The operation volume of self-owned vessels decreased 367 days as compared with the same period last year.

- Revenue from geophysical and surveying services decreased by 37.6% as compared with the same period last year, which was mainly due to the downscaling of investment in exploration and development by oil companies and reduced operation volume.

1.2 Operating expenses

In the first half of 2016, the operating expenses of the Group amounted to RMB15,121.6 million, representing an increase of RMB4,263.8 million or 39.3% from RMB10,857.8 million for the same period last year, which was mainly due to the impairment loss against fixed assets and goodwill amounted to RMB7,143.8 million as compared with the amount of RMB990.6 million of the same period last year.

The table below shows the breakdown of operating expenses of the Group in the first half of 2016:

Unit: RMB million	For the six months ended 30 June 2016	2015	Increase/ (Decrease)	Percentage change
Depreciation of property, plant and equipment and amortization of intangible assets	**2,217.3**	1,987.5	229.8	11.6%
Employee compensation costs	**1,847.4**	2,044.4	(197.0)	(9.6%)
Repair and maintenance costs	**139.2**	301.9	(162.7)	(53.9%)
Consumption of supplies, materials, fuel, services and others	**1,685.1**	2,231.6	(546.5)	(24.5%)
Subcontracting expenses	**917.9**	1,644.6	(726.7)	(44.2%)
Operating lease expenses	**587.1**	815.7	(228.6)	(28.0%)
Impairment of property, plant and equipment	**3,688.4**	67.4	3,621.0	5,372.4%
Impairment of goodwill	**3,455.4**	923.2	2,532.2	274.3%
Other operating expenses	**583.8**	841.5	(257.7)	(30.6%)
Total operating expenses	**15,121.6**	10,857.8	4,263.8	39.3%

From the above breakdown in operating expenses, the new equipment led to an increase in depreciation of property, plant and equipment and amortization of intangible assets of RMB229.8 million.

The Group strictly controlled the cost by strengthened self-maintenance ability and lowering the maintenance price led to a decrease of repair and maintenance costs of RMB162.7 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 RMB546.5 million.

To lower costs effectively, the Group reduced the use of external resources and the prices of using which led to a decrease in subcontracting expenses of RMB726.7 million.

Due to the release of lease contracts with no operating volume and the reduction of lease prices, the lease expenses decreased by RMB228.6 million as compared to the same period last year.

During the period, impairment loss on property, plant and equipment was RMB3,688.4 million due to unfavourable market environment. Impairment loss on property, plant and equipment was RMB67.4 million for the same period last year.

Unfavourable market environment led to an impairment loss of goodwill amounting to RMB3,455.4 million during the period. The provision for impairment loss of goodwill made for the same period last year was RMB923.2 million.

Other operating expenses decreased by RMB257.7 million as compared with the same period last year through cost reduction with enhance efficiency and strict cost control.

The table below shows the operating expenses of each of the business segments in the first half of 2016:

Unit: RMB million Business segments	For the six months ended 30 June 2016	 2015	Increase/ (Decrease)	Percentage change
Drilling services	**11,055.1**	5,801.9	5,253.2	90.5%
Well services	**2,316.8**	2,967.4	(650.6)	(21.9%)
Marine support services	**1,008.3**	1,278.5	(270.2)	(21.1%)
Geophysical and surveying services	**741.4**	810.0	(68.6)	(8.5%)
Total	**15,121.6**	10,857.8	4,263.8	39.3%

1.3 (Loss)/profit from operations

The loss from operations of the Group during the first half of 2016 amounted to RMB8,141.6 million, representing a decrease of RMB9,402.5 million or 745.7% from profit from operations of RMB1,260.9 million for the same period last year, which was mainly due to the impairment loss against fixed assets and goodwill amounted to RMB7,143.8 million as compared with the same period last year.

The (loss)/profit from operations for each segment is shown in the table below:

Unit: RMB million Business segments	For the six months ended 30 June 2016	 2015	Increase/ (Decrease)	Percentage change
Drilling services	**(7,548.4)**	759.5	(8,307.9)	(1,093.9%)
Well services	**(175.1)**	353.5	(528.6)	(149.5%)
Marine support services	**(148.8)**	207.4	(356.2)	(171.7%)
Geophysical and surveying services	**(269.3)**	(59.5)	(209.8)	352.6%
Total	**(8,141.6)**	1,260.9	(9,402.5)	(745.7%)

1.4 Financial expenses, net

In the first half of 2016, the net financial expenses of the Group were RMB406.0 million, representing an increase of RMB155.8 million or 62.3% from RMB250.2 million for the same period last year, mainly due to the increase in finance costs by RMB187.9 million, increase in exchange gain by RMB38.8 million and decrease in interest income by RMB6.7 million during the period.

1.5 Investment income

During the first half of 2016, the investment income of the Group amounted to RMB155.2 million, representing an increase of RMB73.7 million or 90.4% from RMB81.5 million for the same period last year, which was mainly due to the increase 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 2016, the Group's share of profits of joint ventures amounted to RMB28.3 million, representing a decrease of RMB65.9 million as compared with RMB94.2 million for the same period last year.

1.7 Income tax

In the first half of 2016, the income tax expense of the Group was RMB35.5 million, representing a decrease of RMB229.0 million or 86.6% as compared with RMB264.5 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 (Loss)/profit for the period

In the first half of 2016, loss for the period of the Group was RMB8,399.5 million, representing a decrease of RMB9,321.4 million as compared with profit of RMB921.9 million for the same period last year.

1.9 Basic (loss)/earnings per share

In the first half of 2016, the Group's basic loss per share was RMB1.76, representing a decrease of RMB1.95 or 1,026.3% as compared with the basic earnings per share of RMB0.19 for the same period last year.

2. Analysis on condensed consolidated statement of financial position

As of 30 June 2016, total assets of the Group amounted to RMB80,953.2 million, representing a decrease of RMB12,571.9 million or 13.4% as compared with RMB93,525.1 million as at the end of 2015. Total liabilities were RMB42,738.2 million, representing a decrease of RMB3,958.2 million or 8.5% as compared with RMB46,696.4 million as at the end of 2015. Total equity was RMB38,215.0 million, representing a decrease of RMB8,613.7 million or 18.4% as compared with RMB46,828.7 million as at the end of 2015.

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 2016**	31 December 2015	Increase/ (Decrease)	Reasons
Goodwill	**–**	3,394.5	(100%)	An impairment loss of goodwill amounted to RMB3,455.4 million is led by the unfavorable market environment.
Other non-current assets	**475.3**	1,150.4	(58.7%)	Mainly due to part of the prepayment of construction during the period has been transferred to property, plant and equipment.
Notes receivables	**11.2**	1,906.5	(99.4%)	Mainly due to the receipts of the notes fall due at the beginning of the period.
Pledged Deposits	**21.0**	31.6	(33.5%)	Mainly due to the decrease in pension of the Group.
Cash and cash equivalents	**7,988.6**	12,574.0	(36.5%)	The net proceeds of the issuance of the corporate bonds of RMB4,993.0 million and repayment of the debts, interest and dividend of RMB8,493.3 million.
Salary and bonus payables	**580.5**	985.3	(41.1%)	Mainly due to the payment of wages on schedule.
Tax payable	**164.5**	111.3	47.8%	Operating income decreased due to market impact and tax payable was reduced accordingly.
Other current liabilities	**128.1**	429.4	(70.2%)	Mainly due to the amortisation compensation for the cancellation of service contract with Statoil Petroleum AS in relation to the "COSLPioneer".
Interest-bearing borrowings (Non-current portion)	**2,250.2**	9,482.6	(76.3%)	It was mainly attributable to loan repayment and the long-term borrowing to be re-classified and due within one year.
Long-term bonds	**19,663.1**	14,390.8	36.6%	The issuance of the corporate bonds of RMB5,000.0 million.

3. Analysis of condensed consolidated statement of cash flows

At the beginning of 2016, the Group held cash and cash equivalents of RMB12,574.0 million. Net cash inflows from operating activities for the period amounted to RMB304.6 million. Net cash outflows from investing activities were RMB1,467.1 million. Net cash outflows from financing activities were RMB3,500.3 million. The impact of foreign exchange fluctuations on cash and cash equivalents was an increase of RMB77.4 million. As at 30 June 2016, the Group's cash and cash equivalents amounted to RMB7,988.6 million.

3.1 Cash flows from operating activities

For the six months ended 30 June 2016, the Group's net cash inflows from operating activities amounted to RMB304.6 million, representing a decrease of RMB1,157.0 million or 79.2% 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 services of the Group decreased by RMB3,887.6 million during the period and the decrease of RMB1,596.4 million in cash used in the purchase of goods and the payment of receipt of services.

3.2 Cash flows used in/from investing activities

For the six months ended 30 June 2016, the net cash outflows from the Group's investing activities amounted to RMB1,467.1 million, representing a decrease of RMB1,604.9 million in cash inflows as compared with the same period last year. The cash inflow from investing activities decreased by RMB2,299.8 million as compared with the same period last year, which was mainly due to the fact that the cash recovered from investment decreased by RMB2,344.2 million and the cash received from other investing activities increased RMB44.4 million as compared with the same period last year; the cash outflows from investing activities decreased by RMB694.9 million, which was mainly due to the cash paid for the purchase of fixed assets decreased by RMB2,194.9 million as compared with the same period last year mainly attributable to downsizing the investment scale of the Group and the cash paid for other investing activities increased by RMB1,500 million as compared with the same period last year.

3.3 Cash flows used in/from financing activities

For the six months ended 30 June 2016, the Group's net cash outflows from financing activities amounted to RMB3,500.3 million, representing an increase of RMB2,646.2 million in cash outflows over the same period last year. This is mainly due to the issuance of the corporate bonds of RMB5,000.0 million during the period while the receipt of borrowings amounting to RMB3,668.2 million during the same period last year which resulted an increase of RMB1,331.8 million in cash inflow from the financing activities. At the same time, the cash paid by the Group for the repayment of debts increased by RMB5,780.0 million and the cash paid for dividend distribution decreased by RMB1,965.9 million and the cash paid for other financing activities increased by RMB163.9 million as compared with the same period last year, causing an increase of RMB3,978.0 million in cash outflow from the financing activities as compared with the same period last year.

3.4 The impact of foreign exchange rate changes on cash and cash equivalents during the period was an increase of RMB77.4 million.

4. Capital Expenditure

In the first half of 2016, the capital expenditure of the Group was RMB2,023.8 million, representing a decrease of RMB2,098.5 million or 50.9% as compared with RMB4,122.3 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 **2016**	 2015	Decrease	Percentage decrease
Drilling services	**1,292.8**	1,776.8	(484.0)	(27.2%)
Well services	**77.8**	470.7	(392.9)	(83.5%)
Marine support services	**472.1**	875.8	(403.7)	(46.1%)
Geophysical services	**181.1**	999.0	(817.9)	(81.9%)
Total	**2,023.8**	4,122.3	(2,098.5)	(50.9%)

The capital expenditure of the drilling services segment was mainly used for the construction of two 400 ft jack-up drilling rigs and one 5,000 ft semi-submersible drilling rig and the change in construction of some of the drilling rigs. 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 subsidiary of CNA. As of 30 June 2016, the total assets of CNA amounted to RMB18,809.3 million and equity amounted to RMB1,786.3 million. Affected by the changes in market environment, CNA realized revenue of RMB1,157.6 million in the first half of 2016, representing a decrease of RMB773.8 million or 40.1% as compared with the same period last year. The loss of net profit amounted to RMB4,123.7 million, increased by RMB2,673.7 million as compared with the same period last year, which was mainly due to the decrease of revenue and the increase of recognition of fixed assets and goodwill impairment loss during the period.

PROSPECT

Looking forward to the second half of the year, the overall market remains a cautious attitude to the trend of crude oil prices. The trend of short term oil prices will still be under a relatively high fluctuation. Every business segment of the Company will continue to face tough 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 risk management, internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2016 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2016, save for Code Provision E.1.2, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules.

Pursuant to Code Provision E.1.2, the Chairman of the Board is required to attend the Annual General Meeting. However, Mr. Liu Jian, the Chairman of the Company, did not attend the Annual General Meeting and the Class Meetings of the Company held on 31 May 2016 due to some other urgent issues that required his immediate attention. According to the Articles of Association of the Company, the board of directors elected Mr. Li Feilong, the executive director of the Company, to act as the Chairman of the Annual General Meeting and the Class Meetings.

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

Upon specific enquiry to all directors and supervisors by the Company, the directors and supervisors have confirmed that they have, for the six months ended 30 June 2016, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2016.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

During the six months ended 30 June 2016, 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', SUPERVISORS' AND SENIOR MANAGEMENT'S INTERESTS AND SHORT POSITIONS IN SHARES

As at 30 June 2016, the interests and short positions of the directors, supervisors 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 2016, none of the directors, supervisors and 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 2016, other than the directors or the chief executives 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	215,590,000 (L)	11.90 (L)
JPMorgan Chase & Co.	Interest in controlled corporation	104,753,990 (L) 0 (S) 72,921,812 (P)	5.78 (L) 0.00 (S) 4.03 (P)
BlackRock, Inc.	Interest in controlled corporation	99,200,126 (L) 8,062,000 (S)	5.48 (L) 0.45 (S)

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.

THE RIGHTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months period ended 30 June 2016 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 2016, the Group has 15,236 employees. The Company strictly complies with domestic and business operating countries' laws and policies on employment and established competitive remuneration system and performance appraisal system. Different incentive schemes based on different kinds of professionals were used and the Company had established an appropriate appraisal system to create a fair competition environment. According to the regulations of China, the Company pays the basic social insurance for employees and implements enterprise annuity system and supplementary medical insurance system. It also provides a number of welfare including personal accident insurance, health check, paid vacation, helping and assisting those with difficulties or major diseases for employees, so as to provide reliable and multi-layered protection for employees.

CHANGES IN DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

(1) Changes in Directors

On 31 May 2016, the Company convened the Annual General Meeting of 2015, in which, Mr. Wong Kwai Huen, Albert was elected as an independent non-executive director of the Company with a term of three years, commencing from the date on which the resolution was passed at the general meeting. Mr. Fong Wo, Felix is no longer an independent non-executive director of the Company.

On 22 July 2016, the Company convened the First Extraordinary General Meeting of 2016, in which, Mr. Qi Meisheng and Mr. Dong Weiliang were both elected as executive directors of the Company with a term of three years, commencing from the date on which the resolution was passed at the general meeting. Mr. Li Yong is no longer an executive director of the Company; Mr. Xie Weizhi was elected as a non-executive director of the Company with a term of three years, commencing from the date on which the resolution was passed at the general meeting. Mr. Cheng Chi is no longer a non-executive director of the Company.

(2) Changes in Supervisors

On 5 May 2016, the Company convened a meeting of the employees representatives, in which, Mr. Li Zhi was re-elected as the employee supervisor of the supervisory committee of the Company with a term commencing from 16 May 2016 to 15 May 2019.

(3) Changes in Senior Management

On 15 June 2016, the Board appointed Mr. Qi Meisheng as the CEO and President of the Company. Mr. Li Yong is no longer the CEO and President of the Company.

GEARING RATIO

As at 30 June 2016, the net current assets of the Group decreased to RMB2,870.7 million compared with RMB6,342.9 million as at 31 December 2015, while the current ratio decreased to 1.15 times, compared with 1.30 times as at 31 December 2015.

The Group monitors 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:

	30 June 2016 RMB'000	31 December 2015 RMB'000
Interest-bearing bank borrowings	**13,544,211**	20,934,084
Trade and other payable	**7,156,699**	8,081,048
Long term bonds	**19,663,083**	14,390,824
Less: Cash and cash equivalents and time deposits with maturity over three months	**(8,188,557)**	(12,773,958)
Net debt	**32,175,436**	30,631,998
Equity attributable to owners of the Company	**38,122,190**	46,741,378
Non-controlling interests	**92,819**	87,292
Total Capital	**38,215,009**	46,828,670
Capital and net debt	**70,390,445**	77,460,668
Gearing ratio	**46%**	40%

PROGRESS OF BUSINESS PLAN

In 2016, affected by the continuously low oil prices and a decrease in total investment by the oil and gas companies around the world for two consecutive years, the competition in the oilfield services industry which the Company is facing, is further intensified. It was reflected in a different degree of decrease in the utilization rates of equipment of the industry and the prices of different oilfield services. Under such circumstances, the Company faced a big challenge in our operation for the first half of the year. A significant decrease in the business volume and the service prices as compared with the same period last year and the impairment of fixed assets and goodwill caused a significant decrease in net profit as compared with the same period last year.

For the second half of the year, the oil prices are recovering, but still stay at a lower position. The investments of the oil companies have not yet shown a sign of recovery. The competition in the global oilfield services market continues to be fierce. It is expected that the Company will realize a significant decrease in terms of the net profit for the entire 2016. During the period, based on the strategic adjustments and the internationalized layout in the first half of the year, the Company will continue to make a huge effort in tapping into domestic and overseas markets, control the costs strictly. While ensuring the sufficient liquidity, the Company will pave the way to improve the performance of 2017 and the following years.

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 affected to a certain extent. Meanwhile, if the exchange rate fluctuation is significant, the exchange gain/loss, the pressure from repayment of US debt and the expenditures of acquiring imported equipment will be affected to a certain extent. The management of the Group will continuously monitor such foreign exchange risk.

CHARGES ON ASSETS

As at 30 June 2016, the Group had no material charges against its assets.

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 2016, 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.

In March 2016, there was some new status about COSL's two drilling contracts. The Company disclosed announcements of "Status of Two Drilling Contracts" and "Further Status of Two Drilling Contracts" on 6 March 2016 and 20 March 2016 respectively. For details, please refer to relevant announcements published by the Company on the website of Hong Kong Stock Exchange (http://www.hkex.com.hk) and website of the Company (http://www.cosl.com.cn).

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 2015, 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 Appendix 16 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
Wang Baojun
Company Secretary

29 August 2016

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 50, which comprise the condensed consolidated statement of financial position as of 30 June 2016 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 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
29 August 2016

Condensed Consolidated Statement of Profit or Loss

For the six months ended 30 June 2016

	Notes	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
REVENUE	*3*	**6,989,747**	12,350,154
Sales surtaxes		**(27,103)**	(260,758)
Revenue, net of sales surtaxes		**6,962,644**	12,089,396
Other revenues		**17,299**	29,308
		6,979,943	12,118,704
Depreciation of property, plant and equipment and amortisation of intangible assets		**(2,217,294)**	(1,987,474)
Employee compensation costs		**(1,847,394)**	(2,044,375)
Repair and maintenance costs		**(139,217)**	(301,893)
Consumption of supplies, materials, fuel, services and others		**(1,685,102)**	(2,231,646)
Subcontracting expenses		**(917,863)**	(1,644,561)
Operating lease expenses		**(587,147)**	(815,728)
Other operating expenses		**(583,779)**	(841,582)
Impairment of goodwill	*9*	**(3,455,378)**	(923,154)
Impairment of property, plant and equipment	*8*	**(3,688,408)**	(67,416)
Total operating expenses		**(15,121,582)**	(10,857,829)
(LOSS)/PROFIT FROM OPERATIONS		**(8,141,639)**	1,260,875
Exchange gain/(loss), net		**21,792**	(16,982)
Finance costs		**(469,386)**	(281,486)
Interest income		**41,626**	48,263
Investment income		**155,248**	81,520
Share of profits of joint ventures, net of tax		**28,302**	94,245
(LOSS)/PROFIT BEFORE TAX	*4*	**(8,364,057)**	1,186,435
Income tax expense	*5*	**(35,473)**	(264,510)
(LOSS)/PROFIT FOR THE PERIOD		**(8,399,530)**	921,925
Attributable to:			
Owners of the Company		**(8,403,180)**	894,748
Non-controlling interests		**3,650**	27,177
		(8,399,530)	921,925
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	*7*	**(176.11) cents**	18.75 cents

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
(LOSS)/PROFIT FOR THE PERIOD	**(8,399,530)**	921,925
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**183,719**	(11,487)
Net fair value (loss)/gain on available-for-sale investments	**(91,304)**	26,314
Share of exchange differences of joint ventures	**4,199**	(191)
Income tax relating to items that may be reclassified subsequently to profit or loss	**13,696**	(3,947)
	110,310	10,689
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	**110,310**	10,689
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(8,289,220)**	932,614
Attributable to:		
Owners of the Company	**(8,294,720)**	905,481
Non-controlling interests	**5,500**	27,133
	(8,289,220)	932,614

Condensed Consolidated Statement of Financial Position

At 30 June 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	**57,121,346**	60,388,044
Goodwill	9	**–**	3,394,504
Other intangible assets		**434,708**	469,605
Investments in joint ventures		**696,266**	681,314
Available-for-sale investments		**–**	–
Other non-current assets	12	**475,330**	1,150,440
Deferred tax assets		**31,001**	39,707
Total non-current assets		**58,758,651**	66,123,614
CURRENT ASSETS			
Inventories		**1,344,595**	1,328,250
Prepayments, deposits and other receivables		**535,785**	496,384
Accounts receivable	10	**7,621,983**	6,652,732
Notes receivable	11	**11,157**	1,906,542
Other current assets	12	**4,471,508**	4,211,964
Pledged deposits		**20,962**	31,607
Time deposits with maturity of over three months		**200,000**	200,000
Cash and cash equivalents		**7,988,557**	12,573,958
Total current assets		**22,194,547**	27,401,437

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
CURRENT LIABILITIES			
Trade and other payables	*13*	**7,156,699**	8,081,048
Salary and bonus payables		**580,497**	985,252
Tax payable		**164,513**	111,320
Interest-bearing bank borrowings	*14*	**11,294,028**	11,451,529
Other current liabilities	*16*	**128,126**	429,418
Total current liabilities		**19,323,863**	21,058,567
NET CURRENT ASSETS		**2,870,684**	6,342,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,629,335**	72,466,484
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**537,572**	627,316
Interest-bearing bank borrowings	*14*	**2,250,183**	9,482,555
Long term bonds	*15*	**19,663,083**	14,390,824
Deferred revenue	*16*	**887,447**	1,070,670
Employee benefit liabilities		**76,041**	66,449
Total non-current liabilities		**23,414,326**	25,637,814
NET ASSETS		**38,215,009**	46,828,670
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*17*	**4,771,592**	4,771,592
Reserves		**33,350,598**	41,969,786
		38,122,190	46,741,378
Non-controlling interests		**92,819**	87,292
Total equity		**38,215,009**	46,828,670

Qi Meisheng
Director

Li Feilong
Director

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	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 2016 (audited)	**4,771,592**	**12,371,737**	**2,508,656**	**91,065**	**(41,505)**	**(191,263)**	**26,906,628**	**324,468**	**46,741,378**	**87,292**	**46,828,670**
(Loss)/profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**(8,403,180)**	**–**	**(8,403,180)**	**3,650**	**(8,399,530)**
Other comprehensive (expense)/ income for the period	**–**	**–**	**–**	**(77,608)**	**–**	**186,068**	**–**	**–**	**108,460**	**1,850**	**110,310**
Total comprehensive (expense)/ income for the period	**–**	**–**	**–**	**(77,608)**	**–**	**186,068**	**(8,403,180)**	**–**	**(8,294,720)**	**5,500**	**(8,289,220)**
Non-controlling interests arising on the establishment of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**27**	**27**
Final 2015 dividend paid (note 6)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(324,468)**	**(324,468)**	**–**	**(324,468)**
At 30 June 2016 (unaudited)	**4,771,592**	**12,371,737**	**2,508,656**	**13,457**	**(41,505)**	**(5,195)**	**18,503,448**	**–**	**38,122,190**	**92,819**	**38,215,009**
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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	**304,648**	1,461,602
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and other intangible assets	**(1,085,259)**	(1,617,490)
Government grant received	**578**	700
Purchase of investments in corporate wealth management products and liquidity funds	**(6,800,000)**	(4,900,000)
Proceeds on disposal/maturity of investments in corporate wealth management products and liquidity funds	**6,454,038**	7,213,180
Proceeds from disposal of property, plant and equipment	**17,227**	51,345
Cash advance made to a joint venture	**–**	(12,282)
Placement of time deposits with maturity of over three months	**–**	(400,000)
Withdrawal of time deposits with maturity of over three months	**–**	1,508,046
Decrease in pledged deposits	**10,645**	13,936
Interest received	**54,366**	48,314
Dividends received from joint ventures	**43,377**	44,525
Deposits for acquisition of property, plant and equipment	**(162,107)**	(1,812,509)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**(1,467,135)**	137,765
FINANCING ACTIVITIES		
Capital contribution from non-controlling interest on the establishment of a subsidiary	**27**	–
Proceeds from issue of long term bonds	**5,000,000**	–
Expenses on issue of long term bonds	**(7,000)**	–
New bank loans raised	**–**	3,668,160
Repayment of bank loans	**(7,691,715)**	(1,911,731)
Dividends paid	**(324,468)**	(2,290,364)
Interest paid	**(477,132)**	(320,123)
NET CASH USED IN FINANCING ACTIVITIES	**(3,500,288)**	(854,058)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(4,662,775)**	745,309
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**12,573,958**	5,432,187
Effect of foreign exchange rate changes	**77,374**	(31,489)
CASH AND CASH EQUIVALENTS AT 30 JUNE, represented by bank balances and cash	**7,988,557**	6,146,007

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 Off-shore 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.

The Company and its subsidiaries (hereinafter collectively referred to as the "Group'') are 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 2016, 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		Principal activities
				30 June 2016	30 June 2015	
COSL Chemicals (Tianjin), Ltd.	Tianjin, PRC 7 September 1993	PRC	Renminbi ("RMB") 20,000,000	**100%**	100%	Provision of drilling fluids services
COSL Holding AS	Norway 21 January 2005	Norway	Norwegian Kroner ("NOK") 1,494,154,870	**100%**	100%	Investment holding
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	**100%**	100%	Provision of oil&gas exploitation services
COSL-HongKong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	**100%**	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	**100%**	100%	Provision of drilling services
COSL Mexico S.A.de C.V	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	UAE Dirhams 1,000,000	**100%**	100%	Provision of oil&gas exploitation services
COSL Norwegian AS	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$100,000	**100%**	100%	Management of jack-up drilling rigs
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	**100%**	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Bond issuance
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.	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 470,000,000	**100%**	100%	Provision of geophysical and surveying services
COSL Blue Tech International Limited	Hebei,PRC 10 April 2015	PRC	RMB 25,000,000	**100%**	100%	Provision of chemical products, R&D and manufacturing services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	**96%**	N/A	Provision of drilling services

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 2016 and 2015.

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 2016, 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				Principal activities
			Ownership interest		Voting rights held		
			2016	2015	**2016**	2015	
China Offshore Fugro GeoSolutions (Shenzhen) Company Ltd.	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.	US$6,650,000	Tianjin, PRC 30 November 1983	**50**	50	**50**	50	Provision of logging services
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50**	50	**50**	50	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60**	60	**50**	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.	US$2,000,000	Tianjin, PRC 14 April 1993	**50**	50	**50**	50	Provision of well completion services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50**	50	**50**	50	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD ("PBS-COSL") (b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49**	49	**50**	50	Provision of drilling services

(a) The Group has 60% of the equity interests in Magcobar, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of Magcobar, at least two-thirds of the voting rights are required for decisions on directing the relevant activities of the entity. In the opinion of the Directors, the Group does not have control over Magcobar and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, Magcobar has been accounted for in the Group's condensed consolidated financial statements using the equity method.

(b) The Group has 49% of the equity interests in PBS–COSL, the remaining equity interests of which 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 a 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.

All of the above investments in joint ventures are directly held by the Company.

2. Basis of preparation and accounting policies

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2016 have been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the HKSE.

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 2015.

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 2015. The adoption of amendments to standards and annual improvements to HKFRSs that are mandatorily effective for the current interim period does not have any material impact on the accounting policy adopted, financial position or performance of the Group and/or disclosures set out in these condensed consolidated financial statements.

2A. Significant event in the current interim period

On 4 March 2016, COSL Drilling Europe AS, the wholly-owned subsidiary of the Group, received notification from Statoil Petroleum AS ("Statoil") for requesting the termination and suspension of the service contracts of COSLINNOVATOR and COSLPROMOTER, respectively. COSL Drilling Europe AS was also asked to take the necessary actions in order to fulfill certain requirements of the service contract of COSLPROMOTER. The original remaining contract periods for COSLINNOVATOR and COSLPROMOTER are 56 months and 61 months, respectively. Statoil is not going to pay any compensation to the Group in respect of the above termination and suspension of service contracts in accordance with the relevant agreements.

Taking into account the contractual arrangements with Statoil and the circumstances and conditions of these two drilling rigs, the management of the Group is of the view that the grounds for demanding termination and suspension of the above service contracts by Statoil are invalid. The service contract of COSLPROMOTOER with Statoil was resumed from 18 March 2016 after further negotiation between the Group and Statoil.

In accordance with the investigation report published by Petroleum Safety Authority Norway in July 2016, no non-conformity was found in the structure and design of COSLINNOVATOR and COSLPROMOTER based on the prevailing regulations governing construction of rigs in Norway.

As at the date of approval of these condensed consolidated financial statements, no consensus has been reached between the Group and Statoil for the service contract of COSLINNOVATOR. The Group has negotiated with Statoil continuously in order to resolve the dispute, and the Group's management is of the view that legal action may be taken to defense the Group's interests if necessary.

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 result, which is a measure of adjusted (loss)/profit before tax. The adjusted (loss)/profit before tax is measured consistently with the Group's (loss)/profit before tax except that interest income, finance costs, exchange gains/(losses) and investment income are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the corporate treasury), prepayments, pledged deposits, time deposits with 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.

3. Operating segment information (continued)

Six months ended 30 June 2016 (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, net of sale surtaxes	3,501,801	2,134,848	859,385	466,610	6,962,644
Sales surtaxes	8,922	7,287	10,178	716	27,103
Sales to external customers, before net of sales surtaxes	3,510,723	2,142,135	869,563	467,326	6,989,747
Intersegment sales	936,958	177,733	6,955	53,262	1,174,908
Segment revenue	4,447,681	2,319,868	876,518	520,588	8,164,655
Elimination	(936,958)	(177,733)	(6,955)	(53,262)	(1,174,908)
Group revenue	3,510,723	2,142,135	869,563	467,326	6,989,747
Segment results	(7,550,228)	(149,798)	(148,802)	(264,509)	(8,113,337)
Reconciliation:					
Exchange gain, net					21,792
Finance costs					(469,386)
Interest income					41,626
Investment income					155,248
Loss before tax					(8,364,057)
Income tax					35,473
As at 30 June 2016 (Unaudited)					
Segment assets	48,937,258	6,096,316	8,640,142	5,998,665	69,672,381
Unallocated assets					11,280,817
Total assets					80,953,198
Segment liabilities	4,505,381	1,848,451	1,368,603	869,810	8,592,245
Unallocated liabilities					34,145,944
Total liabilities					42,738,189

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, net of sales surtaxes	6,558,925	3,298,797	1,484,310	747,364	12,089,396
Sales surtaxes	106,366	92,404	33,945	28,043	260,758
Sales to external customers, before net of sales surtaxes	6,665,291	3,391,201	1,518,255	775,407	12,350,154
Intersegment sales	822,034	516,596	49,012	29,113	1,416,755
Segment revenue	7,487,325	3,907,797	1,567,267	804,520	13,766,909
Elimination	(822,034)	(516,596)	(49,012)	(29,113)	(1,416,755)
Group revenue	6,665,291	3,391,201	1,518,255	775,407	12,350,154
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
Income tax					264,510
As at 31 December 2015 (Audited)					
Segment assets	56,032,445	7,822,223	8,315,831	6,309,795	78,480,294
Unallocated assets					15,044,757
Total assets					93,525,051
Segment liabilities	5,211,937	2,814,233	1,449,270	904,648	10,380,088
Unallocated liabilities					36,316,293
Total liabilities					46,696,381

4. (Loss)/Profit before tax

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

	Note	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Loss on disposal of plant and equipment, net	*8*	**14,333**	16,784
(Reversal of)/provision for impairment of accounts receivable		**(2,543)**	169,465
Provision for impairment of other receivables		**1,278**	7,472
(Reversal of)/provision for impairment of inventories		**(107)**	5,418
Income from investments in corporate wealth management products and liquidity funds		**155,248**	81,520
Cost of inventories recognised as an expense		**902,322**	1,302,750

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%.

The Company has applied from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of Tianjin State Administration of Taxation (the "TSAT") in February 2012 to renew its High-New Technology Enterprise ("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 these two approvals, the CIT rate was approved to be 15% for the period from January 2011 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 2016 (six months ended 30 June 2015: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (six months ended 30 June 2015: 25%). The Group's activities in Australia are subject to income tax of 30% (six months ended 30 June 2015: 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 2015: 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 2015: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 25% (six months ended 30 June 2015: 27%). The Group's activities in the United Kingdom are subject to income tax of 20% (six months ended 30 June 2015: 21%). The Group's activities in Thailand are subject to withholding tax based on 3% (six months ended 30 June 2015: 3%) of revenue generated every month. The Group's activities in Qatar are subject to income tax of 10% (six months ended 30 June 2015: 10%). The Group's activities in Iraq are subject to withholding tax based on 7% (six months ended 30 June 2015: 7%) of revenue generated in Iraq. The Group's activities in Singapore are subject to income tax of 17% (six months ended 30 June 2015: 17%). The Group's activities in the United States are subject to income tax of 34% (six months ended 30 June 2015: 34%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's activities in Denmark are subject to income tax of 22% (six months ended 30 June 2015: 24.5%). The Group's activities in Canada are subject to the net federal corporate income tax of 15% (six months ended 30 June 2015: 15%) and provincial income tax ranging from 10% to 16% (six months ended 30 June 2015: 10% to 16%), depending on the province and the size of the business. The Group's activities in Malaysia are subject to income tax of 24% (six months ended 30 June 2015: 25%). The Group's activities in New Zealand commencing in late last year are subject to withholding tax based on 15% of revenue generated in New Zealand. The Group's activities in Saudi Arabia commencing in the current interim period are subject to income tax of 20%.

5. Income tax (continued)

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

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**108,414**	138,008
Deferred	**(77,762)**	(99,161)
PRC corporate income taxes:		
Current	**3,067**	200,132
Deferred	**8,142**	25,531
Over provision in prior year	**(6,388)**	–
Total tax charge for the period	**35,473**	264,510

A reconciliation of the tax expense applicable to (loss)/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 2016 RMB'000 (Unaudited)	%	2015 RMB'000 (Unaudited)	%
(Loss)/profit before tax	**(8,364,057)**		1,186,435	
Tax at the statutory tax rate of 25% (six months ended 30 June 2015: 25%)	**(2,091,014)**	**25.0**	296,609	25.0
Tax reduction as an HNTE	**(1,710)**	**0.1**	(186,296)	(15.7)
Tax effect of income not subject to tax	**(7,075)**	**0.1**	(36,844)	(3.1)
Tax effect of expense not deductible for tax	**1,812,469**	**(21.7)**	277,578	23.4
– Effect of impairment of goodwill	**863,844**	**(10.3)**	230,788	19.5
– Effect of impairment of property, plant and equipment	**848,439**	**(10.1)**	–	–
– Others	**100,186**	**(1.3)**	46,790	3.9
Tax benefit for qualifying research and development expenses	**(19,288)**	**0.2**	(22,337)	(1.9)
Effect of non-deductible-expenses/(non-taxable profit) and different tax rates for overseas subsidiaries	**73,424**	**(0.9)**	(23,302)	(2.0)
Tax effect of tax losses and deductible temporary differences unrecognised	**158,125**	**(1.9)**	202,010	17.0
Utilisation of tax losses previously not recognised	**(17,204)**	**0.2**	–	–
Translation adjustment (a)	**114,660**	**(1.4)**	(244,348)	(20.6)
Others	**13,086**	**(0.1)**	1,440	0.2
Total tax charge at the Group's effective rate	**35,473**	**(0.4)**	264,510	22.3

(a) The translation adjustment mainly relates to the tax effect of the difference between the profit before tax determined on the tax basis in NOK and that determined on the accounting basis of some group companies in Norway in US dollars, the functional currency of these companies.

6. Dividends paid and proposed

During the current interim period, a final dividend of RMB0.068 per ordinary share of the Company comprising 4,771,592,000 ordinary shares existed as at 31 December 2015 (2015: RMB0.48 per ordinary share in respect of the year ended 31 December 2014) 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 RMB324,468,000 (2015: RMB2,290,364,000).

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

7. (Loss)/earnings per share attributable to owners of the company

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2016	2015
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/earnings for the purposes of basic (loss)/earnings per share ((loss)/profit for the period attributable to owners of the Company)	**(8,403,180)**	894,748

	Six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic (loss)/earnings per share	**4,771,592,000**	4,771,592,000

No diluted (loss)/earnings per share is presented for the six-month periods ended 30 June 2016 and 2015 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 incurred cost on construction in progress with an aggregate cost amounting to approximately RMB2,015,095,000 (six months ended 30 June 2015: RMB4,101,790,000). Machines and equipment with an aggregate net carrying amount amounting to RMB31,560,000 (six months ended 30 June 2015: RMB68,128,000) were disposed of during the current interim period, resulting in a loss on disposal of RMB14,333,000 (six months ended 30 June 2015: RMB16,784,000).

Out of the total interest costs incurred, an amount of approximately RMB7,548,000 (six months ended 30 June 2015: RMB17,337,000) was capitalised in property, plant and equipment in the current interim period.

8. Property, plant and equipment (continued)

During the current interim period, due to the continued deterioration of global oilfield services market and recent low level of oil price, the capital expenditure in global oil exploration and production sectors continuously declined and both the services prices and utilization rates of the plant and machinery decreased. The Directors carried out the review of the recoverable amounts of the Group's plant and machinery. 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 RMB3,688,408,000(six months ended 30 June 2015: RMB67,416,000), which has been recognised in profit or loss for the current interim period. The impairment losses have been classified under the drilling services segment. The recoverable amounts of the relevant assets, each of which was identified as a cash-generating unit within the drilling services segment, have been determined based on the higher of fair value less costs of disposal and value in use. The fair value less costs of disposal is arrived at on the basis of valuation carried out by an independent property agent. The fair value of relevant assets are determined based on a variety of valuation methods, including income approach and market approach, and the reasonableness of the assumptions and range of estimates indicated by those valuation methods were also considered by the Group. The income approach is by reference to the projected discounted cash flows over the remaining economic life of relevant assets. The market approach is by reference to the value that would be received from selling the asset in an orderly transaction between market participants at the measurement date. The above estimates of fair value required to use significant unobservable inputs representative of a level 3 fair value measurement, including historical contracted sales prices for similar assets, nonbinding quotes from brokers and/or indicative bids, expected utilization rates, day rates, cost level and capital requirements.

In assessing value in use, the estimated future cash flows are discounted to their present value. The cash flow projection was 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 and by reference to the relevant market trend report. The discount rate applied to the cash flow projection is 8% (31 December 2015: 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 the relevant assets. Other key assumptions for the value in use calculations reflect management's judgments and expectation regarding the past performance of the relevant assets, as well as future industry conditions and operations, including expected utilization rates, day rates, cost level and capital requirements.

9. Goodwill

Goodwill was generated in the acquisition of COSL Holding 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.

During the six months ended 30 June 2016, due to the continued deterioration of global oilfield services market and recent low level of oil price, the capital expenditure in global oil exploration and production sectors continuously declined and both the services prices and utilization rates of the plant and machinery decreased. Based on the impairment assessment review, an impairment loss of goodwill of approximately RMB3,455,378,000 (six months ended 30 June 2015: RMB923,154,000) was recognised in the condensed consolidated statement of profit or loss for the current interim period.

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. Details of the key assumptions used to measure the recoverable amount of such group of units are set out in note 8.

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 aged analysis of the accounts receivable, net of provision for impairment, as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Outstanding balances aged		
Within six months	**5,827,909**	5,634,523
Six months to one year	**903,728**	267,240
One to two years	**737,320**	599,953
Two to three years	**153,026**	151,016
	7,621,983	6,652,732

11. Notes receivable

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Trade acceptances	**5,447**	1,879,836
Bank acceptances	**5,710**	26,706
	11,157	1,906,542

All the notes receivable are of trading nature and will be due within one year from the date of issuance, in which the trade acceptances are normally settled within 180 days from the date of issuance.

12. Other current assets and other non-current assets

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Investments in corporate wealth management products and liquidity funds (a)	**4,315,830**	3,905,924
Current portion of deferred expenses (b)	**46,853**	75,441
Value-added tax recoverable	**108,825**	230,599
Other current assets	**4,471,508**	4,211,964
Non-current portion of deferred expenses (b)	**86,512**	153,531
Value-added tax recoverable	**97,258**	123,951
Tax recoverable (b)	**129,453**	122,644
Deposits paid for the acquisition of property, plant and equipment (b)	**162,107**	750,314
Other non-current assets (b)	**475,330**	1,150,440

(a) The liquidity funds 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, tax recoverable generated from certain overseas income tax paid which is deductible for PRC corporate income taxes purpose 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

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Outstanding balances aged		
Within one year	**5,700,300**	6,745,877
One to two years	**631,296**	191,053
Two to three years	**47,813**	45,426
Over three years	**45,249**	43,540
	6,424,658	7,025,896

14. Interest-bearing bank borrowings

During the current interim period, the Group did not obtain any new bank loan, but repaid bank loans of US$1,181,755,000 (equivalent to approximately RMB7,691,715,000) (six months ended 30 June 2015: US$312,000,000 (equivalent to approximately RMB1,911,731,000)).

For all bank borrowings of the Group, the weighted average effective interest rate for the six months ended 30 June 2016 was 1.85% per annum (six months ended 30 June 2015: 1.55% per annum) and the borrowings are repayable in instalments over a period of 1 to 20 years.

15. Long term bonds

	Year of maturity	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Corporate bonds (a)	2022	**1,500,000**	1,500,000
2016 Corporate bonds			
(Type I, as defined below) (b)	2019	**1,997,200**	–
(Type II, as defined below) (b)	2026	**2,995,800**	–
Senior unsecured US$ bonds (c)	2022	**6,582,550**	6,442,611
Guaranteed medium term notes			
First Drawdown Note (d)	2020	**3,296,864**	3,226,724
Second Drawdown Note (d)	2025	**3,290,669**	3,221,489
		19,663,083	14,390,824

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500,000,000. The bonds carry effective interest rate of 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 27 May 2016, the Group issued its first tranche ("First Tranche Issue") of domestic corporate bonds ("2016 Corporate Bonds") with a nominal value of RMB100 per bond, amounting to RMB5,000,000,000. The First Tranche Issue includes two types of bonds. The first type of bonds with a principle amount of RMB2,000,000,000 (the "Type I"), bearing effective interest rate of 3.14% per annum, is repayable annually in arrears on 27 May of each year, and the redemption or maturity date is 27 May 2019. The second type of bonds with a principal amount of RMB3,000,000,000 (the "Type II"), bearing effective interest rate of 4.10% per annum, is repayable annually in arrears on 27 May of each year, and the redemption or maturity date is 27 May 2026.

(c) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a US$1,000,000,000 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.

15. Long term bonds (continued)

(d) On 20 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, established the Euro medium term note programme (the "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 the first tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "First Drawdown Note"). The effective interest rate was 3.61% per annum after taking into consideration of initial transaction costs. The principle of the First Drawdown Note will be repaid on 30 July 2020 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate was 4.58% per annum after taking into consideration of initial transaction costs. The principle of the Second Drawdown Note will be repaid on 30 July 2025 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

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, subsidies received from customers related to acquisition of machinery for provision of drilling services (the "Subsidies"), the compensation fee from customer in respect of the cancellation of service contract and the difference between proceeds received from loans at a below-market rate granted by a wholly-owned subsidiary of a state-owned bank and the fair value of the loans at initial recognition based on the prevailing market interest rate (the "Others"). 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 revenues of the Group. The deferred revenue generated from government grants and the Others are recognised according to the depreciable periods of the related assets and the periods in which the related costs incurred, respectively, and are 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	Others RMB'000	Total RMB'000
At 1 January 2015 (audited)	443,717	190,842	216,165	16,164	–	322,008	–	1,188,896
Addition	–	18,997	13,479	22,208	567,285	2,716	143,005	767,690
Credited to profit or loss	(74,578)	(71,983)	(22,441)	(22,060)	(264,047)	(75,196)	–	(530,305)
Exchange realignment	23,901	9,611	–	–	23,668	16,627	–	73,807
At 31 December 2015 (audited)	**393,040**	**147,467**	**207,203**	**16,312**	**326,906**	**266,155**	**143,005**	**1,500,088**
Additions	**–**	**8,489**	**578**	**920**	**–**	**–**	**–**	**9,987**
Credited to profit or loss	**(39,096)**	**(73,721)**	**(7,959)**	**(169)**	**(262,425)**	**(122,500)**	**(5,092)**	**(510,962)**
Exchange realignment	**7,694**	**2,148**	**–**	**–**	**2,871**	**3,747**	**–**	**16,460**
At 30 June 2016 (unaudited)	**361,638**	**84,383**	**199,822**	**17,063**	**67,352**	**147,402**	**137,913**	**1,015,573**

16. Deferred revenue (continued)

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

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Current portion	**128,126**	429,418
Non-current portion	**887,447**	1,070,670
Balance at end of the period/year	**1,015,573**	1,500,088

17. Issued capital

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Registered, issued and fully paid		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

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 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	**599,803**	716,957
In the second to fifth year, inclusive	**1,376,347**	1,601,193
	1,976,150	2,318,150

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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Contracted, but not provided for	**1,724,792**	3,476,027

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 2016 (Unaudited)			31 December 2015 (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	**386,384**	**–**	**386,384**	331,439	–	331,439
Accounts receivable (note 10)	**7,621,983**	**–**	**7,621,983**	6,652,732	–	6,652,732
Notes receivable (note 11)	**11,157**	**–**	**11,157**	1,906,542	–	1,906,542
Pledged deposits	**20,962**	**–**	**20,962**	31,607	–	31,607
Time deposits with maturity of over three months	**200,000**	**–**	**200,000**	200,000	–	200,000
Cash and cash equivalents	**7,988,557**	**–**	**7,988,557**	12,573,958	–	12,573,958
Financial assets included in other current assets (note 12)	**2,504,984**	**1,810,846**	**4,315,830**	1,502,210	2,403,714	3,905,924
Total	**18,734,027**	**1,810,846**	**20,544,873**	23,198,488	2,403,714	25,602,202

Financial liabilities

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
At amortised cost:		
Current		
Financial liabilities included in trade and other payables	**6,911,039**	7,696,720
Salary and bonus payables	**580,497**	985,252
Interest-bearing bank borrowings – current portion (note 14)	**11,294,028**	11,451,529
Subtotal	**18,785,564**	20,133,501
Non-current		
Interest-bearing bank borrowings (note 14)	**2,250,183**	9,482,555
Long term bonds (note 15)	**19,663,083**	14,390,824
Subtotal	**21,913,266**	23,873,379
Total	**40,698,830**	44,006,880

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 30/06/2016 RMB'000 (Unaudited)	Fair value as at 31/12/2015 RMB'000 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)
Available-for-sale investments – money market fund	**1,810,846**	2,403,714	Level 1	Quoted bid prices in an active market

(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 to their fair values.

	Carrying amounts		Fair values	
	30 June 2016 RMB'000 (Unaudited)	**31 December 2015 RMB'000 (Audited)**	**30 June 2016 RMB'000 (Unaudited)**	**31 December 2015 RMB'000 (Audited)**
Financial liabilities				
Non-current				
Long term bonds (note 15)	**19,663,083**	14,390,824	**20,167,265**	14,210,661

The fair value of long term bonds issued by the Group, with fair value hierarchy of level 2, are determined by reference to the present value valuation technique under income approach and applying prime rate as adjusted to reflect the credit risk of the issuers as key inputs.

21. Financial risk management objectives and policies

The Group's principal financial instruments comprise interest-bearing bank borrowings, long-term bonds, cash and short term deposits and investments in corporate wealth management products and liquidity funds. 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. 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 maturity of over three months and cash and cash equivalents denominated in foreign currency, which expose the Group to foreign currency risk. The management monitors foreign exchange exposure and will consider hedging other foreign currency exposure should the need arise.

Management has assessed the Group's exposure to foreign currency risk (due to changes in the fair values 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 mainly arisen as at 30 June 2016. Based on management's assessment at 30 June 2016, a change in depreciation of US dollars by 5% would lead to an increase in the Group's net loss by approximately RMB275,713,000 (six months ended 30 June 2015: decrease in the Group's net profit by RMB115,935,000). Conversely, a change in appreciation of US dollars by 5% would lead to a decrease in the Group's net loss by approximately RMB275,713,000 (six months ended 30 June 2015: increase in the Group's net profit by RMB115,935,000).

Interest rate risk

The fair value interest rate risk relates primarily to the Group's fixed-rate long-term bonds (see note 15) and fixed-rate bank borrowings (see note 14). The cash flow interest rate risk of the Group relates primarily to variable-rate bank borrowings and certain cash and cash equivalents. 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. No sensitivity analysis has been presented for cash and cash equivalent as the Directors consider that the fluctuation in interest rates on cash and cash equivalent is minimal. For variable-rate bank borrowings, the analysis is prepared assuming the amount outstanding at the end of the reporting period was outstanding for the whole period. A 50 basis points (2015: 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 (2015: 50 basis points) and all other variables were held constant, the Group's post-tax loss would increase (decrease) by approximately RMB33,080,000 for the six months ended 30 June 2016 (six months ended 30 June 2015: the Group's post-tax profit would decrease (increase) by RMB31,000,000).

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.

The credit risk of the Group's other financial assets, which mainly comprise cash and cash equivalents and investment in corporate wealth management products and liquidity funds, 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.

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 50% (31 December 2015: 53%) and 91% (31 December 2015: 92%) of the total trade receivables respectively.

No other financial assets carry a significant exposure to credit risk.

21. Financial risk management objectives and policies (continued)

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. 34% of the Group's borrowings would mature in less than one year as at 30 June 2016 (31 December 2015: 32%) 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 2016 (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	–	11,415,422	614,738	1,551,711	426,591	14,008,462	13,544,211
Long term bonds	–	730,666	730,666	7,323,975	16,163,948	24,949,255	19,663,083
Financial liabilities included in trade and other payables	–	6,911,039	–	–	–	6,911,039	6,911,039
Salary and bonus payables	–	580,497	–	–	–	580,497	580,497
	–	19,637,624	1,345,404	8,875,686	16,590,539	46,449,253	40,698,830

	31 December 2015 (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	–	11,779,656	7,735,714	1,843,071	450,605	21,809,046	20,934,084
Long term bonds	–	537,986	537,986	4,860,758	12,527,414	18,464,144	14,390,824
Financial liabilities included in trade and other payables	–	7,696,720	–	–	–	7,696,720	7,696,720
Salary and bonus payables	–	985,252	–	–	–	985,252	985,252
	–	20,999,614	8,273,700	6,703,829	12,978,019	48,955,162	44,006,880

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 six months ended 30 June 2016 and 2015.

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 short term deposits (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:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Interest-bearing bank borrowings	**13,544,211**	20,934,084
Trade and other payables (note 13)	**7,156,699**	8,081,048
Long term bonds (note 15)	**19,663,083**	14,390,824
Less: Cash and cash equivalents and time deposits with maturity of over three months	**(8,188,557)**	(12,773,958)
Net debt	**32,175,436**	30,631,998
Equity attributable to owners of the Company	**38,122,190**	46,741,378
Non-controlling interests	**92,819**	87,292
Total capital	**38,215,009**	46,828,670
Capital and net debt	**70,390,445**	77,460,668
Gearing ratio	**46%**	40%

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, excluding the 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	
		2016	**2015**
		RMB'000	**RMB'000**
		(Unaudited)	**(Unaudited)**
i	CNOOC Limited Group		
	Provision of drilling services	**1,270,944**	2,845,475
	Provision of well services	**1,920,365**	2,917,905
	Provision of marine support services	**781,237**	1,251,084
	Provision of geophysical and surveying services	**281,612**	681,110
		4,254,158	7,695,574
ii	CNOOC Group		
	Provision of drilling services	**2,855**	33,467
	Provision of well services	**27,772**	2,449
	Provision of marine support services	**2,654**	62,789
	Provision of geophysical and surveying services	**27,412**	57,391
		60,693	156,096
iii	Joint ventures		
	Provision of well services	**2,458**	2,163
	Provision of geophysical and surveying services	**928**	14,968
		3,386	17,131

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 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
i CNOOC Limited Group		
Leasing of equipment	**1,203**	1,107
ii CNOOC Group		
Labour services	**1,349**	1,695
Materials, utilities and other ancillary services	**193,960**	205,282
Transportation services	**1,579**	4,228
Leasing of equipment	**140,511**	295,060
Repair and maintenance services	**2,327**	19,254
Management services	**6**	903
	339,732	526,422
Property services	**40,990**	35,705
	380,722	562,127
iii Joint ventures		
Materials, utilities and other ancillary services	**5,552**	33,604
Leasing of equipment	**5,868**	–
Property services	**–**	14,257
	11,420	47,861

c. Included in interest income

	Six months ended 30 June 2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
CNOOC Finance Co., Ltd. (a subsidiary of CNOOC)		
Interest income	**24,791**	21,973

Deposits in CNOOC Finance Co., Ltd. carry interests at the applicable interest rate which is determined with reference to the prevailing bank rates published by the People's Bank of China.

22. Related party transactions (continued)

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

d. Deposits

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Deposits placed with CNOOC Finance Co., Ltd.	**1,539,927**	1,506,039

e. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Within one year	**124,750**	111,979
In the second to fifth year, inclusive	**213,515**	276,120
	338,265	388,099

ii Capital commitments

As at 30 June 2016, the Group has no capital commitments with related parties.

f. 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 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Due from CNOOC Limited Group	**3,815,266**	3,502,886
Due from CNOOC Group	**29,850**	102,673
Due from joint ventures	**1,730**	2,567
	3,846,846	3,608,126

22. Related party transactions (continued)

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

f. Outstanding balances with related parties (continued)

Prepayments, deposits and other receivables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Due from CNOOC Limited Group	47	1,792
Due from CNOOC Group	595	694
Due from joint ventures	42,479	15,331
	43,121	17,817
Less: Provision for impairment of other receivables	(500)	(500)
	42,621	17,317

Dividend receivable (included in other receivables)

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Dividend receivable from joint ventures	20,000	44,000

Notes receivable

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Due from CNOOC Limited Group	–	1,877,031

Included in trade and other payables

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Due to CNOOC Limited Group	12,506	12,814
Due to CNOOC Group	553,568	864,434
Due to joint ventures	85,523	127,018
	651,597	1,004,266

22. Related party transactions (continued)

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

f. Outstanding balances with related parties (continued)

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

The balances with related parties at 30 June 2016 included in accounts receivables, prepayments, deposits and other receivables, dividend receivable and trade and other payables of the Group, are unsecured, 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 and CNOOC Limited 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 and CNOOC Limited Group to lease the aforesaid properties together with other properties for a term of one year. These leases have been renewed annually.

g. 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 2016, as summarised below:

	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
Cash and cash equivalents	**1,376,868**	1,055,675
Time deposits with financial institutions	**1,585,810**	2,531,656
	2,962,678	3,587,331
Long-term bank loans (note 14)	**2,250,183**	9,482,555
Current portion of long-term bank loans (note 14)	**11,294,028**	7,555,369
	13,544,211	17,037,924

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

	Six months ended 30 June	
	2016 RMB'000 (Unaudited)	2015 RMB'000 (Unaudited)
Finance costs	**161,930**	152,497

22. Related party transactions (continued)

(B) Compensation of key management personnel of the Group

	Six months ended 30 June	
	2016	**2015**
	RMB'000	**RMB'000**
	(Unaudited)	**(Unaudited)**
Short-term employee benefits	**2,590**	2,939
Post-employment benefits	**227**	242
Total compensation paid to key management personnel	**2,817**	3,181

23. Approval of these Condensed Consolidated Financial Statements

These condensed consolidated financial statements were approved and authorised for issue by the board of directors on 29 August 2016.

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The Stock Exchange of
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U.S. ADR-1: CHOLY

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Chairman & Non-Executive Director

Qi Meisheng
Executive Director

Dong Weiliang
Executive Director

Li Feilong
Executive Director

Xie Weizhi
Non-Executive Director

Law Hong Ping, Lawrence
Independent Non-Executive Director

Fong Chung, Mark
Independent Non-Executive Director

Wong Kwai Huen, Albert
Independent Non-Executive Director

Audit Committee

Fong Chung, Mark (Chairman)

Law Hong Ping, Lawrence

Wong Kwai Huen, Albert

Remuneration Committee

Wong Kwai Huen, Albert (Chairman)

Xie Weizhi

Law Hong Ping, Lawrence

Fong Chung, Mark

Nomination Committee

Law Hong Ping, Lawrence (Chairman)

Qi Meisheng

Wong Kwai Huen, Albert

Supervisory Committee

Wei Junchao
Supervisor (Chairman)

Li Zhi
Employee Supervisor

Cheng Xinsheng
Independent Supervisor

Senior Management

Qi Meisheng
CEO & President

Li Feilong
Executive Vice President & CFO

Cao Shujie
Vice president

Wang Baojun
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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