COSL

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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2013

FINANCIAL HIGHLIGHTS

1. Revenue increased by 24.3% to RMB12,441.0 million.

2. Profit from operations increased by 23.6% to RMB3,646.6 million.

3. Profit for the period increased by 32.8% to RMB3,190.5 million.

4. Basic earnings per share were RMB71 cents.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2013

	Notes	Six months ended 30 June 2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
REVENUE	3	**12,441,002**	10,010,601
Other revenues		**75,018**	15,626
		12,516,020	10,026,227
Depreciation of property, plant and equipment and amortisation of intangible assets		**(1,656,442)**	(1,663,214)
Employee compensation costs		**(1,982,375)**	(1,568,956)
Repair and maintenance costs		**(342,070)**	(286,061)
Consumption of supplies, materials, fuel, services and others		**(2,182,297)**	(1,633,846)
Subcontracting expenses		**(1,619,191)**	(1,063,427)
Operating lease expenses		**(471,733)**	(298,453)
Other operating expenses		**(615,286)**	(535,568)
Impairment of property, plant and equipment	7	**–**	(27,420)
Total operating expenses		**(8,869,394)**	(7,076,945)
PROFIT FROM OPERATIONS		**3,646,626**	2,949,282
Financial expenses			
Exchange gains/(losses), net		**10,806**	(32,593)
Finance costs		**(339,350)**	(229,380)
Interest income		**82,006**	68,390
Financial expenses, net		**(246,538)**	(193,583)
Investment income		**38,355**	–
Share of profits of joint ventures, net of tax		**124,572**	133,673
PROFIT BEFORE TAX		**3,563,015**	2,889,372
Income tax expense	4	**(372,565)**	(486,596)
PROFIT FOR THE PERIOD		**3,190,450**	2,402,776
Attributable to:			
Owners of the Company		**3,180,320**	2,397,746
Non-controlling interests		**10,130**	5,030
		3,190,450	2,402,776
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic and diluted (RMB)	6	**70.75 cents**	53.34 cents

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	Six months ended 30 June	
	2013	2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**3,190,450**	2,402,776
OTHER COMPREHENSIVE (EXPENSE)/INCOME		
Items that may be subsequently reclassified to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**(141,837)**	29,268
Net fair value gain on available for sale investments	**14,993**	–
OTHER COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD	**(126,844)**	29,268
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	**3,063,606**	2,432,044
Attributable to:		
Owners of the Company	**3,053,663**	2,427,012
Non-controlling interests	**9,943**	5,032
	3,063,606	2,432,044

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2013

	Notes	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	7	**46,299,244**	47,075,676
Goodwill		**4,162,875**	4,234,831
Other intangible assets		**365,167**	371,178
Interests in joint ventures		**553,290**	508,845
Employee benefit assets		**–**	14,864
Other non-current assets	8	**390,641**	219,690
Deferred tax assets		**15,611**	–
Total non-current assets		**51,786,828**	52,425,084
CURRENT ASSETS			
Inventories		**1,127,167**	948,850
Prepayments, deposits and other receivables		**702,822**	650,588
Accounts receivable	9	**6,633,416**	4,145,236
Notes receivable	10	**312,101**	619,940
Other current assets	12	**2,370,235**	2,058,997
Pledged deposits		**30,782**	30,755
Time deposits with original maturity over three months		**1,846,250**	3,954,185
Cash and cash equivalents		**9,923,943**	9,814,893
		22,946,716	22,223,444
Asset classified as held for sale	11	**47,727**	–
Total current assets		**22,994,443**	22,223,444
CURRENT LIABILITIES			
Trade and other payables	13	**5,065,576**	5,021,791
Salary and bonus payables		**768,355**	914,435
Tax payable		**464,536**	266,693
Interest-bearing bank borrowings	15	**2,743,157**	1,659,906
Other current liabilities	12	**44,793**	60,219
Total current liabilities		**9,086,417**	7,923,044

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2013

	Notes	**30 June 2013** *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
NET CURRENT ASSETS		**13,908,026**	14,300,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**65,694,854**	66,725,484
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**1,361,631**	1,688,281
Interest-bearing bank borrowings	*15*	**21,663,118**	23,992,139
Long-term bonds	*16*	**7,614,667**	7,717,913
Deferred revenue		**1,173,399**	1,122,237
Employee benefit liabilities		**7,068**	–
Total non-current liabilities		**31,819,883**	34,520,570
NET ASSETS		**33,874,971**	32,204,914
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,495,320**	4,495,320
Reserves		**29,358,704**	26,305,041
Proposed final dividend		**–**	1,393,549
		33,854,024	32,193,910
Non-controlling interests		**20,947**	11,004
Total equity		**33,874,971**	32,204,914

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 People's Republic of China (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 and transportation services, and geophysical and surveying services.

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

Certain overseas subsidiaries of the Group have been providing drilling services in Iran. The Directors note that some administrative rules of relevant country in respect of the service operations in Iran have been amended recently, which impose further restrictions on the business operations in Iran. Based on the available information as at the date of the preliminary announcement, the Directors are of the view that the impact of the above rules amendment on the operating results and financial position of the Group cannot be reliably estimated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The condensed consolidated financial statements for the six months ended 30 June 2013 have been prepared in accordance with Hong Kong Accounting Standard 34 "*Interim Financial Reporting*" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2012.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2013 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012.

(a) Adoption of new or revised HKFRSs

In the current interim period, the Group has applied, for the first time, certain new and revised HKFRSs issued by the HKICPA that are mandatorily effective for the current interim period.

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

In the current interim period, the Group has applied, for the first time HKFRS10, HKFRS11, HKFRS12 and HKAS28 (as revised in 2011) together with the amendments to HKFRS10, HKFRS11 and HKFRS12 regarding the transitional guidance. HKAS27 (as revised in 2011) is not applicable to these condensed consolidated financial statements as it deals only with separate financial statements.

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

Impact of the application of HKFRS 10

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

Impact of the application of HKFRS 11

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

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

Impact of the application of HKFRS 12

HKFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangement, associates and/or unconsolidated structured entities. In general, the application of HKFRS 12 will result in more extensive disclosures in the consolidated financial statements for the year ending 31 December 2013.

HKFRS 13 Fair Value Measurement

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the interim condensed consolidated financial statements.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for 'fair value' and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

In accordance with the transitional provisions of HKFRS 13, the Group has applied the new fair value measurement and disclosure requirements prospectively.

HKAS 19 Employee Benefits (as revised in 2011)

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

HKAS 19 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of HKAS 19 and accelerate the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net pension asset or liability recognised in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of HKAS 19 are replaced with a 'net interest' amount under HKAS 19 (as revised in 2011), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes do not have any material impact on the amounts recognised in the condensed consolidated financial statements after the assessment carried out by the Directors.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis-the amendments do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

Amendments to HKAS 34 Interim Financial Reporting
(as part of the Annual Improvements to HKFRSs 2009-2011 Cycle)

The Group has applied the amendments to HKAS 34 Interim Financial Reporting as part of the Annual Improvements to HKFRSs 2009-2011 Cycle for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the interim financial statements only when the amounts are regularly provided to the chief operating decision maker (CODM) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment. The Directors considered that there has been no material change from the total assets and liabilities disclosed in the last annual financial statements for any reportable segments and accordingly such information is not presented.

The Directors conclude that the application of the other new and revised HKFRSs will have no material impact on the financial performance and the financial position of the Group.

(b) Adoption of new accounting policy in this interim period

Non-current assets held for sale

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

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

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and 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, sales of well chemical materials and well workovers;

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

(d) the geophysical and surveying services segment is engaged in the provision of offshore seismic data collection, marine surveying and data processing services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, exchange gains or losses, and investment income are excluded from such measurement.

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

Six months ended 30 June 2013 (Unaudited)	**Drilling services** *RMB'000*	**Well services** *RMB'000*	**Marine support and transportation services** *RMB'000*	**Geophysical and surveying services** *RMB'000*	**Total** *RMB'000*
Segment revenue:					
Sales to external customers	**6,908,269**	**2,655,383**	**1,599,729**	**1,277,621**	**12,441,002**
Intersegment sales	**1,125,059**	**750,387**	**202,329**	**89,583**	**2,167,358**
	8,033,328	**3,405,770**	**1,802,058**	**1,367,204**	**14,608,360**
Reconciliation:					
Elimination of intersegment sales					**(2,167,358)**
Revenue					**12,441,002**
Segment results	**2,731,386**	**433,501**	**294,076**	**312,235**	**3,771,198**
Reconciliation:					
Exchange gains, net					**10,806**
Finance costs					**(339,350)**
Interest income					**82,006**
Investment income					**38,355**
Profit before tax					**3,563,015**

Six months ended 30 June 2012 (Unaudited)	Drilling services *RMB'000*	Well services *RMB'000*	Marine support and transportation services *RMB'000*	Geophysical and surveying services *RMB'000*	Total *RMB'000*
Segment revenue:					
Sales to external customers	5,265,071	2,103,776	1,401,276	1,240,478	10,010,601
Intersegment sales	752,155	222,637	88,101	69,777	1,132,670
	6,017,226	2,326,413	1,489,377	1,310,255	11,143,271
Reconciliation:					
Elimination of intersegment sales					(1,132,670)
Revenue					10,010,601
Segment results	2,002,521	439,067	284,205	357,162	3,082,955
Reconciliation:					
Exchange losses, net					(32,593)
Finance costs					(229,380)
Interest income					68,390
Profit before tax					2,889,372

4. INCOME TAX

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

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

On 30 October 2008, the Company was certified as an High-New Technology Enterprise (“HNTE”) by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the “TSAT”), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the CIT rate was approved to be 15% for the years 2009 and 2010. The Company has applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was re-certified as an HNTE on 8 October 2011, which is effective for three years commencing 1 January 2011, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the six months ended 30 June 2013 (six months ended 30 June 2012: 15%).

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

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

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**90,171**	83,762
Deferred	**(38,607)**	(40,216)
PRC corporate income taxes:		
Current	**613,176**	263,442
Deferred	**(292,175)**	179,608
Total tax charge for the period	**372,565**	486,596

5. DIVIDENDS PAID AND PROPOSED

During the current interim period, a final dividend of RMB0.31 per ordinary share in respect of the year ended 31 December 2012 (2011: RMB0.18 per ordinary share in respect of the year ended 31 December 2011) 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 RMB1,393,549,000 (2011: RMB 809,158,000).

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

6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

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

	Six months ended 30 June 2013	Six months ended 30 June 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic earnings per share (profit for the period attributable to ordinary equity holders of the Company)	**3,180,320**	2,397,746

	Six months ended 30 June 2013	Six months ended 30 June 2012
	(Unaudited)	(Unaudited)
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**4,495,320,000**	4,495,320,000

No adjustment has been made to the basic earnings per share amounts presented for the six-month periods ended 30 June 2013 and 2012 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those periods.

7. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB1,388.0 million (six months ended 30 June 2012: RMB906.4 million). Vessels, machines and equipment with an aggregate net carrying amount amounting to RMB29.6 million (six months ended 30 June 2012: RMB69.1 million) were disposed of during the current interim period, resulting in a loss on disposal of RMB 5.7 million (six months ended 30 June 2012: RMB29.1 million).

Out of the total interest costs, as part of the finance costs in the condensed consolidated statement of profit or loss, for the current period of RMB365.6 million (six months ended 30 June 2012: RMB290.5 million), an amount of approximately RMB30.2 million (six months ended 30 June 2012: RMB72.4 million) was capitalised in property, plant and equipment, with a capitalisation rates ranging from 1.17% to 1.69% per annum (six months ended 30 June 2012: 1.39% to 1.87% per annum).

No impairment loss was recognised in the condensed consolidated statement of profit or loss for the six months ended 30 June 2013 (six months ended 30 June 2012: RMB27.4 million in relation to certain land drilling equipment located in Libya, as a result of the civil unrest in that country).

8. OTHER NON-CURRENT ASSETS

As at 30 June 2013 and 31 December 2012, other non-current assets mainly consisted of deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, and deposits paid for the acquisition of property, plant and equipment. The current portion of deferred expenses was recorded as other current assets (note 12). The deferred expenses are amortised over their respective drilling contract periods.

9. ACCOUNTS RECEIVABLE

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

	30 June 2013 *RMB'000* **(Unaudited)**	31 December 2012 *RMB'000* (Audited)
Outstanding balances aged		
Within six months	**6,531,959**	4,038,170
Six months to one year	**99,366**	87,433
One to two years	**2,031**	18,873
Two to three years	**60**	760
	6,633,416	4,145,236

10. NOTES RECEIVABLE

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Trade acceptances	**298,401**	616,740
Bank acceptances	**13,700**	3,200
	312,101	619,940

All the notes receivable are of trading nature and will be due within six months from the date of issuance, in which the trade acceptances are normally settled within 30 days.

11. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 13 May 2013, the Company signed an agreement to dispose of a module rig, R5001, for a consideration of approximately RMB51.5 million to CNOOC China Limited, a wholly-owned subsidiary of CNOOC Limited. The disposal has not been completed as of 30 June 2013 and is expected to be completed within twelve months from the end of the current interim reporting period. The equipment has been classified as non-current asset classified as held for sale which is separately presented in the condensed consolidated statement of financial position.

The major class of asset classified as held for sale is as follow:

	30 June 2013 RMB'000 (Unaudited)
Property, plant and equipment	**47,727**

12. OTHER CURRENT ASSETS/LIABILITIES

	30 June 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
Assets classified as held-to-maturity (a)	**–**	300,000
Assets classified as available-for-sale (a)	**2,322,703**	1,702,169
Current portion of deferred expenses (b)	**47,532**	56,828
Other current assets	**2,370,235**	2,058,997
Current portion of deferred revenue	**(44,793)**	(60,219)
Other current liabilities	**(44,793)**	(60,219)

(a) Assets classified as held-to-maturity and available-for-sale represents the Group's investments in corporate wealth management products issued by commercial banks in the PRC and liquidity funds. The liquidity funds included in the available-for-sale investments do not have fixed maturity date and coupon rate.

(b) Deferred expenses represent mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, which are amortised over the drilling contract periods. As at 30 June 2013 and 31 December 2012, the current portion of deferred expenses has been included in other current assets while the non-current portion of deferred expenses has been included in non-current assets (note 8).

13. TRADE AND OTHER PAYABLES

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

	30 June 2013	31 December 2012
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Outstanding balances aged		
Within one year	**4,944,421**	4,862,798
One to two years	**36,302**	74,262
Two to three years	**8,680**	27,595
Over three years	**76,173**	57,136
	5,065,576	5,021,791

14. SHARE APPRECIATION RIGHTS PLAN

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

The first batch of share appreciation rights (the "SAR") has been forfeited in 2009, the second batch has been approved and exercised in 2011. As at 30 June 2013, the third batch has not been submitted for approval. The exercise gains of the second, the third and the fourth batch SAR were measured at HK$1.82, HK$2.27 and HK$2.43 per share, respectively. The weighted average closing price of the shares immediately before the date on which the second batch of the SAR was exercised was HK$9.11 per share.

The SAR is recorded as a financial liability at fair value through profit and loss and included in the salary and bonus payable account. The liability is remeasured at the end of the reporting period and the settlement date with changes in fair value recognised in profit or loss. At 30 June 2013, the salary and bonus payable balance arising from the SAR was RMB1.4 million (31 December 2012: RMB1.4 million).

As at 30 June 2013, the number of the SAR is 1,173,075 shares. (30 June 2012: 1,173,075 shares).

15. INTEREST-BEARING BANK BORROWINGS

During the current interim period, the Group did not obtain any new bank loans (six months ended 30 June 2012: USD119.5 million (equivalent to approximately RMB750.6 million)), and repaid bank loans of USD132.0 million (equivalent to approximately RMB815.9 million) (six months ended 30 June 2012: USD132.0 million (equivalent to approximately RMB834.7 million)). The loans carry interest at variable market rates ranging from 1.17% to 2.42% per annum and are repayable in instalments over a period of 4 to 7 years.

16. LONG-TERM BONDS

	Year of maturity	**30 June 2013**	31 December 2012
		RMB'000	*RMB'000*
		(Unaudited)	(Audited)
Non-current:			
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,114,667**	6,217,913
		7,614,667	7,717,913

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500.0 million. The bonds carry interest at a fixed coupon 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 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a USD1,000.0 million principal amount. The bonds carry interest at a fixed coupon rate of 3.25% per annum, which 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.

17. EVENT AFTER THE REPORTING PERIOD

On 15 August 2013, CDE has agreed with the Norwegian tax authorities ("NTA") to settle the tax dispute in respect of the valuation basis and the fair value used by certain subsidiaries of CDE for the transfer of certain jack-up rigs' contracts and options and semi-submersible drilling rigs' contracts, respectively, to certain subsidiaries within the Group in prior years. The expected aggregate income tax payable by CDE to NTA in this respect would amount to approximately NOK173 million (equivalent to approximately RMB181 million), further details of which are set out in the announcement of the Company made on 16 August 2013. As the aforesaid tax liability has been fully provided for in the Group's consolidated financial statements for the year ended 31 December 2012, this event did not have any significant impact on these condensed consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In the first half of 2013, international oil prices fluctuated at a high-level. Average prices of WTI and Brent were US$94.2/barrel and US$107.5/barrel respectively, representing decrease of US$4.0 and US$5.8 over the same period of last year. The high oil prices provided support for the global upstream oil and gas investment. Barclays estimated that the capital expenditures for the global oil and gas exploration and production was US$678 billion, representing an increase of 10% over 2012. Benefiting from the increase in investment by oil companies, the scale of oilfield service market continued to grow. According to the statistics data of IHS-ODS, in the first half of 2013, the average utilization rate of global drilling rigs was 85.7%, representing an increase of 6.2% over the same period of last year, the average utilization rate of semi-submersible drilling rigs (including deepwater drilling ship) was 90.2%, representing an increase of 0.4% over the same period of last year. Geophysical and surveying services segment and well services segment maintained an upward trend.

BUSINESS REVIEW

Drilling Services Segment

During the first half of 2013, the drilling services segment of the Group has been active and created an operating income of RMB6,908.3 million for the first half of 2013, increased by 31.2% compared to RMB5,265.0 million of the same period last year, which is mainly attributable to the expansion of the drilling equipment and increase in the calendar day utilization rate.

The drilling equipment scale of the Group were further expanded during the first half of the year, and the Group leased NH7, a semi-submersible drilling rig, and "KANTAN II", a jack-up drilling rig, to fulfill the demand of drilling rigs in shallow water and middle deepwater. The semi-submersible drilling rig, "COSLPromoter", commissioned last year commenced to perform an eight-year contract with Statoil ASA, in the Norwegian North Sea. The putting into operation of the three mentioned drilling rigs had enhanced the operational capability of our drilling services business to a certain extent.

In addition to the new production capacity, the operation efficiency of the existing drilling rigs of the Group were further enhanced through rational operation arrangement. "COSLPioneer" once again ranked top in the comprehensive performance review by Statoil as the "Rig of February" in February of the year while CDE, a subsidiary of the Group, ranked top in the drilling contractor ratings by Statoil.

As at the end of June 2013, the Group operated and managed a total of 37 drilling rigs (including 28 jack-up drilling rigs and 9 semi-submersible drilling rigs), of which 11 rigs were operating in Bohai, China, 10 in South China Sea, 1 in East China Sea, and 14 were operating in overseas regions such as Norwegian North Sea, Mexico and Indonesia, and 1 rig was under repair and maintenance abroad. The Group also owned 2 accommodation rigs, 4 module rigs and 8 land drilling rigs.

During the first half of 2013, the number of operating days of the Group's drilling rigs amounted to 6,090 days, representing an increase of 732 days, and the calendar day utilization rate reached 95.3%, representing an increase of 2.5 percentage points compared with the same period of last year.

The operation details of our jack-up and semi-submersible drilling rigs in the first half of 2013 are as follows:

	For the six months ended 30 June			
	2013	2012	Increase/ (Decrease)	Increase
Operating days (day)	**6,090**	5,358	732	13.7%
Jack-up drilling rigs	**4,741**	4,577	164	3.6%
Semi-submersible drilling rigs	**1,349**	781	568	72.7%
Available day utilization rate	**99.7%**	99.7%	–	
Jack-up drilling rigs	**100.0%**	99.9%	0.1 percentage point	
Semi-submersible drilling rigs	**98.7%**	98.9%	(0.2) percentage point	
Calendar day utilization rate	**95.3%**	92.8%	2.5 percentage points	
Jack-up drilling rigs	**96.3%**	93.1%	3.2 percentage points	
Semi-submersible drilling rigs	**92.1%**	90.7%	1.4 percentage points	

The increase by 164 days in operating day of jack-up drilling rigs compared with the same period of last year was mainly attributable to an increase of 38 operating days as a result of the newly leased "KANTAN II"; an increase of 156 operating days as a result of BH8 commenced normal operations after last year's preparation for overseas operations; a decrease of 57 days as a result of repair and maintenance for "COSLPower" and an increase of 27 days in operating days of other drilling rigs.

The operating days of semi-submersible drilling rigs increased by 568 days compared with the same period of last year was due to the increase of 168 days, 171 days, 108 days, 89 days contributed respectively by "COSLInnovator" and NH8 started operation at the end of last year and NH7 and "COSLPromoter" started operation in the first half of 2013, while the operating days of other drilling rigs increased by 32 days.

Due to the decrease in maintenance and preparation time for drilling rigs during the period, the calendar day utilization rate of the Group's drilling rigs in the first half of 2013 reached 95.3%, representing an increase of 2.5 percentage points as compared with the same period of last year.

Two accommodation rigs continued to operate in the North Sea for 362 days, with available day utilization rate and calendar day utilization rate both reached 100.0%.

While the operating days of 4 module rigs working in the Mexican Bay decreased by 16 days to 707 days due to repair and maintenance and the calendar day utilization rate was at 97.0%, representing a decrease of 2.3 percentage points as compared with the same period of last year.

With the effects of the new semi-submersible drilling rigs and the increase in average day income of the accommodation rigs, the average day income of the drilling rigs of the Group for the first half of 2013 increased compared with the same period of last year, with details as follows:

Average day income (ten thousand US$/day)	**For the six months ended 30 June**			
	2013	2012	Increase	Increase
Jack-up drilling rigs	**11.8**	10.9	0.9	8.3%
Semi-submersible drilling rigs	**32.8**	28.8	4.0	13.9%
Drilling rigs sub-total	**16.9**	13.7	3.2	23.4%
Accommodation rigs	**25.8**	20.2	5.6	27.7%
Group's average	**17.4**	14.0	3.4	24.3%

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

Note 2: US$/RMB exchange rate was 1:6.1787 on 30 June 2013 and 1:6.3249 on 30 June 2012, respectively.

Well Services Segment

In the first half of 2013, continuous efforts were put into enhance technical service capability. Operating income increased by 26.2% to RMB2,655.4 million from RMB2,103.8 million of the same period last year. The increase was due to the increased operation volume from several business lines and hi-tech application.

The research and development of technology in this segment had attained further achievements in the first half of 2013. The application of multiple fluid thermal recovery technology on the extraction of extra-heavy oil had achieved initial success and provided effective means of extraction and technical direction for the oilfield development with extra-heavy oil. EMRT, a self-developed electron magnetic resonance logging tool, had successfully applied in the oilfields in the west of South China Sea for the first time. FLIIS, a self-developed software, had obtained national trademark registration and could provide strong technical support for rapid assessment on the effectiveness of oilfield development effectiveness. A new contract in respect of mud business was signed with an Indonesia company after fierce competition and laid a solid ground for the diversification of customers and market expansion in that region.

Marine Support and Transportation Services Segment

In the first half of 2013, the Group's marine support and transportation services segment, focused on domestic waters and adhered to safe production, has consolidated its existing markets and utilised external resources to enhance service capabilities. The chartered vessels operated for a total of 7,030 days for the first half of 2013, representing an increase of 1,676 days as compared with the same period of last year, realized revenue of RMB579.7 million which led to the achievement of a revenue growth of RMB198.4 million or 14.2% to RMB1,599.7 million as compared to RMB1,401.3 million in the same period last year.

In addition, in order to satisfy different requirements in the offshore oil and gas exploration and development in China together with an aim to enhance deepwater service capabilities, construction contracts for 15 vessels were signed and the vessels are expected to be delivered in 2015.

The calendar day utilization rate of the self-owned vessels in the first half of 2013 was 94.2%, representing an increase of 3.3 percentage points compared with the same period last year, which was mainly due to the decrease in repair and maintenance days. The operating days of self-owned vessels are as follows:

Operating days (day)	**For the six months ended 30 June 2013**	2012	Increase/ (Decrease)	Increase/ (Decrease)
Standby vessels	**6,846**	7,053	(207)	(2.9%)
AHTS vessels	**2,811**	2,714	97	3.6%
Platform supply vessels	**888**	865	23	2.7%
Multi-purpose vessels	**666**	690	(24)	(3.5%)
Workover support barges	**718**	645	73	11.3%
Total	**11,929**	11,967	(38)	(0.3%)

The transportation volume of oil tankers was 940,000 tons for the first half of 2013, representing an increase of 8,000 tons compared with 932,000 tons for the same period of last year. The transportation volume of chemical carriers decreased by 185,000 tons from 1,140,000 tons for the same period of last year to 955,000 tons.

Geophysical and Surveying Services Segment

During the first half of 2013, geophysical and surveying services segment rationalized its production, put efforts in expanding overseas markets and completed various overseas projects in Pakistan, Myanmar and Thailand, realized a revenue of RMB1,277.6 million, representing a slight increase of 3.0% over the same period of last year. “HYSY718” was awarded the Medal of Honor by United Energy Pakistan (UEP), due to its quality, safety and efficient service.

Furthermore, to enhance the deepwater service capabilities of the Group, construction contract for “HYSY721”, a 12-streamer geophysical vessel, was signed in the first half of 2013 and the vessel is expected to be delivered and commence operation in the second half of 2014. The addition of “HYSY721” will further adjust the equipment structure of the geophysical and surveying services segment.

Geophysical Services

In the first half of 2013, the details of the Group's collection and processing workload are as follows:

Services	For the six months ended 30 June **2013**	2012	Increase/ (Decrease)	Increase/ (Decrease)
2D collection (km)	**14,854**	10,946	3,908	35.7%
2D processing (km)	**14,011**	11,216	2,795	24.9%
3D collection (km^2)	**12,899**	13,659	(760)	(5.6%)
Including submarine cable (km^2)	**347**	446	(99)	(22.2%)
3D processing (km^2)	**7,432**	6,351	1,081	17.0%

In the first half of 2013, the Group's workload for 2D collection and processing increased significantly. The operation volume for 2D collection services increased by 3,908 km compared with the same period of last year, mainly because of the longer effective operation period of NH502 as a result of the early commencement of operation and the operation areas were closely connected during the period, which increased the operation volume of the vessel by 3,445 km. Workload for 2D processing services increased by 2,795 km compared with the same period of last year due to the increase in operation volume of 2D collection services.

The operation volume for 3D collection services decreased by 760 km^2 compared with the same period of last year, mainly because the overseas operation of "HYSY719" with longer mobilisation and demobilisation periods has resulted in a decrease of 1,232 km^2 in operation volume; operation volume of "HYSY720" decreased by 927 km^2 compared with the same period of last year due to repair and maintenance back from overseas operation; combined operation volume of BH511 and "HYSY718" increased by 1,620 km^2 due to improved efficiency led by fine conditions of the operating waters during the period. Workload of 3D processing services increased by 1,081 km^2 compared with the same period of last year due to the increase of processing volume in Bohai, China.

Surveying Services

In the first half of 2013, "HYSY708", a deep water survey vessel, completed the recirculation and installation operation of deep-water gas tree for our client's development project at 1,500 meters water depth, which pioneered a new installation model of oil (gas) tree for deepwater oil and gas fields. In the first half of 2013, the Group's surveying services recorded a revenue of RMB276.9 million, which decreased by 9.0% or RMB27.3 million from RMB304.2 million for the same period of last year, mainly because of the decline of subcontracting business.

FINANCIAL REVIEW

1. Analysis of condensed consolidated statement of profit or loss

1.1 Revenue

In the first half of 2013, the Group's revenue amounted to RMB12,441.0 million, representing an increase of 24.3% or RMB2,430.4 million, mainly driven by commencement of operation of new equipment and an overall increase in operating volume. The details are analyzed below:

The table below shows the revenue of each of the business segments in the first half of 2013:

Unit: RMB million

Business segments	For the six months ended 30 June **2013**	2012	Increase	Increase
Drilling services	**6,908.3**	5,265.0	1,643.3	31.2%
Well services	**2,655.4**	2,103.8	551.6	26.2%
Marine support and transportation services	**1,599.7**	1,401.3	198.4	14.2%
Geophysical and surveying services	**1,277.6**	1,240.5	37.1	3.0%
Total	**12,441.0**	10,010.6	2,430.4	24.3%

- Revenue from drilling services business increased by 31.2% over the same period of last year. The main reasons were 1) new drilling rigs "COSLPromoter", NH7, "KANTAN II" commenced operation in this period and the full operation during the first half of 2013 for "COSLInnovator" and NH8 which commenced operation in last year; and 2) the highly efficient operation of existing equipment.

- In the first half of 2013, driven by full operation of various business lines and the application of high technology, revenue from well services increased by 26.2% over the same period of last year.

- Revenue from marine support and transportation services increased by 14.2% over the same period of last year due to the rationalization on the utilization of external resources.

- Revenue from geophysical and surveying services were maintained at the same level compared with the same period of last year.

1.2 Operating expenses

In the first half of 2013, the operating expenses of the Group amounted to RMB8,869.4 million, representing an increase of RMB1,792.5 million or 25.3% from RMB7,076.9 million for the same period of last year, mainly due to an increase in employee compensation costs of RMB413.4 million as a result of additional staff recruitment for new equipment, expansion in overseas business and the increase in employee benefits and salaries; an increase in consumption of supplies and materials by RMB548.5 million due to the increase in operating volume; an increase in subcontracting expenses of RMB555.8 million as a result of capturing market share and expansion of business scale by adopting sub-contract model; operating lease expenses also increased by RMB173.2 million due to the lease of NH7, a semi-submersible drilling rig and certain well service equipment.

The table below shows the breakdown of operating expenses for the Group in the first half of 2013:

Unit: RMB million

	For the six months ended 30 June		Increase/	Increase/
	2013	2012	(Decrease)	(Decrease)
Depreciation of property, plant and equipment and amortization of intangible assets	**1,656.4**	1,663.2	(6.8)	(0.4%)
Employee compensation costs	**1,982.4**	1,569.0	413.4	26.3%
Repair and maintenance costs	**342.1**	286.1	56.0	19.6%
Consumption of supplies, materials, fuel, services and others	**2,182.3**	1,633.8	548.5	33.6%
Subcontracting expenses	**1,619.2**	1,063.4	555.8	52.3%
Operating lease expenses	**471.7**	298.5	173.2	58.0%
Other operating expenses	**615.3**	535.5	79.8	14.9%
Impairment of property, plant and equipment	–	27.4	(27.4)	(100%)
Total operating expenses	**8,869.4**	7,076.9	1,792.5	25.3%

The table below shows the operating expenses of each of the business segments in the first half of 2013:

Unit: RMB million

Business segments	For the six months ended 30 June 2013	2012	Increase	Increase
Drilling services	**4,182.4**	3,262.2	920.2	28.2%
Well services	**2,344.3**	1,795.8	548.5	30.5%
Marine support and transportation services	**1,308.9**	1,115.2	193.7	17.4%
Geophysical and surveying services	**1,033.8**	903.7	130.1	14.4%
Total	**8,869.4**	7,076.9	1,792.5	25.3%

1.3 *Profit from operations*

The profit from operations of the Group during the first half of 2013 amounted to RMB3,646.6 million, representing an increase of RMB697.3 million or 23.6% from RMB2,949.3 million for the same period of last year.

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

Unit: RMB million

Business segments	For the six months ended 30 June 2013	2012	Increase/ (Decrease)	Increase/ (Decrease)
Drilling services	**2,731.4**	2,000.5	730.9	36.5%
Well services	**329.5**	326.9	2.6	0.8%
Marine support and transportation services	**297.1**	286.9	10.2	3.6%
Geophysical and surveying services	**288.6**	335.0	(46.4)	(13.9%)
Total	**3,646.6**	2,949.3	697.3	23.6%

1.4 *Financial expenses, net*

In the first half of 2013, the net financial expenses of the Group was RMB246.5 million, representing an increase of RMB52.9 million or 27.3% from RMB193.6 million for the same period of last year, of which finance costs increased by RMB109.9 million (the Group issued long-term bond of US$1 billion which led to the increase of finance costs), exchange gains and interest income increased by RMB43.4 million and RMB13.6 million respectively.

1.5 Share of profits of joint ventures

In the first half of 2013, the Group's share of profits of joint ventures amounted to RMB124.6 million, representing a decrease of RMB9.1 million or 6.8% compared to RMB133.7 million for the same period of last year. This was mainly due to a decrease in profit of one of the joint ventures, COSL-Expro Testing Services (Tianjin).

1.6 Income tax expense

In the first half of 2013, the income tax expense was RMB372.6 million, representing a decrease of RMB114.0 million or 23.4% compared to RMB486.6 million for the same period of last year. This was mainly due to the decrease in income tax in the first half of 2013 over the same period of last year resulted from the adjustment under the requirements of "Announcement No. 15 in 2012 of State Administration of Taxation" on the deferred tax liabilities and income tax expenses previously recognized for the temporary difference arising from different depreciation periods of property, plant and equipment under tax base and accounting base.

1.7 Profit for the period

In the first half of 2013, the profit for the period of the Group was RMB3,190.5 million, representing an increase of RMB787.7 million or 32.8% compared with RMB2,402.8 million for the same period of last year.

1.8 Basic earnings per share

In the first half of 2013, the Group's basic earnings per share was RMB71 cents, representing an increase of RMB18 cents or 32.6% as compared with RMB53 cents for the same period of last year.

2. Analysis on condensed consolidated statement of financial position

As of 30 June 2013, the total assets of the Group amounted to RMB74,781.3 million, representing an increase of RMB132.8 million or 0.2% compared with RMB74,648.5 million as at the end of 2012. The total liabilities were RMB40,906.3 million, representing a decrease of RMB1,537.3 million or 3.6% compared with RMB42,443.6 million as at the end of 2012. Total equity was RMB33,875.0 million, representing an increase of RMB1,670.1 million or 5.2% compared with RMB32,204.9 million as at the end of 2012.

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

Unit: RMB million	**30 June 2013**	31 December 2012	Increase/ (Decrease)	Reasons
Other non-current assets	**390.6**	219.7	77.8%	Advance payment in relation to the construction of 12-streamer geophysical vessel.
Notes receivable	**312.1**	619.9	(49.7%)	Received cash of RMB621.9 million in the current period and notes receivable increased by RMB314.1 million.
Accounts receivable	**6,633.4**	4,145.2	60.0%	Revenue increased as market size expanded and outstanding accounts receivable were relatively concentrated.
Time deposits with original maturity over three months	**1,846.3**	3,954.2	(53.3%)	Certain time deposits were due.
Tax payable	**464.5**	266.7	74.2%	The balance at the end of the period represented tax provided by the Group but not yet paid.
Interest-bearing bank borrowings in current liabilities	**2,743.2**	1,659.9	65.3%	Included current portion of long-term interest-bearing bank borrowing amounted to RMB1,899.2 million, which was due within one year. Borrowing amounted to RMB815.9 million was repaid during the period.
Employee benefit liabilities	**7.1**	–	–	Increased liabilities of defined pension benefit plans of CDE, a subsidiary of the Group.
Non-controlling interests	**20.9**	11.0	90.0%	The profit of non wholly-owned subsidiary PT.SAMUDAR TIMUR SANTOSA increased in this period.

3. Analysis of condensed consolidated statement of cash flows

At the beginning of 2013, the Group held cash and cash equivalents of RMB9,814.9 million. Net cash inflows from operating activities for this period amounted to RMB3,062.1 million. Net cash outflows from investing activities was RMB229.1 million. Net cash outflows from financing activities was RMB2,583.4 million. The impact of foreign exchange fluctuations on cash was a decrease in cash for RMB140.6 million. As at 30 June 2013, the Group's cash and cash equivalents amounted to RMB9,923.9 million.

3.1 Net cash flows from operating activities

As at 30 June 2013, the Group's net cash inflows from operating activities amounted to RMB3,062.1 million, representing a decrease of RMB367.8 million or 10.7% compared to the same period last year. This is mainly due to the increase in accounts receivable during the period and the increase in cash paid to and on behalf of employees and payments of taxes and levies.

3.2 Net cash flows used in investing activities

As at 30 June 2013, the net cash outflows from the Group's investing activities amounted to RMB229.1 million, representing a decrease of RMB158.7 million or 40.9% compared with the same period last year. This is mainly because an increase of RMB2,962.8 million in proceeds from the disposal of available-for-sale investments due to the maturity of certain financial products during the period, an increase of RMB1,225.8 million in net cash inflows from investing activities due to the recovery of time deposits with original maturity over three months, an increase of RMB3,230.0 million in cash outflows from investing activities due to the purchase of financial products, an increase of RMB647.3 million in cash outflows for the purchase of property, plant and equipment and an increase in cash outflow of RMB152.6 million from other investing activities.

3.3 Net cash flows used in financing activities

As at 30 June 2013, the Group's net cash outflows used in financing activities amounted to RMB2,583.4 million, an increase of RMB1,374.0 million or 113.6% compared with the same period last year. This is mainly because an additional RMB583.5 million was paid for dividend distribution; RMB58.7 million was additionally paid for interest; new bank borrowings for the comparative period of last year amounted to RMB750.6 million verses no new bank borrowings during the period; and a decrease of RMB18.8 million for loan repayment.

3.4 The net impact of foreign exchange rate changes on cash during the period was the decrease in cash for RMB140.6 million.

4. Capital Expenditure

In the first half of 2013, the capital expenditure of the Group was RMB1,391.9 million, representing an increase of RMB480.6 million or 52.7% compared to RMB911.3 million of 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 **2013**	2012	Increase	Increase
Drilling services	**1,014.2**	821.0	193.2	23.5%
Well services	**218.5**	98.9	119.6	120.9%
Marine support and transportation services	**51.3**	11.9	39.4	331.1%
Geophysical and surveying services	**107.9**	(20.5)	128.4	–
Total	**1,391.9**	911.3	480.6	52.7%

The capital expenditure of the drilling services segment was mainly used for construction of drilling rigs. The capital expenditure of well services segment was mainly used for construction and purchase of various well equipment. The capital expenditure of the marine support and transportation services segment was mainly used for oilfield utility vessels. The capital expenditure of the geophysical services segment was mainly used for construction of surveying vessels and geophysical collection vessels.

5 Major Subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary of the Group which engaged in drilling operations. COSL Drilling Europe AS ("CDE") is a major subsidiary of CNA. As at 30 June 2013, the total assets of CNA amounted to RMB36,825.4 million and total equity amounted to RMB7,073.3 million. In the first half of 2013, CNA realised a revenue of RMB2,670.1 million and profit for the period amounted to RMB393.9 million.

OUTLOOK

According to the forecast of Spears & Associates in April 2013, the total market value of oilfield services in 2013 will maintain a growth of around 9% and reach US$398.4 billion. In the second half of 2013, according to the statistic of IHS-ODS, it is expected that the overall daily rate of global jack-up drilling rig will increase by 13.9% compared with the same period of last year, and the overall daily rate of semi-submersible drilling rigs (including deepwater drilling boat) will increase by 12.4% compared with the same period of last year. The recovery speed of large equipment segment such as drilling rig is relatively faster, however, market competition is still fierce. For domestic market, major customers continued to strengthen exploration and enhance the deepwater exploration in South China Sea, operation volume of geophysical and surveying services and drilling services as well as the demand for well services and marine support and transportation services will increase.

In the second half of 2013, the Company is confidence in fulfilling the annual business plan as all the operation contracts of the Company were confirmed. At the same time, the Company will progress its equipment construction as planned and has completed the acquisition of a semi-submersible drilling rig and two jack-up drilling rigs for the operation commencement of the semi-submersible drilling rig and the delivery of the two jack-up drilling rigs by the end of the year. The Company is optimistic on the completion of the annual expenditure plan, and the capital expenditures may be larger than planned at the beginning of the year.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2013 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

During the six months ended 30 June 2013, save for Code Provision A.6.7, the Company has complied with the Corporate Governance Code as stated in Appendix 14 of the Listing Rules.

According to Code Provision A.6.7, independent non-executive directors and other non-executive directors are required to attend general meetings. Mr. Wu Mengfei, a non-executive director of the Company, and Mr. Chen Quansheng, an independent non-executive director of the Company, failed to attend the annual general meeting of the Company held on 24 May 2013 due to some other urgent issues that required their immediate attention.

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

Upon specific enquiry to all directors by the Company, the directors have confirmed that they have, for the six months ended 30 June 2013, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

PURCHASE, DISPOSAL AND REDEMPTION OF OUR LISTED SECURITIES

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the six months ended 30 June 2013.

PROGRESS OF BUSINESS PLAN

In the first half of 2013, the Group recorded a revenue of RMB12,441.0 million, representing an increase of 24.3% over the same period of last year; total operating expense was RMB8,869.4 million, representing an increase of 25.3% over the same period of last year; profit for the period was RMB3,190.5 million, representing an increase of 32.8% over the same period last year; capital expenditure was RMB1.39 billion. The business of the Company progressed orderly and we are confidence in fulfilling the annual business plan.

MISCELLANEOUS

On 20 March 2012, the Company disclosed in an announcement that it would enter into a connected transaction with CNOOC Infrustusture Management Co., Ltd.. Such transaction has not completed as at the date of this announcement as approval has not been granted by the government yet.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

This announcement will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn). The 2013 interim report will also be published on the HKSE's website and the Company's website and will be despatched to the shareholders.

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

19 August 2013

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