COSL

中海油田服务股份有限公司
China Oilfield Services Limited

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2013

FINANCIAL HIGHLIGHTS

1. Revenue was RMB27,363.8 million.
2. Profit from operations was RMB7,648.3 million.
3. Profit for the year was RMB6,726.4 million.
4. Basic earnings per share were RMB149.4 cents.
5. Total assets were RMB79,262.3 million.
6. Total equity was RMB37,259.8 million.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2013

	Notes	**2013**	2012
		RMB'000	*RMB'000*
REVENUE	*4*	**27,363,812**	22,104,699
Other revenues	*4*	**163,306**	174,043
		27,527,118	22,278,742
Depreciation of property, plant and equipment and amortisation of intangible assets		**(3,310,618)**	(3,173,463)
Employee compensation costs	*5*	**(4,080,092)**	(3,671,357)
Repair and maintenance costs		**(930,115)**	(793,854)
Consumption of supplies, materials, fuel, services and others		**(4,897,780)**	(4,071,683)
Subcontracting expenses		**(3,913,722)**	(2,825,522)
Operating lease expenses	*5*	**(1,093,744)**	(709,645)
Other operating expenses		**(1,652,789)**	(1,318,181)
Impairment of property, plant and equipment		**–**	(96,420)
Total operating expenses		**(19,878,860)**	(16,660,125)
PROFIT FROM OPERATIONS		**7,648,258**	5,618,617
Exchange loss, net		**(6,403)**	(41,913)
Finance costs		**(638,328)**	(512,718)
Interest income		**124,555**	127,460
Investment income	*5*	**94,302**	2,169
Share of profits of joint ventures, net of tax		**297,221**	243,193
PROFIT BEFORE TAX	*5*	**7,519,605**	5,436,808
Income tax expense	*6*	**(793,171)**	(867,038)
PROFIT FOR THE YEAR		**6,726,434**	4,569,770
Attributable to:			
Owners of the Company		**6,715,967**	4,559,354
Non-controlling interests		**10,467**	10,416
		6,726,434	4,569,770
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic (RMB)	*8*	**149.40 cents**	101.42 cents

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2013

	Note	**2013**	2012
		RMB'000	*RMB'000*
PROFIT FOR THE YEAR		**6,726,434**	4,569,770
OTHER COMPREHENSIVE (EXPENSE)/INCOME			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension plan		**(50,965)**	–
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(262,938)**	(14,852)
Net fair value gain on available-for-sale investments		**42,243**	–
Income tax relating to items that may be reclassified subsequently		**(6,336)**	–
		(227,031)	(14,852)
OTHER COMPREHENSIVE EXPENSE FOR THE YEAR, NET OF INCOME TAX		**(277,996)**	(14,852)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**6,448,438**	4,554,918
Attributable to:			
Owners of the Company		**6,438,301**	4,544,503
Non-controlling interests		**10,137**	10,415
		6,448,438	4,554,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2013

	Notes	**31 December 2013 RMB'000**	31 December 2012 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**51,292,406**	47,075,676
Goodwill	10	**4,107,763**	4,234,831
Other intangible assets		**393,220**	371,178
Investments in joint ventures		**710,465**	508,845
Available-for-sale investments		**–**	–
Employee benefit assets		**–**	14,864
Other non-current assets		**1,160,437**	219,690
Deferred tax assets	17	**7,254**	–
Total non-current assets		**57,671,545**	52,425,084
CURRENT ASSETS			
Inventories		**1,051,527**	948,850
Prepayments, deposits and other receivables	11	**426,855**	650,588
Accounts receivable	12	**5,872,980**	4,145,236
Notes receivable	13	**1,513,375**	619,940
Other current assets		**2,363,446**	2,058,997
Pledged deposits	14	**32,630**	30,755
Time deposits with original maturity over three months	14	**600,000**	3,954,185
Cash and cash equivalents	14	**9,600,797**	9,814,893
		21,461,610	22,223,444
Assets classified as held for sale		**129,128**	–
Total current assets		**21,590,738**	22,223,444
CURRENT LIABILITIES			
Trade and other payables	15	**7,159,326**	5,021,791
Salary and bonus payables		**1,210,005**	914,435
Tax payable		**258,220**	266,693
Interest-bearing bank borrowings	18	**3,803,582**	1,659,906
Other current liabilities		**112,876**	60,219
Total current liabilities		**12,544,009**	7,923,044

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2013

	Notes	**31 December 2013** *RMB'000*	31 December 2012 *RMB'000*
NET CURRENT ASSETS		**9,046,729**	14,300,400
TOTAL ASSETS LESS CURRENT LIABILITIES		**66,718,274**	66,725,484
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*17*	**1,128,733**	1,688,281
Interest-bearing bank borrowings	*18*	**19,489,968**	23,992,139
Long term bonds	*19*	**7,536,622**	7,717,913
Deferred revenue	*20*	**1,265,669**	1,122,237
Employee benefit liabilities		**37,479**	–
Total non-current liabilities		**29,458,471**	34,520,570
Net assets		**37,259,803**	32,204,914
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*21*	**4,495,320**	4,495,320
Reserves		**32,743,342**	27,698,590
		37,238,662	32,193,910
Non-controlling interests		**21,141**	11,004
Total equity		**37,259,803**	32,204,914

1. GENERAL INFORMATION

China Oilfield Services Limited (the "Company") is a limited liability company incorporated in the People's Republic of China (the "PRC"). The registered office of the Company is located at 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin, the PRC. As part of the reorganisation (the "Reorganisation") of China National Offshore Oil Corporation ("CNOOC") in preparation for the listing of the Company's shares on the Stock Exchange of Hong Kong Limited (the "HKSE") in 2002, and pursuant to an approval document obtained from the relevant government authority dated 26 September 2002, the Company was restructured into a joint stock limited liability company.

During the year, the Company and its subsidiaries (hereinafter collectively referred to as the "Group") were principally engaged in the provision of oilfield services including drilling services, well services, marine support and transportation services, and geophysical and surveying services.

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

2.1 New and revised HKFRSs affecting amounts reported and/or disclosures in the consolidated financial statements

In the current year, the Group has applied a number of new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") that are mandatorily effective for an accounting period that begins on after 1 January 2013.

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

In the current year, the Group has applied for the first time the package of five standards on consolidation, joint arrangements, associates and disclosures comprising HKFRS 10 *Consolidated Financial Statements*, HKFRS 11 *Joint Arrangements*, HKFRS 12 *Disclosure of Interests in Other Entities*, HKAS 27 (as revised in 2011) *Separate Financial Statements* and HKAS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*, together with the amendments to HKFRS 10, HKFRS 11 and HKFRS 12 regarding transitional guidance.

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 these 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 these consolidated financial statements after the assessment carried out by the Directors and the Directors considered that all jointly controlled entities under HKAS 31 are classified as joint ventures under HKFRS 11.

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 results in more extensive disclosures in the consolidated financial statements. However, the application of HKFRS 12 has had no material impact on these consolidated financial statements.

HKFRS 13 ***Fair Value Measurement***

The Group has applied HKFRS 13 for the first time in the current year. HKFRS 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of HKFRS 13 is broad; the fair value measurement requirements of HKFRS 13 apply 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, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

HKFRS 13 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.

HKFRS 13 requires prospective application from 1 January 2013. In accordance with these transitional provisions, the Group has not made any new disclosures required by HKFRS 13 for the 2012 comparative period. Other than the additional disclosures, the application of HKFRS 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Amendments to HKAS 1 ***Presentation of Items of Other Comprehensive Income***

The Group has applied the amendments to HKAS 1 *Presentation of Items of Other Comprehensive Income*. Upon the adoption of the amendments to HKAS 1, the Group's 'statement of comprehensive income' is renamed as the 'statement of profit or loss and other comprehensive income'. 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. Furthermore, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income 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 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. Other than the above mentioned presentation changes, the application of the amendments to HKAS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

HKAS 19 ***Employee Benefits*** **(as revised in 2011)**

In the current year, 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.

Specific transitional provisions are applicable to first-time application of HKAS 19 (as revised in 2011). The application of HKAS 19 (as revised in 2011) has not had any material impact on the amounts recognised in profit or loss and other comprehensive income in prior years. In addition, HKAS 19 (as revised in 2011) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures. The application of HKAS 19 (as revised in 2011) has had no material impact on the amounts recognised in the consolidated financial statements after the assessment carried out by the Directors.

Except as described above, the application of the other new and revised HKFRSs in current year has no material impact on the Group's financial performance and position for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2.2 *New and revised HKFRSs in issue but not yet effective*

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The Group has early adopted the amendments to HKAS 36 issued by the HKICPA in advance of its effective date, 1 January 2014. The amendments to HKAS 36 withdraw the disclosure requirements for an entity to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. An entity only needs to disclose the recoverable amount of the asset (cash-generating unit) for an individual asset (including goodwill) or a cash-generating unit, for which an impairment loss has been recognised or reversed during the period.

The early adoption does not have any effect on the Group's operating results, financial positions or comprehensive income.

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

Amendments to HKFRS 10, HKFRS12 and HKAS 27	*Investment Entities*[1]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[2]
Amendments to HKFRS 9 and HKFRS 7	*Mandatory Effective Date of HKFRS 9 and Transition Disclosures*[3]
HKFRS 9	*Financial Instruments*[3]
HKFRS 14	*Regulatory Deferral Accounts*[5]
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*[1]
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*[1]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*[4]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*[2]
HK (IFRIC)-Int 21	*Levies*[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 Available for application – the mandatory effective date will be determined when the outstanding phases of HKFRS 9 are finalised
4 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
5 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for hedge accounting.

Key requirements of HKFRS 9 are described as follows:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.

The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Directors anticipate that the application of HKFRS 9 in the future may have a significant impact on amounts reported in respect of the Group's financial assets (e.g. the Group's investments in corporate wealth management products and liquidity funds that are currently classified as available-for-sale investments may have to be measured at fair value at the end of subsequent reporting periods, with changes in the fair value being recognised in profit or loss). Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Except as described above, the Directors do not anticipate that the application of these new and revised HKFRSs will have any effect on the Group's consolidated financial statements.

3. OPERATING SEGMENT INFORMATION

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

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

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

(c) the marine support and transportation services segment is engaged in the transportation of materials, supplies and personnel to offshore facilities, moving and positioning drilling structures, the transportation of crude oil and refined products 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/(losses) and investment income are excluded from such measurement.

All assets are allocated to reportable segments other than certain cash and cash equivalents (funds managed by the corporate treasury), prepayments, pledged deposits, time deposits with original maturity over three months, other receivables and deferred tax assets as these assets are managed on a group basis.

All liabilities are allocated to reportable segments other than certain other payables, interest-bearing bank borrowings and long term bonds (funds managed by the corporate treasury), tax payable and deferred tax liabilities as these liabilities are managed on a group basis.

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

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

Year ended 31 December 2012	Drilling services *RMB'000*	Well services *RMB'000*	Marine support and transportation services *RMB'000*	Geophysical and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers	11,251,584	4,857,936	2,945,215	3,049,964	22,104,699
Intersegment sales	1,872,129	536,923	151,404	153,088	2,713,544
Segment revenue	13,123,713	5,394,859	3,096,619	3,203,052	24,818,243
Elimination	(1,872,129)	(536,923)	(151,404)	(153,088)	(2,713,544)
Group revenue	11,251,584	4,857,936	2,945,215	3,049,964	22,104,699
Segment results	3,713,951	766,478	545,494	835,887	5,861,810
Reconciliation:					
Exchange loss, net					(41,913)
Finance costs					(512,718)
Interest income					127,460
Investment income					2,169
Profit before tax					5,436,808
Income tax					867,038
As at 31 December 2012					
Segment assets	51,813,934	4,435,934	4,563,141	3,491,318	64,304,327
Unallocated assets					10,344,201
Total assets					74,648,528
Segment liabilities	4,460,006	1,737,881	1,126,158	504,644	7,828,689
Unallocated liabilities					34,614,925
Total liabilities					42,443,614
Other segment information:					
Capital expenditure	3,295,617	574,709	54,776	265,004	4,190,106
Depreciation of property, plant and equipment and amortisation of intangible assets	1,954,738	553,012	329,930	335,783	3,173,463
Impairment of accounts receivable	14,007	(1,051)	(637)	(664)	11,655
Impairment of other receivables	729	317	192	200	1,438
Impairment of inventories	(237)	(103)	(62)	(65)	(467)
Impairment of property, plant and equipment	77,420	19,000	–	–	96,420
Share of profits of joint ventures	–	204,330	(1,634)	40,497	243,193
Investments in joint ventures	–	370,773	20,872	117,200	508,845

Geographical information

The Group mainly engages in the provision of drilling services, well services, marine support and transportation services and geophysical and surveying services in Mainland China. Activities outside Mainland China are mainly conducted in Indonesia, Australia, Mexico, Myanmar, Norway, Philippines, Vietnam, United Arab Emirates, and certain countries in the Middle-East.

In determining the Group's geographical information, revenue is presented below based on the location of the Group's customers. Information about the Group's non-current assets is presented based on the geographical location of the assets.

The following table presents revenue and non-current assets (excluding goodwill, investments in joint ventures and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2013 and 2012.

Year ended/as at 31 December 2013	**China Offshore**	**North sea**	**Others**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**18,465,469**	**3,679,453**	**5,218,890**	**27,363,812**
Non-current assets:	**25,518,184**	**11,949,617**	**15,378,262**	**52,846,063**

Year ended/as at 31 December 2012	China Offshore	North sea	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	15,225,311	1,925,468	4,953,920	22,104,699
Non-current assets:	25,334,835	9,035,260	13,296,449	47,666,544

Information about a major customer

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control with CNOOC Limited, accounted for 62% (2012: 65%) of the total sales of the Group for the year ended 31 December 2013.

4. REVENUE AND OTHER REVENUES

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

An analysis of revenue and other revenues is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Revenue:		
Rendering of services	**27,284,635**	21,910,140
Gross rental income	**79,177**	194,559
Total revenue	**27,363,812**	22,104,699
Other revenues:		
Insurance claims received	**22,967**	28,058
Government grants	**124,685**	133,775
Others	**15,654**	12,210
Total other revenues	**163,306**	174,043

Included in the amount recognised as revenue is deferred revenue of RMB249,391,000 (2012: RMB226,514,000) (note 20).

5. PROFIT BEFORE TAX

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Employee compensation costs (including Directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**3,135,713**	2,892,129
Social security costs	**538,010**	484,855
Retirement benefits and pensions	**406,369**	294,373
	4,080,092	3,671,357

		Group	
		2013	2012
	Notes	***RMB'000***	*RMB'000*
Loss on disposal of property, plant and equipment, net		**20,090**	49,366
Lease payments under operating leases in respect of land and buildings, berths and equipment		**1,093,744**	709,645
Impairment of property, plant and equipment		**–**	96,420
Impairment of accounts receivable (reversed)/recognised in profit or loss	*12*	**(1,552)**	11,655
Impairment of other receivables, net	*11*	**3,670**	1,438
Impairment of inventories		**14,106**	(467)
Gain on disposal of joint ventures		**–**	24,440
Investment income from available-for-sale		**94,302**	2,169
Cost of inventories recognised as an expense		**2,530,410**	1,962,846
Research and development costs, included in:		**559,423**	458,113
Depreciation of property, plant and equipment		**53,567**	50,659
Employee compensation costs		**107,385**	76,754
Consumption of supplies, materials, fuel, services and others		**398,471**	330,700

6. INCOME TAX

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

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

On 30 October 2008, the Company was certified as an HNTE by the Tianjin Science and Technology Commission, Tianjin Ministry of Finance, Tianjin State Administration of Taxation (the "TSAT"), and the Tianjin Local Taxation Bureau, which was effective for three years commencing 1 January 2008. Further, the Company obtained the approval of tax deduction and exemption registration report from the Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in 2009. According to the approval, the CIT rate was approved to be 15% for the years 2009 and 2010. The Company has applied to renew its HNTE certificate for three years commencing from 1 January 2011, and was re-certified as an HNTE on 8 October 2011, which is effective for three years commencing from 1 January 2011, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the year ended 31 December 2013 (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% (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% (2012: 25%). The Group's activities in Australia are subject to income tax of 30% (2012: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to income tax of 3.5% (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% (2012: 30% and 17.5%, respectively). The Group's activities in Norway are mainly subject to corporate income tax of 28% (2012: 28%). The Group's activities in the U.K. are subject to income tax of 28% (2012: 28%). The Group's activities in the Philippines are subject to income tax of 30% (2012: 30%). The Group's activities in Iraq are subject to income tax of 35% (2012: 35%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's taxes pertaining to drilling activities in Iran are borne by the customers. The Group's taxes pertaining to operating lease activities of jack-up rig in Saudi Arabia are borne by the customers unless otherwise provided in the drilling contracts.

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**210,557**	379,635
Deferred	**(89,344)**	(399,457)
PRC corporate income taxes:		
Current	**943,860**	604,565
Deferred	**(464,254)**	271,756
Under provision in prior year	**192,352**	10,539
Total tax charge for the year	**793,171**	867,038

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for Mainland China, where the Company and its key joint ventures are domiciled, to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2013		2012	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**7,519,605**		5,436,808	
Tax at the statutory tax rate of 25% (2012: 25%)	**1,879,901**	**25.0**	1,359,202	25.0
Tax reduction as an HNTE	**(628,206)**	**(8.4)**	(390,755)	(7.2)
Income not subject to tax	**(79,477)**	**(1.1)**	(71,785)	(1.3)
Expense not deductible for tax	**13,242**	**0.2**	33,356	0.6
Tax benefit for qualifying research and development expenses	**(48,912)**	**(0.7)**	(48,605)	(0.9)
Effect of different tax rates for overseas subsidiaries	**(153,105)**	**(2.0)**	(193,891)	(3.6)
Effect on change in tax rates	**(21,159)**	**(0.3)**	(290,791)	(5.3)
Tax losses unrecognised/(utilised)	**384,752**	**5.1**	(197,127)	(3.6)
Deductible translation adjustment (a)	**(477,221)**	**(6.3)**	420,180	7.7
Adjustments in respect of current tax of previous year (b)	**192,352**	**2.6**	10,539	0.2
Others (c)	**(268,996)**	**(3.6)**	236,715	4.4
Total tax charge at the Group's effective rate	**793,171**	**10.5**	867,038	16.0

The estimated useful life of certain of the Company's equipment including drilling rigs, well service equipment and vessels are longer than the tax depreciable year regulated by tax law. The Company has previously recognised temporary difference between tax base and accounting base of the subject equipment as deferred tax liabilities, which was deducted from profit before taxation in each year's income tax computation for financial statements preparation purpose. Upon completion of the Company's 2012 fiscal year income tax filing in May 2013, and pursuant to relevant tax rules and communication with local tax authority, starting from the beginning of 2012, the Company should recognise depreciation expense based on the estimated useful life of the equipment for the purpose of calculating income tax expense as long as the estimated useful life of the equipment is not shorter than the tax depreciable year regulated by tax law, and all temporary difference between tax base and accounting base of equipment established prior to 2012 will be reversed on an equal-amount basis over the future years starting from 2012, and adjusted from profit before taxation in each year's income tax computation. There will not be any difference on depreciation between tax base and accounting base as explained above.

(a) Deductible translation adjustment mainly represents the tax effect of differences arising from foreign exchange effects to Norwegian Kroner ("NOK"), which is the basis for taxation for some group companies in Norway. The translation adjustment mainly relates to the difference between the profit before tax determined on the tax basis in NOK and that determined on the accounting basis of such group companies in US dollars, the functional currency of these companies.

(b) Adjustments in respect of current tax of previous year mainly included an one-off income tax expense of RMB218,197,000 for fiscal 2012 due to the change in above tax practice during the year.

(c) Others for the year mainly include an adjustment of RMB383,745,000 to the opening deferred tax assets at 1 January 2013 based on the applicable tax rate for the relevant period in which the aforesaid equipment are realised due to the change in above tax practice.

Included in others for the year ended 31 December 2012 were provisions for taxes related to certain Norwegian subsidiaries. In 2009 and 2010, certain overseas subsidiaries received notifications from the Norwegian tax authorities ("NTA") challenging the valuation basis and the fair value used by the respective companies for the transfer of certain jack-up rigs' contracts and options and semi-submersible drilling rigs' contracts, respectively, to certain entities within the Group. On 15 August 2013, the Norwegian subsidiaries has agreed with the NTA to settle the above tax dispute, the expected aggregate income tax payable by the Norwegian subsidiaries to NTA in this respect would amount to approximately NOK173 million (equivalent to approximately RMB181 million), and the aforesaid tax liability has been fully provided for in the Group's consolidated financial statements for the year ended 31 December 2012.

The share of tax attributable to joint ventures amounting to approximately RMB105,451,000 (2012: RMB84,159,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

7. DIVIDENDS

	Group and Company	
	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Proposed final dividend – RMB0.43 per ordinary share (2012: RMB0.31 per ordinary share)	**2,051,785**	1,393,549

The proposed final dividend for the year, calculated based on RMB0.43 per ordinary share of the Company comprising 4,495,320,000 ordinary shares existed as at 31 December 2013 together with 276,272,000 new ordinary shares issued by the Company on 15 January 2014, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

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

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

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

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

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

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

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Earnings		
Earnings for the purposes of basic earnings per share (profit for the year attributable to ordinary equity holders of the Company)	**6,715,967**	4,559,354

	2013	2012
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	**4,495,320,000**	4,495,320,000

No diluted earnings per share is presented for the years ended 31 December 2013 and 2012 as the Group had no potentially dilutive ordinary shares in issue during those years.

9. PROPERTY, PLANT AND EQUIPMENT

Group

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

31 December 2012	Tankers and vessels	Drilling rigs	Machinery and equipment	Motor vehicles	Buildings	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2011 and at 1 January 2012							
Cost	9,394,825	35,678,125	10,108,958	84,528	66,276	11,786,982	67,119,694
Accumulated depreciation and impairment	(4,346,031)	(9,826,996)	(5,697,534)	(57,168)	(11,914)	(894,728)	(20,834,371)
Carrying amount	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
Carrying amount							
At 1 January 2012	5,048,794	25,851,129	4,411,424	27,360	54,362	10,892,254	46,285,323
Additions	1,300	257,944	510,055	4,493	237	3,373,471	4,147,500
Depreciation provided during the year	(472,893)	(1,578,701)	(1,065,124)	(10,195)	(3,604)	–	(3,130,517)
Disposals/write-offs	(39,418)	(8,102)	(35,952)	(71)	–	–	(83,543)
Transfers from/(to) construction in progress ("CIP")	1,596,182	4,339,892	882,203	4,875	55	(6,823,207)	–
Impairment	–	(77,420)	(19,000)	–	–	–	(96,420)
Impairment write-off	29,888	–	–	–	–	–	29,888
Exchange realignment	904	(66,306)	(1,647)	–	–	(9,506)	(76,555)
At 31 December 2012	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676
At 31 December 2012							
Cost	10,732,480	40,509,677	11,319,669	93,184	66,463	7,916,996	70,638,469
Accumulated depreciation and impairment	(4,567,723)	(11,791,241)	(6,637,710)	(66,722)	(15,413)	(483,984)	(23,562,793)
Carrying amount	6,164,757	28,718,436	4,681,959	26,462	51,050	7,433,012	47,075,676

As at 31 December 2013, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,520,518,000 (2012: RMB7,689,721,000).

Included in the current year's additions was an amount of approximately RMB 48,508,000 (2012: RMB123,059,000) in respect of interest capitalised in property, plant and equipment, with a capitalisation rate of 1.52% (2012: 1.57%).

A write-off of impairment of approximately RMB19,050,000 was recognised in 2013, arising from the disposal of the oilfield service related machinery and equipment.

Company

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

31 December 2012	Tankers and vessels *RMB'000*	Drilling rigs *RMB'000*	Machinery and equipment *RMB'000*	Motor vehicles *RMB'000*	Buildings *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
At 31 December 2011 and at 1 January 2012							
Cost	8,776,697	14,596,076	9,528,607	83,152	61,888	2,826,571	35,872,991
Accumulated depreciation and impairment	(4,198,037)	(6,368,009)	(5,463,574)	(55,955)	(10,648)	–	(16,096,223)
Carrying amount	4,578,660	8,228,067	4,065,033	27,197	51,240	2,826,571	19,776,768
Carrying amount							
At 1 January 2012	4,578,660	8,228,067	4,065,033	27,197	51,240	2,826,571	19,776,768
Additions	–	–	443,684	4,357	–	1,373,172	1,821,213
Depreciation provided during the year	(430,457)	(438,195)	(940,503)	(10,063)	(3,038)	–	(1,822,256)
Disposals/write-offs	(7,923)	(326)	(35,363)	(71)	–	–	(43,683)
Transfers from/(to) CIP	1,523,643	720,734	674,418	4,875	–	(2,923,670)	–
Impairment	–	(77,420)	(19,000)	–	–	–	(96,420)
At 31 December 2012	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622
At 31 December 2012							
Cost	10,105,895	15,262,301	10,469,483	91,672	61,888	1,276,073	37,267,312
Accumulated depreciation and impairment	(4,441,972)	(6,829,441)	(6,281,214)	(65,377)	(13,686)	–	(17,631,690)
Carrying amount	5,663,923	8,432,860	4,188,269	26,295	48,202	1,276,073	19,635,622

10. GOODWILL

Goodwill was generated in the acquisition of COSL Drilling Europe AS (CDE) in 2008.

Group

	2013 *RMB'000*	2012 *RMB'000*
COST AND CARRYING VALUE		
At 1 January	**4,234,831**	4,245,207
Exchange realignment	**(127,068)**	(10,376)
At 31 December	**4,107,763**	4,234,831

Impairment testing of goodwill

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

The recoverable amount of the group of the drilling services cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend of Asia Pacific and Norway for Jack-up and Semis Rigs with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8%. The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for drilling services cash-generating units. Other key assumption for the value in use calculations reflect management's judgments and expectation's regarding the unit's past performance, as well as future industry conditions and operations, including expected utilization rates, day rates, cost level and capital requirements. Based on quantitative assessments of value in use performed as of 31 December 2013 and 2012, management believes that there was no impairment of goodwill.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		**Company**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Prepayments	**121,574**	92,006	**49,875**	41,715
Deposits	**91,495**	98,344	**83,554**	32,403
Other receivables	**223,870**	466,652	**330,535**	462,511
	436,939	657,002	**463,964**	536,629
Less: Provision for impairment of other receivables	**(10,084)**	(6,414)	**(10,084)**	(6,414)
	426,855	650,588	**453,880**	530,215

An analysis of other receivables is as follows:

	Group	
	2013	2012
	RMB'000	*RMB'000*
Value-added tax recoverable	**–**	274,397
Withholding tax	**112,789**	112,284
Insurance claim receivables	**9,021**	7,160
Advance to employees	**6,275**	10,673
Dividend receivable	**12,136**	–
Interest receivable	**8,939**	26,623
Others	**74,710**	35,515
	223,870	466,652

12. ACCOUNTS RECEIVABLE

The general credit terms of the Group range from 30 to 45 days upon the issuance of invoices to its trade customers with good trading history in Mainland China and no more than 6 months upon the issuance of invoices to its trade customers with good trading history in overseas. The Group's accounts receivable relate to a large number of diversified customers. Other than the accounts receivable related to CNOOC and its subsidiaries, excluding the CNOOC Limited Group (the "CNOOC Group") and the CNOOC Limited Group as disclosed below, there was no significant concentration of credit risk of the Group's accounts receivable during the reporting period. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. All accounts receivable are non-interest-bearing.

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

	Group		**Company**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Within six months	**5,497,125**	4,038,170	**4,528,198**	3,506,069
Six months to one year	**364,568**	87,433	**7,270**	71,762
One to two years	**10,759**	18,873	**10,759**	3,566
Two to three years	**528**	760	**286**	760
	5,872,980	4,145,236	**4,546,513**	3,582,157

Included in the Group's accounts receivables balance are debtors with a carrying amount of approximately RMB375,855,000 (2012: RMB107,066,000) which are past due at the reporting date for which the Group has not provided for impairment loss. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Aging of accounts receivables which are past due but not impaired:

	Group		**Company**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Six months to one year	**364,568**	87,433	**7,270**	71,762
One to two years	**10,759**	18,873	**10,759**	3,566
Two to three years	**528**	760	**286**	760
	375,855	107,066	**18,315**	76,088

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

	Group		Company	
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**203,603**	313,161	**65,349**	152,716
Impairment losses recognised	**4,106**	40,021	**3,924**	39,772
Impairment losses reversed	**(5,658)**	(28,366)	**(1,254)**	(7,105)
Impairment losses written-off	**(11,256)**	(120,034)	**–**	(120,034)
Exchange realignment	**(4,141)**	(1,179)	**–**	–
At 31 December	**186,654**	203,603	**68,019**	65,349

As at 31 December 2012, since Atlantis Deepwater Orient Ltd., one of the joint ventures of the Group, was liquidated, and the investment was written off by the Group, the impairment losses of RMB120,034,000 was written off accordingly.

13. NOTES RECEIVABLE

	Group		Company	
	31 December	31 December	**31 December**	31 December
	2013	2012	**2013**	2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade acceptances	**1,473,412**	616,740	**1,473,412**	616,740
Bank acceptances	**39,963**	3,200	**19,463**	3,200
	1,513,375	619,940	**1,492,875**	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 from the date of issuance. As of the date of approving for issuance of these consolidated financial statements, all the trade acceptances as at 31 December 2013 have been fully settled.

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

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and balances with banks	**2,766,843**	4,674,399	**1,110,556**	50,283
Deposit with CNOOC Finance Corporation Ltd. ("CNOOC Finance")	**1,205,463**	1,097,835	**1,205,463**	1,097,835
Time deposits at banks	**6,261,121**	8,027,599	**4,409,916**	6,121,949
Cash and balances with banks and financial institutions	**10,233,427**	13,799,833	**6,725,935**	7,270,067
Less:				
Pledged deposits – current	**(32,630)**	(30,755)	**(29,591)**	(29,564)
Time deposit with original maturity over three months	**(600,000)**	(3,954,185)	**(600,000)**	(2,068,535)
Cash and cash equivalents	**9,600,797**	9,814,893	**6,096,344**	5,171,968

At the end of the reporting period, the cash and bank balances and time deposits at banks of the Group denominated in RMB amounted to approximately RMB5,842,256,000 (2012: RMB5,044,943,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

As at 31 December 2013, included in the time deposits at banks of the Group were non-pledged time deposits with original maturity of more than three months when acquired of approximately RMB600,000,000 (2012: RMB3,954,185,000).

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

15. TRADE AND OTHER PAYABLES

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

	Group		Company	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Outstanding balances aged:				
Within one year	**6,955,745**	4,862,798	**4,539,831**	3,548,123
One to two years	**113,148**	74,262	**111,095**	43,505
Two to three years	**18,084**	27,595	**18,445**	27,595
Over three years	**72,349**	57,136	**71,136**	57,136
	7,159,326	5,021,791	**4,740,507**	3,676,359

16. SHARE APPRECIATION RIGHTS PLAN

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

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

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

The first batch of share appreciation rights has been forfeited in 2009, the second batch has been approved and exercised in 2011, the third batch is waiting for exercise and the fourth batch will not be exercised. The exercise gains of the second and the third batch of share appreciation rights were measured at HK$1.82 and HK$2.27 per share respectively. The weighted average closing price of the shares immediately before the date on which the second batch of share appreciation rights 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 re-measured at the end of the reporting period and the settlement date with changes in fair value recognised in profit or loss. At 31 December 2013, the salary and bonus payable arising from the share appreciation rights was RMB1.4 million (2012: RMB1.4 million).

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

	2013	2012
	Number of shares	Number of shares
Outstanding at 1 January	**1,173,075**	1,173,075
Granted during the year	**–**	–
Exercised during the year	**–**	–
Forfeited during the year	**–**	–
Outstanding at 31 December	**1,173,075**	1,173,075
Exercisable at 31 December	**1,173,075**	1,173,075

17. DEFERRED TAXATION

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

	Group		**Company**	
	31 December 2013	31 December 2012	**31 December 2013**	31 December 2012
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deferred tax assets	**7,254**	–	**–**	–
Deferred tax liabilities	**(1,128,733)**	(1,688,281)	**(531,954)**	(990,265)
	(1,121,479)	(1,688,281)	**(531,954)**	(990,265)

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

Group

	Balance at 1 January 2012 *RMB'000*	Recognised in profit or loss *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2012 and 1 January 2013 *RMB'000*	Recognised in profit or loss *RMB'000*	Recognised in other comprehensive income *RMB'000*	Exchange realignment *RMB'000*	Balance at 31 December 2013 *RMB'000*
Deferred tax assets:								
Provision for staff bonus	110,408	7,452	–	117,860	39,252	–	–	157,112
Impairment of assets	44,138	11,786	(10)	55,914	(4,355)	–	(36)	51,523
Amortisation of intangible assets	439	939	–	1,378	2,785	–	–	4,163
Accrued liabilities	–	15	–	15	(15)	–	–	–
Others	11,482	3,861	(41)	15,302	(6,300)	–	(317)	8,685
	166,467	24,053	(51)	190,469	31,367	–	(353)	221,483
Deferred tax liabilities:								
Accelerated depreciation of property, plant and equipment	1,134,963	259,757	(498)	1,394,222	(433,510)	–	(6,762)	953,950
Revaluation surplus on Reorganisation	6,015	(6,015)	–	–	–	–	–	–
Fair value adjustment arising from acquisition of a subsidiary	841,876	(356,920)	(531)	484,425	(89,073)	–	(13,124)	382,228
Fair value change in available for sale investment	–	–	–	–	–	6,336	–	6,336
Others	613	(470)	(40)	103	352	–	(7)	448
	1,983,467	(103,648)	(1,069)	1,878,750	(522,231)	6,336	(19,893)	1,342,962
	1,817,000	(127,701)	(1,018)	1,688,281	(553,598)	6,336	(19,540)	1,121,479

Company

	Balance at 1 January 2012	Recognised in profit or loss	Balance at 31 December 2012 and 1 January 2013	Recognised in profit or loss	Recognised in other comprehensive income	Balance at 31 December 2013
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax assets:						
Provision for staff bonus	110,408	7,452	117,860	39,252	–	157,112
Impairment of assets	44,138	9,249	53,387	(1,909)	–	51,478
Amortisation of intangible assets	439	939	1,378	2,785	–	4,163
Others	1,090	(80)	1,010	421	–	1,431
	156,075	17,560	173,635	40,549	–	214,184
Deferred tax liabilities:						
Accelerated depreciation of property, plant and equipment	868,131	295,769	1,163,900	(424,098)	–	739,802
Revaluation surplus on Reorganisation	6,015	(6,015)	–	–	–	–
Fair value change in available for sale investment	–	–	–	–	6,336	6,336
	874,146	289,754	1,163,900	(424,098)	6,336	746,138
	718,071	272,194	990,265	(464,647)	6,336	531,954

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's joint ventures for which deferred tax liabilities have not been recognised was RMB984,972,000 (31 December 2012: RMB 711,138,000). No liability has been recognised in respect of these differences as those joint ventures are all located in the PRC.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,931,932,000 (31 December 2012: RMB 599,320,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

At 31 December 2013, accumulated tax losses arising in subsidiaries of the Company of approximately RMB3,947,881,000 (2012: RMB3,266,204,000) were available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised in near future.

At 31 December 2013, the Group has deductible temporary differences of RMB1,123,795,000 (31 December 2012: RMB1,151,760,000). No deferred tax asset has been recognised in relation to such deductible temporary differences as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

18. INTEREST-BEARING BANK BORROWINGS

Current:

	Group and Company	
	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Current portion of long term bank loans	**3,803,582**	1,659,906

Non-current:

	Contractual interest rate (%)	Year of maturity	31 December 2013	31 December 2012
			RMB'000	*RMB'000*
Export-Import Bank of China – unsecured (a)	LIBOR+170pts	2020	**3,560,020**	4,182,422
Bank of China – unsecured (b)	LIBOR+138pts	2017	**12,051,436**	13,109,908
Bank of China – unsecured (c)	LIBOR+90pts	2017	**4,389,768**	4,776,980
Industrial and Commercial Bank of China – unsecured (c)	LIBOR+90pts	2017	**3,292,326**	3,582,735
			23,293,550	25,652,045
Less: Current portion of long term bank loans			**(3,803,582)**	(1,659,906)
			19,489,968	23,992,139

(a) The Group borrowed a US$800 million loan for the purpose of funding the acquisition of a subsidiary. The repayment started on 2 September 2011 over 19 instalments amounting to US$42.1 million bi-annually.

(b) The Group entered into a US$2,200 million credit facility agreement with Bank of China on 30 April 2009, of which US$1,700 million was assigned to replace CDE's loans and bonds and US$500 million was assigned to finance CDE's daily operations. The repayment started on 14 May 2012 over 11 instalments bi-annually.

(c) The Group borrowed US$800 million from Bank of China and US$600 million from Industrial and Commercial Bank of China in May 2009 to replace CDE's syndicated bank loan. The repayments started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually.

For all bank borrowings as above, the weighted average effective interest rate for the year ended 31 December 2013 was 1.67% per annum (2012: 1.80% per annum).

	Group and Company	
	31 December 2013	31 December 2012
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**3,803,582**	1,659,906
In the second year	**3,781,258**	3,856,068
In the third to fifth year, inclusive	**14,683,998**	18,547,725
Beyond five years	**1,024,712**	1,588,346
	23,293,550	25,652,045

There were no assets pledged for any of the above bank borrowings as at 31 December 2013 (2012: Nil).

19. LONG TERM BONDS

Group

	Year of maturity	31 December 2013	31 December 2012
		RMB'000	*RMB'000*
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,036,622**	6,217,913
		7,536,622	7,717,913

Company

	Year of maturity	31 December 2013	31 December 2012
		RMB'000	*RMB'000*
Corporate bonds (a)	2022	**1,500,000**	1,500,000

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500 million. The bonds carry effective interest rate of 4.48% per annum (2012: 4.48% per annum), which is payable annually in arrears on 14 May, and the redemption or maturity date is 14 May 2022.

(b) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a US$1,000 million principal amount. Interest of the bonds is payable semi-annually in arrears on March 6 and September 6 of each year, and the redemption or maturity date is 6 September 2022. The effective interest rate for the year ended 31 December 2013 was 3.38% per annum (2012: 3.38% per annum).

20. DEFERRED REVENUE

	Group	
	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the year	**1,182,456**	1,011,165
Additions	**475,490**	397,477
Credited to profit or loss during the year	**(249,391)**	(226,514)
Exchange realignment	**(30,010)**	328
Balance at end of the year	**1,378,545**	1,182,456

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

	Group	
	2013	2012
	RMB'000	*RMB'000*
Current portion	**112,876**	60,219
Non-current portion	**1,265,669**	1,122,237
Balance at end of the year	**1,378,545**	1,182,456

	Company	
	2013	2012
	RMB'000	*RMB'000*
Balance at beginning of the year	**288,963**	202,089
Additions	**113,510**	158,009
Credited to profit or loss during the year	**(90,207)**	(71,135)
Balance at end of the year	**312,266**	288,963

Deferred revenue consists of the contract value generated in the process of the acquisition of CDE, the deferred mobilisation revenue and government grants. The deferred revenue generated from contract value and deferred mobilisation revenue are amortised according to the related drilling contract periods. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred.

As at 31 December 2013, government grants of the Group of RMB113,539,000 (2012: RMB110,090,000) were recognised as deferred revenue and will be credited to the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred. Furthermore, part of mobilisation revenue of the Group of RMB134,150,000 (2012: RMB141,526,000) was recognised as deferred revenue at 31 December 2013 and will be credited to the consolidated statement of profit or loss according to the related contracts periods. In addition, subsidies received for acquisition of machinery required by the customers of the Group of RMB227,801,000 (2012:RMB145,861,000) were recognised as deferred revenue at 31 December 2013 and will be credited to the consolidated statement of profit or loss according to the related contracts periods.

As at 31 December 2013, government grants of the Company of RMB113,510,000 (2012: RMB109,847,000) were recognised as deferred revenue and will be credited to profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred. As at 31 December 2013, no addition of mobilisation revenue was recognised as deferred revenue (2012: RMB48,162,000).

In 2013, government grants of RMB76,841,000 (2012: RMB69,940,000) and mobilisation revenue of RMB99,804,000 (2012: RMB123,635,000) were credited to other revenue and revenues, respectively. In addition, amounts of RMB66,503,000 (2012: RMB18,152,000) and RMB6,243,000 (2012: RMB14,787,000) arising from the amortisation of the contract value and subsidies received for acquisition of machinery were credited to revenue during the year.

21 ISSUED CAPITAL

	31 December 2013 *RMB'000*	31 December 2012 *RMB'000*
Registered, issued and fully paid:		
2,460,468,000 state legal person shares of RMB1.00 each	**2,460,468**	2,460,468
1,534,852,000 H shares of RMB1.00 each	**1,534,852**	1,534,852
500,000,000 A shares of RMB1.00 each	**500,000**	500,000
	4,495,320	4,495,320

There were no movements in the Company's issued ordinary share capital during the year.

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

In 2013, the total investment scale of exploration and development of global petroleum companies exceeds US$682 billion (from Barclays), representing a year-on-year (YOY) increase of 13%. The growing amount of investment further drives the development of oil and gas related service industry, and provides a stable external environment for the development of oil and gas equipment and service companies. According to the latest statistics of Spears, the total revenue of global oilfield services market in 2013 amounted to US$386.4 billion, representing a YOY increase of 6%.

In 2013, the global utilization rate of drilling rig is basically stable and the day rate recorded an increase. According to the statistics of ODS, in 2013, the average global utilization rate of jack-up drilling rig was 86.47%; the average global utilization rate of semi-submersible drilling rig (including deep-water drilling ship) in 2013 was 89.9%. The global geophysical exploration market of 2013 continued its growth trend in 2011-2012, and according to the statistics of Spears, the scale of global geophysical exploration market amounted to US$17.1 billion in 2013, representing a YOY increase of 7%.

BUSINESS REVIEW

Drilling Services Segment

COSL is the major supplier of China off-shore drilling services and an important participant in international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2013, the Group operated and managed a total of 40 drilling rigs (of which 30 are jack-up drilling rigs, and 10 are semi-submersible drilling rigs), 2 accommodation rigs and 4 module rigs.

COSL achieved outstanding performance in its drilling services segment during 2013 with further expansion in its scale of equipments and increase in calendar day utilization rate of its fleet. During the year, the segment achieved revenue of RMB14,665.2 million, representing an increase of 30.3% compared with RMB11,251.6 million in the same period last year.

In 2013, the drilling services segment kept closely in line with customers' demand with effective resource allocation. The Company strengthened its leading position in the traditional market in China and reached a new level in expansion of international market. The Company for the first time entered the drilling market in Thailand, successfully gained a Qatar marine drilling contract, while also gaining contracts in the Southeast Asian and Mexican markets with its 2 newly procured jack-up drilling rigs. We maintained high utilization for our 3 semi-submersible drilling rigs and 2 accommodation rigs operated in the North Sea.

For equipment, the Group kept adjusting and optimizing the structure of our equipment through procurement, leasing and construction to provide a stronger support for our future development. The Group leased NH7 (a semi-submersible drilling rig) and Kantan II (a jack-up drilling rig) to meet the drilling rig demand for different regions in shallow and mid to deep water areas. The Group efficiently completed the procurement of NH9 (a semi-submersible drilling rig), COSLHunter and COSLGift (jack-up drilling rigs), where NH9 and COSLGift started operation in October 2013 and January 2014 respectively. COSLHunter has received a contract and is expected to start operation in Q1 2014. COSLPromoter, the semi-submersible drilling rig produced in 2012, began the performance of an 8-year contract with Statoil of Norway in North Sea.

In addition, the Group also commenced the construction project of 3 drilling rigs, namely HYSY 982, HYSY 943 and HYSY 944. The construction of these 3 drilling rigs will enhance our operation in deep water and special marine regions, representing significant achievements in our equipment in terms of structural adjustment, entrance of deep water operation and advancement to high-end equipment.

As at the end of 2013, we have 11 drilling rigs operating in Bohai, China; 10 operating in the South China Sea, 2 in the East China Sea and 15 in international markets such as North Sea of Norway, Mexico, Indonesia and the Middle East. In addition, 2 rigs are currently being towed.

In 2013, our drilling rigs operated for 12,687 days, representing a YOY increase of 1,731 days. The calendar day utilization rate of the rigs reached 95.6%, 2.4 percentage points up compared to last year.

The operation details of the Group's jack-up and semi-submersible drilling rigs in 2013 are as follows:

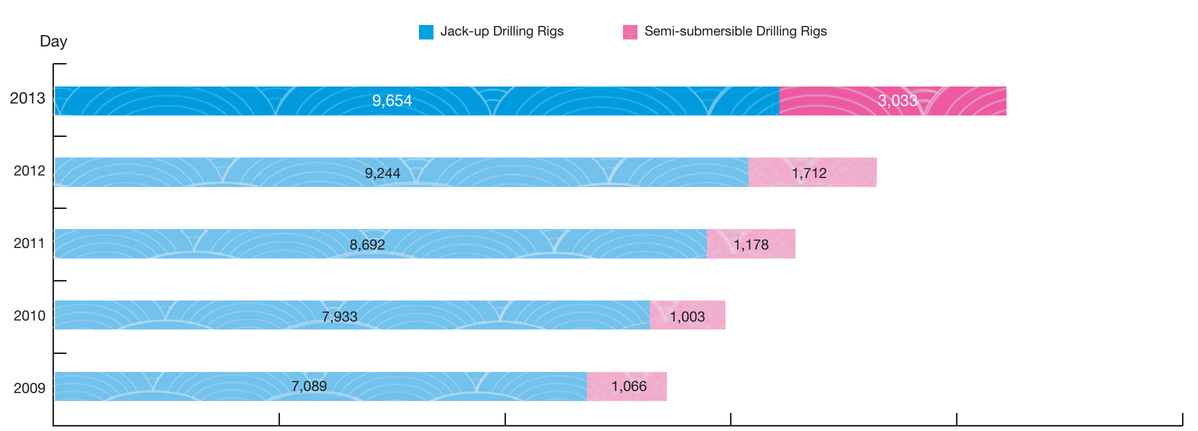
	2013	2012	Increase	Percentage change
Operating days (day)	12,687	10,956	1,731	15.8%
Jack-up drilling rigs	9,654	9,244	410	4.4%
Semi-submersible drilling rigs	3,033	1,712	1,321	77.2%
Available day utilization rate	99.9%	100.0%	Down 0.1 percentage point	
Jack-up drilling rigs	99.8%	100.0%	Down 0.2 percentage point	
Semi-submersible drilling rigs	100.0%	100.0%	–	
Calendar day utilization rate	95.6%	93.2%	Up 2.4 percentage points	
Jack-up drilling rigs	95.8%	93.5%	Up 2.3 percentage points	
Semi-submersible drilling rigs	95.0%	91.6%	Up 3.4 percentage points	

In 2013, operating days of drilling rigs increased by 1,731 days to 12,687 days compared to previous year driven by the launch of new drilling rigs (Kantan II, NH7 and COSLPromoter) and full-year operation of COSLInnovator and NH8 launched the previous year, where that of jack-up drilling rigs and semi-submersible drilling rigs increased by 410 days and 1,321 days YOY respectively. Owing to the fewer down time between contracts, the calendar day utilization rate continued to increase by 2.4 percentage points to 95.6%.

Two accommodation rigs continued their operation in the North Sea for 730 days with available day utilization rate and calendar day utilization rate both reaching 100.0%.

Four module rigs operating in the Gulf of Mexico had 1,286 days of operation, a decrease of 170 days YOY due to maintenance work, which caused a drop in calendar day utilization rate of 11.4 percentage points to 88.1%.

Number of Opertaing Days for Drilling Rigs in Recent Years



With the addition of new semi-submersible drilling rigs with relatively high revenue and the impact of the increased revenue of accommodation rigs, the average day income of the drilling rigs of the Group in 2013 increased when compared with last year, with details as follows:

Average day income (ten thousand US$/day)*	**2013**	**2012**	**Increase**	**Percentage Change**
Jack-up drilling rigs	11.7	10.8	0.9	8.3%
Semi-submersible drilling rigs	32.3	29.8	2.5	8.4%
Drilling rigs sub-total	17.1	14.7	2.4	16.3%
Accommodation rigs	26.3	20.9	5.4	25.8%
Group average	17.6	15.1	2.5	16.6%

Note:

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

(2) US$/RMB exchange rate was 1: 6.0969 on 31 December 2013 and 1: 6.2855 on 31 December 2012, respectively.

Well Services Segment

The Group possesses over 30 years of experiences in off-shore well services operation and over 20 years of experiences in onshore well services operation. Also, the Group is the main provider of China off-shore well services together with the provision of onshore well services. The Group's major clients for well services include oil and gas companies in China (such as CNOOC Limited and Petrochina etc.) and international oil and gas companies (such as BP, Shell, ConocoPhillips and Chevron etc.). Through the continuous input in technology research and development, advanced technological facilities and an excellent management team, the Group provides comprehensive professional well services to clients, including logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, oilfield production optimization etc.

In 2013, the Company continued to increase input in R&D in oilfield services pursuant to customers' demand. Meanwhile, with consolidation of useful resources and implementation of significant amount of technical research results, the impact of technical support became more obvious which significantly boosted our technical service ability to a new level. Driven by the increase in operating volume under multiple business lines and the implementation of advanced technology, our revenue in this segment increased by 33.3% from RMB 4,857.9 million in the same period last year to RMB 6,475.0 million.

In 2013, Electron Magnetic Resonance Logs Tools (EMRT), Micro-conductivity Imaging Logging Tool (MCI) and Enhanced Reservoir Characteristic Tester (ERCT) were implemented in different regions with the implementation expanded to onshore and overseas market. The implementation of high-temperature and high-pressure drilling fluid system in South China Sea returned with good performance and continual increase in market share. Multiple thermal fluid for offshore viscous oil recovery technology was successfully applied which provided efficient means of development and technical direction for the development of offshore viscous oil. Testing results of drill-logging, drill-acoustic-logging and drill-density-logging also met expected standard.

Marine Support and Transportation Services Segment

The Group possesses and operates the largest and most comprehensive off-shore utility transportation fleet in China. As of 31 December 2013, the Group owned an aggregate of 69 utility vessels of various types, 3 oil tankers and 4 chemical carriers, which were mainly operating in off-shore China. The off-shore utility vessels provide services for off-shore oil and gas fields exploration, development and production, and are responsible for supplies, cargoes and crew transportation and standby services at sea, and provide moving and positioning services for drilling rigs, towing and anchoring services for off-shore vessels. The oil tankers are used for transporting crude oil, refined oil and gas product. The chemical carriers are used for carrying chemical products such as methanol.

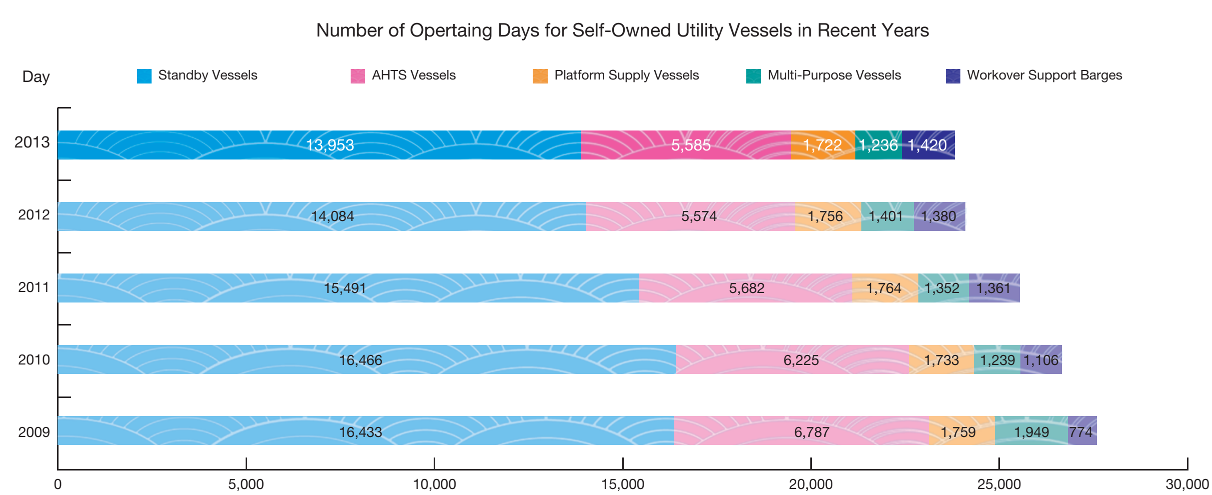
In 2013, the marine support and transportation services business continued its operation in the domestic market; it strived to quality service and safety production to achieve customers' satisfaction. In order to consolidate the existing market and develop deepwater market, the Group reasonably allocated resources while entered into construction contracts for 15 vessels, which were expected to be delivered from 2015. The construction contract was another move of adjusting the fleet structure and scale.

The chartered vessels operated for a total of 14,296 days in 2013, increased by 2,772 days compared with last year, generating revenue of RMB1,171.8 million. Driven by the increased revenue of the chartered vessels, the overall marine support and transportation services business realized operating revenue of RMB3,251.1 million, representing an increase of RMB305.9 million or 10.4% compared with RMB2,945.2 million of the same period last year. Owing to the impact of the decrease in the number of days of repairs and maintenance, the calendar day utilization rate of self-owned vessels was 93.9%, increased by 2.2 percentage points compared to the same period last year.

There were 5 vessels retired in 2013. However, in order to maintain the market share and adjust the fleet structure, the Group added two more vessels into operation. Meanwhile, HYSY681 that started operation last year was in operation throughout the year, and the number of days of repair and maintenance of other vessels also decreased. These factors, to a certain extent, alleviated the impact on operation owing to the scrapped vessels. The operation of our self-owned utility vessels in 2013 was 23,916 days, decreased by 279 days compared with last year, with details as follows:

Operating days (day)	**2013**	**2012**	**Increase/ (Decrease)**	**Percentage Change**
Standby vessels	13,953	14,084	(131)	(0.9%)
AHTS vessels	5,585	5,574	11	0.2%
Platform supply vessels	1,722	1,756	(34)	(1.9%)
Multi-purpose vessels	1,236	1,401	(165)	(11.8%)
Workover support barges	1,420	1,380	40	2.9%
Total	23,916	24,195	(279)	(1.2%)

The total transportation volume of oil tankers and chemical carriers of the Group decreased slightly due to market conditions, of which, the transportation volume of oil tankers was 1,858 thousand tonnes, representing a decrease of 7.9% compared with that of the same period of last year. The transportation volume of chemical carriers was 1,898 thousand tonnes, representing a decrease of 17.5% compared with that of the same period last year.



Geophysical and Surveying Segment

The Group is a major supplier for China off-shore geophysical and surveying services. At the same time, the Group also provides services in other off-shore regions, including the Asia-Pacific region, the South and North Americas, the Middle East, Africa and Europe. The Group's geophysical and surveying services are divided into two main categories: geophysical services and surveying services. At present, the Group owns 7 seismic vessels, 2 undersea cable teams and 7 integrated marine surveying vessels.

In 2013, the geophysical and surveying business realized revenue of RMB2,972.5 million for the year. Affected by the weather, sea conditions and vessel repairs during the year, there was a decrease of RMB77.5 million or 2.5% in revenue, compared with RMB3,050.0 million of the same period last year.

Geophysical Services

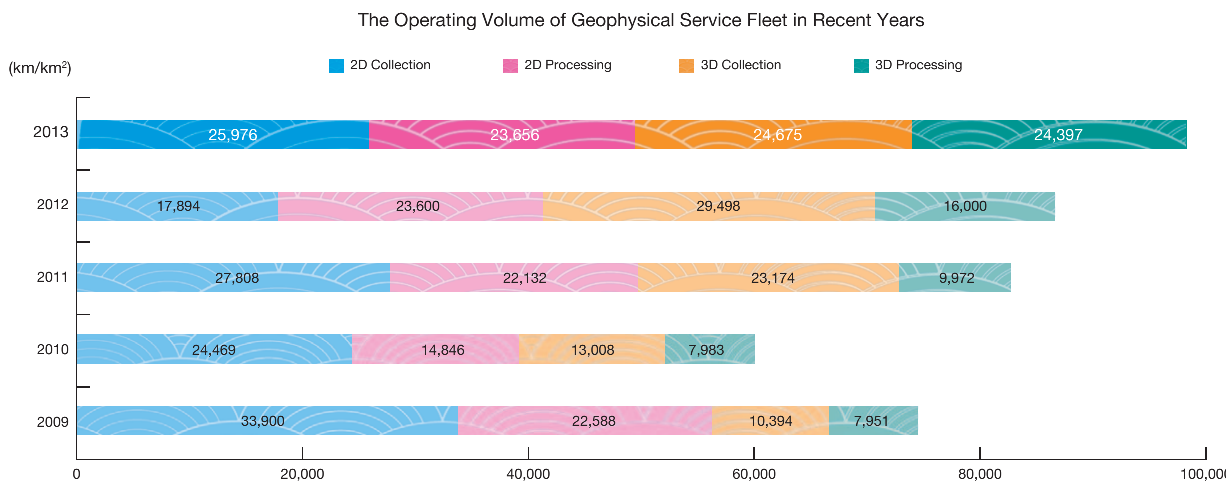
In 2013, the Group arranged the operating area in a reasonable way with the aim of ensuring safety production, organized resource allocation, reduced the time of rig recovery and transit among operating areas, maximize the operating ability of marine support and transportation services, as well as completed overseas projects in Pakistan, Myanmar and Thailand. HYSY 718 was awarded an honorary medal from United Energy Pakistan (UEP) with its quality services. However, operating efficiency was affected to a certain extent by weather, sea conditions and disruptions by the fishing business.

Furthermore, the Company entered into a construction contract for a 12-streamer geophysical vessel, HYSY721, in 2013 for enhancing the deep water operating ability of geophysical services and further expand our scale of equipment. It is expected that such vessel will be ready for delivery and use in the second half of 2014.

The details of operation volume for the geophysical collection and data processing businesses of the Group for 2013 are as follows:

Services	2013	2012	Increase/ (Decrease)	Percentage Change
2D collection (km)	25,976	17,894	8,082	45.2%
2D processing (km)	23,656	23,600	56	0.2%
3D collection (km^2)	24,675	29,498	(4,823)	(16.4%)
of which: submarine cable (km^2)	1,240	1,297	(57)	(4.4%)
3D processing (km^2)	24,397	16,000	8,397	52.5%

In 2013, the Group's 2D collection business increased remarkably and reached 45.2%, which was mainly due to reasonable market arrangements and appropriate use of external resources. 3D collection operation decreased by 16.4% over the same period last year, mainly due to repairs of vessels, relatively poor sea conditions and disruptions by the fishing business that led to the decrease of operation efficiency. Driven by the increase in processing business in Bohai Sea and enhancement of processing technology, 3D processing business increased by 52.5% over the same period last year.



Surveying Services

In 2013, our surveying services successfully expanded into a new market with the surveying contract gained from CNPC. The Group's HYSY708, a deep-water surveying vessel, scored the first in completing oil tree recovery and installation with a single vessel, representing good economic efficiency and branding. Due to the decrease in outsourcing business, surveying services recorded a revenue of RMB 541.7 million, representing a decrease of 10.7% (RMB 65.1 million) from RMB 606.8 million in the same period last year.

International Business

The Group has been unswervingly implementing the internationalization strategy. With the acceleration in our internationalization process, the Group broadened its overseas business covering America, Europe, Southeast Asia, Middle East and Australia.

We made another significant achievement in expanding into new market in 2013. Drilling services for the first time entered the drilling market in Thailand. The sector also gained offshore drilling contract from Qatar. Benefitted from the drilling service sector, we brought to Southeast Asia offshore market some of our businesses. The Group established a branch in Canada to develop the market in the nation. Progress were seen on the implementation of new technology, where ERCT brought solid results in the Middle East. New drilling fluids technology gained remarkable results in Indonesia and laid a solid foundation for future expansion of the drilling fluid market. For the Missan oilfield project in Iraq undertaken by the Group, we successfully resolved the difficult technical problem. For Mexican market, on top of successful renewal of existing long-term contract for drilling rigs and increase in day rates, the Group also obtained new contracts for drilling services. In the North Sea of Norway, we maintained high utilization rate for 3 semi-submersible drilling rigs and 2 accommodation rigs, where, COSLPioneer once again ranked first in the comprehensive performance evaluation by Statoil in February due to outstanding performance and was rated as the "rigs of the month in February". CDE, our subsidiary, ranked the first among drilling contractors according to Statoil.

In addition, we entered into an agreement regarding the establishment of a joint venture with PB SERVICES SDN BHD of Brunei. The joint venture will mainly provide oilfield exploration and development services.

In 2013, the operating revenue of international business reached RMB 8,898.3 million, accounting for 32.5% of the operating revenue of the Group for the year, representing an increase of 29.3% (RMB 2,018.9 million) compared to RMB 6,879.4 million of the same period last year.

Note: The international revenue for 2009 deducted the deferred gains of RMB1,073.1 million recognised for the year.

Major Subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary of the Group which engaged in drilling operations. CDE is a major subsidiary of CNA. As of 31 December 2013, the total assets of CNA amounted to RMB35,767.9 million and shareholders' equity amounted to RMB7,682.7 million. With the operation of COSLPromoter, a semi-submersible drilling rig, all 3 semi-submersible drilling rigs of CNA were under normal operation in 2013. Combined with the increase in revenue of accommodation rigs this year, CNA realized operating income of RMB5,451.4 million in 2013, representing an YOY increase of 35.1% or RMB1,416.3 million. Net profit amounted to RMB1,154.6 million, i.e. an YOY increase of 624.8% or RMB995.3 million.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

In 2013, driven by the operation of new equipment of drilling services segment and the increase in business volume of well services segment, the Group's operating revenue reached another high record of RMB27,363.8 million, representing an increase of RMB5,259.1 million or 23.8% compared with last year. The details are analyzed below:

Analysis by business segment

Unit: RMB million

Business segment	2013	2012	Increase/ (Decrease)	Percentage change
Drilling services	14,665.2	11,251.6	3,413.6	30.3%
Well services	6,475.0	4,857.9	1,617.1	33.3%
Marine support and transportation services	3,251.1	2,945.2	305.9	10.4%
Geophysical and surveying services	2,972.5	3,050.0	(77.5)	(2.5%)
Total	27,363.8	22,104.7	5,259.1	23.8%

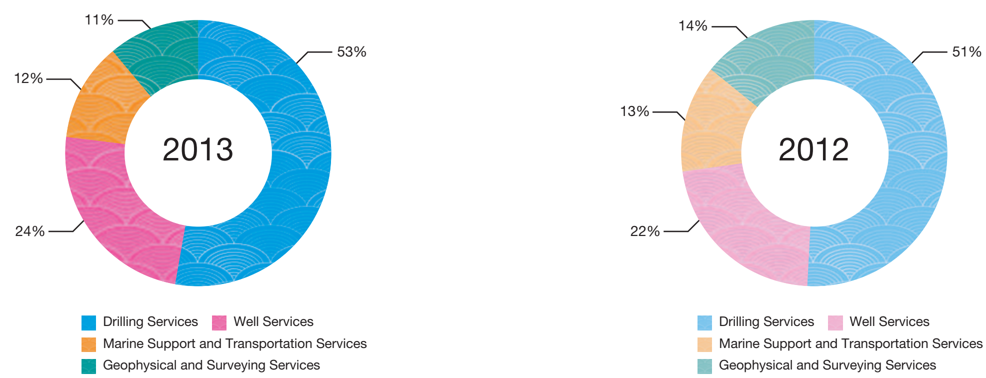
- Drilling services business drove increase in income of RMB3,413.6 million over the same period of last year. The main reasons were ① the expansion of equipment scale (the newly added drilling platform, Kantan II, NH7 and COSLPromoter) and most of the new equipment are semi-submersible drilling rigs with relatively higher day rate; and ② the highly efficient operation of existing equipment (COSLInnovator and NH8 which started operation at the end of last year became fully operational during the year) and the calendar day utilization rate enhanced.

- Driven by the application of new achievements of well services and the increase in its operation volume in 2013, its revenue increased by RMB 1,617.1 million over the same period of last year.

- In 2013, as a result of rationally utilizing external resource of the marine support and transportation services segment, the number of operation days of the chartered vessels increased by 2,772 days over the same period of last year, which resulted in the annual revenue reaching RMB3,251.1 million, representing an increase of RMB305.9 million over the same period last year.

- Revenue from geophysical and surveying services decreased by RMB77.5 million, mainly due to the impact of weather, sea conditions and repairs.

Revenue Analysis - By Business



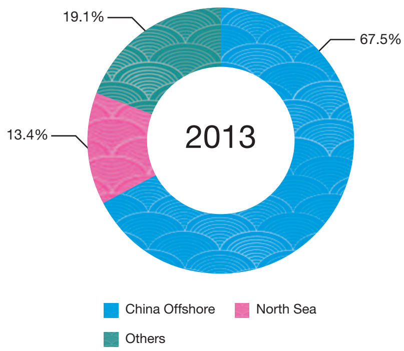
Analysis by operation area

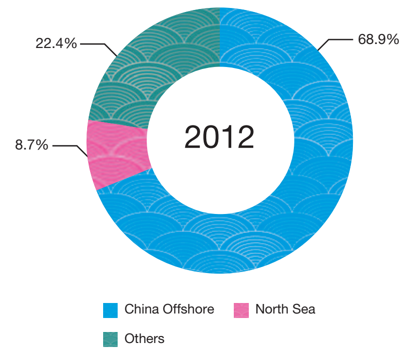
Unit: RMB million

Region	**2013**	**2012**	**Increase**	**Percentage change**
China Offshore	18,465.5	15,225.3	3,240.2	21.3%
North sea	3,679.4	1,925.5	1,753.9	91.1%
Others	5,218.9	4,953.9	265.0	5.3%
Total	27,363.8	22,104.7	5,259.1	23.8%

In terms of operation area, the Group's main source of revenue is from offshore of China. However, due to the development of the Group's process of internationalization, the scale of income from international market further expanded. In 2013, revenue from domestic market reached RMB18,465.5 million, representing an increase of 21.3% over the same period last year. For the international markets, the operating revenue from North sea increased around 91.1%, which is the largest year-on-year increase. The increase is mainly due to the good operation of CDE, the subsidiary, this year, the addition of semi-submersible drilling rigs, COSLPromoter, and the full operation of COSLInnovator which commenced production last year, resulting in the further release of production capacity. Meanwhile, there was an increase in the day rate of accommodation rigs. As such, our overall revenue from the international markets has reached a historical high of RMB8,898.3 million, accounting for 32.5% of the operating revenue of the Group for the year.

Revenue Analysis - By Region





1.2 Operating expenses

In 2013, operating expenses of the Group amounted to RMB19,878.9 million, representing an increase of RMB3,218.8 million or 19.3% compared with RMB16,660.1 million for last year.

The table below shows the breakdown of operating expenses for the Group in 2013 and 2012:

Unit: RMB million

	2013	**2012**	**Increase/ (Decrease)**	**Percentage change**
Depreciation of property, plant and equipment and amortisation of intangible assets	3,310.6	3,173.5	137.1	4.3%
Employee compensation costs	4,080.1	3,671.4	408.7	11.1%
Repair and maintenance costs	930.1	793.9	136.2	17.2%
Consumption of supplies, materials, fuel, services and others	4,897.8	4,071.7	826.1	20.3%
Subcontracting expenses	3,913.7	2,825.5	1,088.2	38.5%
Operating lease expenses	1,093.8	709.6	384.2	54.1%
Other operating expenses	1,652.8	1,318.1	334.7	25.4%
Impairment loss of property, plant and equipment	–	96.4	(96.4)	(100.0%)
Total operating expenses	19,878.9	16,660.1	3,218.8	19.3%

From the details of the operating expenses, sub-contracting expenses represented the largest YOY increase of RMB1,088.2 million and reached RMB3,913.7 million, mainly due to the use of sub-contracting services and external resources to develop part of their business by segments of well services, drilling services, marine support and transportation services for market development.

Consumption of supplies, materials, fuel, services and others increased compared with last year, mainly due to the remarkably increase of oilfield service business including cementing well and drilling fluids, which increased the consumption of supplies accordingly. Meanwhile, the added large equipment in drilling services segment and the increase in calendar day utilization rate also enhanced the consumption of supplies.

Employee compensation costs increased as compared with last year, which was mainly due to the increase of the number of foreign employees and salaries as a result of the growth in the Group's international business; and the fact that there are growth in domestic business development and number of local employees.

Owing to the impact of the leasing drilling rigs (NH7, HYSY981), the operating lease expenses for the year increased over the same period last year.

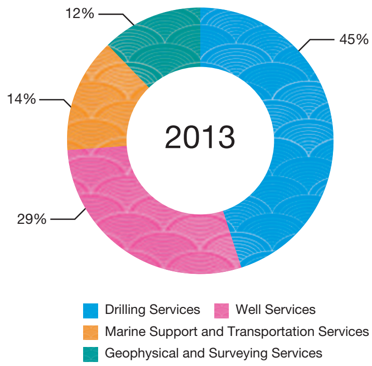
The increase in other operating expenses was mainly due to the corresponding increase in travel expenses, costs of personnel going abroad and other costs associated with production and operation because of the growth of market development and business development.

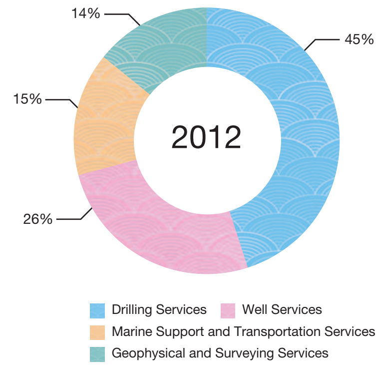
The operating expenses for each segment are shown in the table below:

Unit: RMB million

Business segment	**2013**	**2012**	**Increase**	**Percentage change**
Drilling services	8,918.4	7,572.5	1,345.9	17.8%
Well services	5,859.0	4,407.7	1,451.3	32.9%
Marine support and transportation services	2,800.3	2,413.7	386.6	16.0%
Geophysical and surveying services	2,301.2	2,266.2	35.0	1.5%
Total	19,878.9	16,660.1	3,218.8	19.3%

Analysis of Operating Expenses - By Business





1.3 Profit from operations

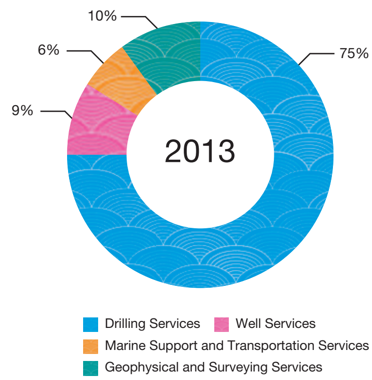
In 2013, benefited from the increase in the revenue of the Group of RMB5,259.1 million, representing an increase of 23.8%, and a slight increase in the total operating expenses of RMB3,218.8 million or 19.3%, the annual profit from operations reached RMB7,648.3 million, representing an increase of RMB2,029.7 million or 36.1%, compared with RMB5,618.6 million of the same period last year.

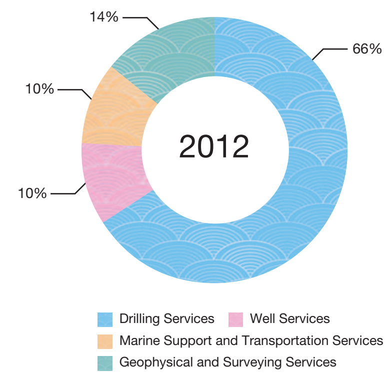
The profit from operations for each segment is shown in the table below:

Unit: RMB million

Business segment	**2013**	**2012**	**Increase/ (Decrease)**	**Percentage change**
Drilling services	5,764.7	3,714.0	2,050.7	55.2%
Well services	694.1	562.1	132.0	23.5%
Marine support and transportation services	463.7	547.1	(83.4)	(15.2%)
Geophysical and surveying services	725.8	795.4	(69.6)	(8.8%)
Total	7,648.3	5,618.6	2,029.7	36.1%

Analysis of Profit from Opertions - By Business





1.4 Financial expenses, net

Unit: RMB million

	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Exchange gains and losses, net	6.4	42.0	(35.6)	(84.8%)	Fluctuations in foreign exchange rate.
Finance costs	638.3	512.7	125.6	24.5%	The Group issued long-term bond of US$1 billion in September last year, accrued interest for the year.
Interest income	(124.5)	(127.5)	3.0	(2.4%)	
Financial expenses, net	520.2	427.2	93.0	21.8%	

1.5 Share of profits of joint ventures

In 2013, the Group's share of profits of joint ventures amounted to RMB297.2 million, representing an increase of RMB54.0 million or 22.2% compared with RMB243.2 million of last year. This was primarily attributable to an increase in gains in joint ventures, namely China France Bohai Geoservices Co., Ltd., China Offshore Fugro Geo Solutions (Shenzhen) Company Ltd. and China Nanhai-Magcobar Mud Corporation Ltd. of RMB47.1 million, while that in other joint ventures in aggregate increased by RMB6.9 million as compared with the same period last year.

1.6 Profit before tax

The profit before tax attained by the Group was RMB7,519.6 million in 2013, representing an increase of RMB2,082.8 million or 38.3% compared with RMB5,436.8 million of the same period last year.

1.7 Income tax

The income tax expense of the Group in 2013 was RMB793.2 million, representing a decrease of RMB73.8 million or 8.5% compared with RMB867.0 million in 2012, which is mainly due to the change of tax practice (as disclosed in note 6 of this Results Announcement).

1.8 Profit after tax

In 2013, the after-tax profit of the Group was RMB6,726.4 million, representing an increase of RMB2,156.6 million or 47.2% compared with RMB4,569.8 million of the same period last year.

1.9 Basic earnings per share

For 2013, the Group's basic earnings per share were approximately RMB1.49, representing an increase of approximately RMB0.48 or 47.3% compared with approximately RMB1.01 of the same period last year.

1.10 Dividend

For 2013, the Board of the Company proposed a final dividend of RMB43 cents per share, totaling RMB2,051.8 million (as disclosed in note 7 of this Results Announcement).

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2013, the total assets of the Group amounted to RMB79,262.3 million, representing an increase of RMB4,613.8 million or 6.2% compared with RMB74,648.5 million at the end of 2012. The total liabilities amounted to RMB42,002.5 million, representing a decrease of RMB441.1 million or 1.0% compared with RMB42,443.6 million at the end of 2012. Total equity amounted to RMB37,259.8 million, representing an increase of RMB5,054.9 million or 15.7% compared with RMB32,204.9 million at the end of 2012.

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

Unit: RMB million

		Items	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Assets	1	Property, plant and equipment	51,292.4	47,075.7	4,216.7	9.0%	The newly added drilling rigs including NH9, COSLGift and COSLHunter. In addition, the newly added construction project of 15 utility vessels and one 12-streamer geophysical vessel.
	2	Investments in joint ventures	710.5	508.8	201.7	39.6%	The profits from joint ventures.
	3	Other non-current assets	1,160.4	219.7	940.7	428.2%	Prepayments of part of the construction fees for construction of 12-streamer geophysical vessel, drilling rigs and oilfield utility vessel. In addition, the pre-paid taxes of the Group are included.
	4	Prepayment, deposits and other receivables	426.9	650.6	(223.7)	(34.4%)	Items that previously recorded in this account had been partly reclassified to other current assets and other non-current assets.
	5	Accounts receivables	5,873.0	4,145.2	1,727.8	41.7%	Relatively concentrated outstanding accounts receivable due to business expansion, overseas market expansion, diversity of customer base and location.
	6	Notes receivable	1,513.4	619.9	893.5	144.1%	An amount of RMB942.0 million of notes receivables received for the year. Meanwhile, the notes receivable increased RMB1,835.5 million for the year.
	7	Time deposits with original maturity over three months	600.0	3,954.2	(3,354.2)	(84.8%)	Part of the time deposits matured.

Unit: RMB million

		Items	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Liabilities	1	Trade and other payables	7,159.3	5,021.8	2,137.5	42.6%	With the expansion of the Group's business scale, the purchase of equipment, materials and services increased accordingly; according to agreement of upgrade and modification of drilling rigs, the upgrade fees and payment of Libya drilling rigs received in advance.
	2	Salary and bonus payables	1,210.0	914.4	295.6	32.3%	The number of foreign employees and salaries increased due to the growth in international business; and there are growth in domestic business development and number of local employees.
	3	Current liabilities-Interest-bearing bank borrowings	3,803.6	1,659.9	2,143.7	129.1%	An amount of RMB3,803.6 million of long-term loan due in a year, was reclassified to this item for the year.
	4	Other current liabilities	112.9	60.2	52.7	87.5%	The current portion of the deferred mobilization fee increased.
	5	Deferred tax liabilities	1,128.7	1,688.3	(559.6)	(33.1%)	Pursuant to the relevant provisions of the State Administration of Taxation and upon the communication with the officer of the tax authorities, the adjustments of the Group's deferred tax liabilities recognized in previous years arising from the difference between the tax law and accounting regarding the useful lives of fixed assets was made.

Unit: RMB million

		Items	2013	2012	Increase/ (Decrease)	Percentage Change	Reason
Equity	1	Non-controlling interests	21.1	11.0	10.1	91.8%	The profit for the year of PT.SAMUDAR TIMUR SANTOSA.

3. Analysis of consolidated statement of cash flows

At the beginning of 2013, the Group held cash and cash equivalents of RMB9,814.9 million, the net cash inflows from operating activities of RMB8,463.2 million, net cash outflows from investing activities of RMB4,785.3 million, net cash outflows from financing activities of RMB3,693.4 million and the impact of foreign exchange fluctuations resulted in a decrease in cash of RMB198.6 million. As at 31 December 2013, the Group's cash and cash equivalents amounted to RMB9,600.8 million.

3.1 Cash flows from operating activities

As of 31 December 2013, net cash inflows from operating activities of the Group reached RMB8,463.2 million, representing a decrease of 3.0% compared with the same period of last year. This was mainly attributed to a slight year-on-year increase of 9.3% in cash inflows from operating, lower than the increase of 23.8% in revenue, which was affected by the increase in accounts receivable. Meanwhile, with the expansion of business scale and retaining reserves for development needs, the cash outflow for purchases of goods and payments for labor services increased by 17.6% over the same period last year.

3.2 Cash flows from investing activities

As of 31 December 2013, net cash outflows generated from investing activities of the Group amounted to RMB4,785.3 million, representing a decrease of 43.1% compared with the same period last year, which was mainly attributable to the recovery of the time deposits with maturity over three months and the effect of purchasing large-scale equipment.

3.3 Net cash flows from financing activities

As of 31 December 2013, net cash outflows from financing activities of the Group amounted to RMB3,693.4 million, compared with a net cash inflow of RMB3,932.9 million of the same period of last year. This was mainly attributable to the receipt of RMB6,216.0 million through the issuance of US$1 billion bond last year and no such financing projects incurred this year.

3.4 The impact of foreign exchange fluctuations on cash during the year was the decrease in cash of RMB198.6 million.

4. **Capital expenditure**

In 2013, in order to enhance the Company's development potential, the Group increased its capital investment, constructed and purchased various large equipment including drilling rigs, oilfield utility vessels and geophysical collection vessels. The capital expenditure of the Group amounted to RMB8,660.7 million for the year, representing an increase of RMB4,470.6 million or 106.7% compared with RMB4,190.1 million of the same period last year.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segment	**2013**	**2012**	**Increase**	**Percentage change**
Drilling services	6,680.5	3,295.6	3,384.9	102.7%
Well services	801.6	574.7	226.9	39.5%
Marine support and transportation services	588.1	54.8	533.3	973.2%
Geophysical and surveying services	590.5	265.0	325.5	122.8%
Total	8,660.7	4,190.1	4,470.6	106.7%

The capital expenditure of the drilling services segment was mainly used for the purchase and construction of drilling rigs (for instance: purchase of NH9, COSLGift, COSLHunter and construction of COSLProspector). The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipment. The capital expenditure of the marine support and transportation services segment was mainly used for the construction and purchase of oilfield utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the construction of a 12-streamer geophysical vessel.

5. **Charge on assets**

As of 31 December 2013, the Group had no charges against its assets.

6. Employees

As of 31 December 2013, the Group had 13,830 employees on service. Since November 2006, the Company has implemented a share appreciation rights plan to 7 senior officers. The Company has basically formed a layout with marketization as its body and constructed a reasonable payment structure.

BUSINESS PLAN

We strive to achieve a YOY operating revenue growth of not less than 10% in 2014. It is expected that operation cost and expense will also increase. Profit margin will remain stable and it is planned that capital expenditure will be approximately RMB7 billion to RMB 8 billion.

To accomplish the target of 2014, the Company will reinforce its QHSE management to ensure operation safety and diligent performance of its responsibilities towards the environment; utilize external resources in a reasonable way to maintain and expand market share while actively and effectively using internal resources; focus on the enhancement of construction management in order to strive for earliest commencement of equipment operation with an aim to ensure the long-term and sustainable development of the Company. Also, the Company will invest more in research and development and actively promote the industrialization of technological achievements to drive the development of the Company. Finally, we will continue to pursue the overall risk management to maintain a stable development of the Company.

The above business plan is formulated by the Company based on the current operation situation and market environment and it should not be constructed as the Company's profit forecast or actual commitment of the directors. Whether the Company can achieve the expected performance in 2014 will mainly depend on market and economic situations. Investors should be reminded of the risks involved.

BUSINESS OUTLOOK

According to Barclays, the global exploration and development cost in 2014 is expected to be approximately US$723 billion, representing an increase of approximately 6% over 2013. Spears expects that the revenue of the global oilfield services market will amount to US$423.4 billion, representing an increase of 8% compared to the same period of last year. In 2014, the market scale of international off-shore drilling contracting and services will exceed US$53.7 billion, representing a YOY increase of 11%. The global geophysical exploration market will amount to US$18.4 billion, representing a YOY increase of 8%. As for the well services, the demand for technology to increase and stabilize the production capacity will increase. According to ODS, new tender activities decreased for the market of semi-submersible drilling rig since 2014 with reduction in the number of contracts and contract terms. The rates of deep water platforms in West Africa and North America had decreased by around 10% and the deep water drilling rig market is still overwhelmed by uncertainties in the short term.

As for the domestic market, it is expected that the main domestic customer will have 7 to 10 new projects which will commence production in 2014. The capital expenditures in respect of its exploitation, development and production within the country will amount to approximately RMB60 billion in total.

These investments from customers will provide rooms for the Company's development.

Sources: Spears&Associates, ODS, Barclays and the disclosed documents of CNOOC Limited, etc.

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 annual results of the Group for the year ended 31 December 2013 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2013, save for Code Provision A.6.7, the Company has complied with the Corporate Governance Code as stated in Appendix 14 to 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 matters 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, during the 12 months ended 31 December 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 year ended 31 December 2013.

Other matters

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. As at the end of the year, such land was not yet transferred since that the progress of the infrastructure project had not reached to the investment level required for such transfer.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

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

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

18 March 2014

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.