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 2015

FINANCIAL HIGHLIGHTS

1. Revenue was RMB23,174.2 million
2. Profit from operations was RMB1,631.5 million
3. Profit for the year was RMB1,108.7 million
4. Basic earnings per share were RMB23 cents
5. Total assets were RMB93,525.1 million
6. Total equity was RMB46,828.7 million

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the year ended 31 December 2015

	Notes	2015 RMB'000	2014 RMB'000
REVENUE	4	**23,653,980**	33,720,185
Sales surtaxes		**(479,732)**	(726,946)
Revenue, net of sales surtaxes		**23,174,248**	32,993,239
Other revenues	4	**242,495**	223,721
		23,416,743	33,216,960
Depreciation of property, plant and equipment and amortisation of intangible assets		**(4,213,421)**	(3,769,586)
Employee compensation costs	5	**(3,792,454)**	(4,380,705)
Repair and maintenance costs		**(799,297)**	(1,094,907)
Consumption of supplies, materials, fuel, services and others		**(4,569,260)**	(5,955,000)
Subcontracting expenses		**(3,474,789)**	(5,445,405)
Operating lease expenses	5	**(1,547,610)**	(1,605,992)
Other operating expenses		**(2,185,096)**	(2,165,245)
Impairment of goodwill	10	**(923,154)**	–
Impairment of property, plant and equipment	9	**(280,116)**	(374,185)
Total operating expenses		**(21,785,197)**	(24,791,025)
PROFIT FROM OPERATIONS		**1,631,546**	8,425,935
Exchange gain/(loss), net		**87,726**	(5,690)
Finance costs		**(700,259)**	(587,535)
Interest income		**105,248**	155,033
Investment income	5	**102,345**	193,795
Share of profits of joint ventures, net of tax		**169,748**	340,954
PROFIT BEFORE TAX	5	**1,396,354**	8,522,492
Income tax expense	6	**(287,648)**	(1,002,309)
PROFIT FOR THE YEAR		**1,108,706**	7,520,183
Attributable to:			
Owners of the Company		**1,073,907**	7,492,058
Non-controlling interests		**34,799**	28,125
		1,108,706	7,520,183
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic (RMB)	8	**22.51 cents**	157.36 cents

Details of the dividends paid or proposed for the year are disclosed in note 7 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	2015	2014
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**1,108,706**	7,520,183
OTHER COMPREHENSIVE INCOME/(EXPENSE)		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension plan	**33,988**	(40,850)
Income tax relating to items that will not be reclassified subsequently to profit or loss	**(8,497)**	24,819
	25,491	(16,031)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	**604,262**	32,028
Net fair value gain on available-for-sale investments	**61,089**	3,802
Share of exchange differences of joint ventures	**6,550**	1,225
Income tax relating to items that may be reclassified subsequently to profit or loss	**(9,163)**	(570)
	662,738	36,485
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF INCOME TAX	**688,229**	20,454
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,796,935**	7,540,637
Attributable to:		
Owners of the Company	**1,759,108**	7,512,313
Non-controlling interests	**37,827**	28,324
	1,796,935	7,540,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**60,388,044**	55,338,074
Goodwill	10	**3,394,504**	4,122,652
Other intangible assets		**469,605**	383,976
Investments in joint ventures		**681,314**	750,721
Available-for-sale investments		**–**	–
Other non-current assets		**1,150,440**	2,514,040
Deferred tax assets	16	**39,707**	11,954
Total non-current assets		**66,123,614**	63,121,417
CURRENT ASSETS			
Inventories		**1,328,250**	1,300,605
Prepayments, deposits and other receivables	11	**496,384**	681,202
Accounts receivable	12	**6,652,732**	7,230,381
Notes receivable	13	**1,906,542**	2,775,827
Other current assets		**4,211,964**	4,985,523
Pledged deposits	14	**31,607**	39,119
Time deposits with maturity of over three months	14	**200,000**	1,308,046
Cash and cash equivalents	14	**12,573,958**	5,432,187
Total current assets		**27,401,437**	23,752,890
CURRENT LIABILITIES			
Trade and other payables	15	**8,081,048**	8,634,342
Salary and bonus payables		**985,252**	1,463,861
Tax payable		**111,320**	279,168
Interest-bearing bank borrowings	17	**11,451,529**	3,817,369
Other current liabilities		**429,418**	117,016
Total current liabilities		**21,058,567**	14,311,756

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 December 2015

	Notes	31 December 2015 RMB'000	31 December 2014 RMB'000
NET CURRENT ASSETS		**6,342,870**	9,441,134
TOTAL ASSETS LESS CURRENT LIABILITIES		**72,466,484**	72,562,551
NON-CURRENT LIABILITIES			
Deferred tax liabilities	*16*	**627,316**	753,081
Interest-bearing bank borrowings	*17*	**9,482,555**	15,755,490
Long term bonds	*18*	**14,390,824**	7,564,340
Deferred revenue	*19*	**1,070,670**	1,071,880
Employee benefit liabilities		**66,449**	95,661
Total non-current liabilities		**25,637,814**	25,240,452
Net assets		**46,828,670**	47,322,099
EQUITY			
Equity attributable to owners of the Company			
Issued capital	*20*	**4,771,592**	4,771,592
Reserves		**41,969,786**	42,501,042
		46,741,378	47,272,634
Non-controlling interests		**87,292**	49,465
Total equity		**46,828,670**	47,322,099

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 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 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 incorporated in the PRC.

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

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

2.1 *Amendments to HKFRSs that are mandatorily effective for the current year*

The Group has applied for the first time in the current year the following amendments to HKFRSs.

Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2010-2012 Cycle*
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2011-2013 Cycle*

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions 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*

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

HKFRS 9	*Financial Instruments*[1]
HKFRS 15	*Revenue from Contracts with Customer*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
Amendments to HKAS 1	*Disclosure Initiative*[2]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[2]
Amendments to HKFRSs	*Annual Improvements to HKFRSs 2012-2014 Cycle*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]

Amendments to HKAS 27	*Equity Method in Separate Financial Statements*[2]
Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	*Investment Entities: Applying the Consolidation Exception*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2016
[3] Effective for annual periods beginning on or after a date to be determined

Except as described below, the Directors anticipate that the application of the above new and revised HKFRSs will have no material impact on the Group's financial performance and positions.

HKFRS 9 ***Financial Instruments***

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of HKFRS 9:

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

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value 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 at fair value through profit or loss is presented in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, 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 retrospective quantitative effectiveness test has been removed. 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 material impact on amounts reported in respect of the Group's financial assets classified as available-for-sale investments. However it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The Directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

Amendments to HKAS 16 and HKAS 38 ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments to HKAS 16 *Property, Plant and Equipment* prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 *Intangible Assets* introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

a) when the intangible asset is expressed as a measure of revenue; or

b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.
Currently, the Group uses the straight-line method for depreciation and amortisation for its property, plant and equipment, and intangible assets respectively. The Directors believe that the straight-line method is the most appropriate method to reflect the consumption of economic benefits inherent in the respective assets and accordingly, the Directors do not anticipate that the application of these amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

The amendments to HKFRS 10 *Consolidation Financial Statements* and HKAS 28 *Investments in Associates and Joint Ventures* deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investor's interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The amendments should be applied prospectively to transactions occurring in annual periods beginning on or after a date to be determined. The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The *Annual Improvements to HKFRSs 2012-2014 Cycle* include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa). The amendments clarify that such a change should be considered as a continuation of the original plan of disposal and hence requirements set out in HKFRS 5 regarding the change of sale plan do not apply. The amendments also clarify the guidance for when held-for-distribution accounting is discontinued.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets.

The amendments to HKAS 19 clarify that the rate used to discount post-employment benefits obligations should be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. The assessment of the depth of a market for high quality corporate bonds should be at the currency level (i.e. the same currency as the benefits are to be paid). For currencies for which there is no deep market in such high quality corporate bonds, the market yields at the end of the reporting period on government bonds denominated in that currency should be used instead.

The Directors do not anticipate that the application of these amendments will have a material effect on the amounts recognised in 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 services segment is engaged in the transportation of materials, supplies and personnel to offshore facilities, moving and positioning drilling structures, the transportation of crude oil and refined products;

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

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

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

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

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

Year ended 31 December 2015	Drilling services RMB'000	Well services RMB'000	Marine support services RMB'000	Geophysical and surveying services RMB'000	Total RMB'000
REVENUE:					
Sales to external customers, net of sales surtaxes	12,039,525	6,913,187	2,703,409	1,518,127	23,174,248
Sales surtaxes	189,570	170,729	65,156	54,277	479,732
Sales to external customers, before net of sales surtaxes	12,229,095	7,083,916	2,768,565	1,572,404	23,653,980
Intersegment sales	1,854,310	788,741	13,551	8,047	2,664,649
Segment revenue	14,083,405	7,872,657	2,782,116	1,580,451	26,318,629
Elimination	(1,854,310)	(788,741)	(13,551)	(8,047)	(2,664,649)
Group revenue	12,229,095	7,083,916	2,768,565	1,572,404	23,653,980
Segment results	966,798	513,634	314,209	6,653	1,801,294
Reconciliation:					
Exchange gain, net					87,726
Finance costs					(700,259)
Interest income					105,248
Investment income					102,345
Profit before tax					1,396,354
Income tax					287,648
As at 31 December 2015					
Segment assets	56,032,445	7,822,223	8,315,831	6,309,795	78,480,294
Unallocated assets					15,044,757
Total assets					93,525,051
Segment liabilities	5,211,937	2,814,233	1,449,270	904,648	10,380,088
Unallocated liabilities					36,316,293
Total liabilities					46,696,381
Other segment information:					
Capital expenditure	3,973,601	705,055	1,543,821	1,644,036	7,866,513
Depreciation of property, plant and equipment and amortisation of intangible assets	2,614,886	691,086	515,177	392,272	4,213,421
Impairment of accounts receivable	548,311	7,376	1,981	1,125	558,793
Impairment of goodwill	923,154	–	–	–	923,154
Impairment of other receivables	1,312	760	297	168	2,537
Impairment of inventories	4,049	2,346	917	521	7,833
Impairment of property, plant and equipment	280,116	–	–	–	280,116
Share of (losses)/profits of joint ventures	(5,789)	120,049	(3,129)	58,617	169,748
Investments in joint ventures	–	481,280	–	200,034	681,314

Year ended 31 December 2014	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	17,389,057	9,533,384	3,468,884	2,601,914	32,993,239
Sales surtaxes	320,070	243,341	74,887	88,648	726,946
Sales to external customers, before net of sales surtaxes	17,709,127	9,776,725	3,543,771	2,690,562	33,720,185
Intersegment sales	2,427,910	1,025,928	92,859	74,316	3,621,013
Segment revenue	20,137,037	10,802,653	3,636,630	2,764,878	37,341,198
Elimination	(2,427,910)	(1,025,928)	(92,859)	(74,316)	(3,621,013)
Group revenue	17,709,127	9,776,725	3,543,771	2,690,562	33,720,185
Segment results	6,571,798	1,632,108	319,195	243,788	8,766,889
Reconciliation:					
Exchange loss, net					(5,690)
Finance costs					(587,535)
Interest income					155,033
Investment income					193,795
Profit before tax					8,522,492
Income tax					1,002,309
As at 31 December 2014					
Segment assets	55,215,281	8,222,315	8,054,086	5,561,140	77,052,822
Unallocated assets					9,821,485
Total assets					86,874,307
Segment liabilities	4,586,726	3,922,886	1,772,449	957,686	11,239,747
Unallocated liabilities					28,312,461
Total liabilities					39,552,208
Other segment information:					
Capital expenditure	3,482,859	1,181,169	2,231,351	1,183,501	8,078,880
Depreciation of property, plant and equipment and amortisation of intangible assets	2,368,552	572,360	419,853	408,821	3,769,586
Impairment of accounts receivable	105,376	982	356	270	106,984
Impairment of other receivables	635	350	127	96	1,208
Impairment of inventories	2,731	1,508	547	415	5,201
Impairment of property, plant and equipment	214,998	7,903	151,284	–	374,185
Share of (losses)/profits of joint ventures	(3,798)	267,829	(495)	77,418	340,954
Investments in joint ventures	(3,553)	484,313	75,966	193,995	750,721

Geographical information

The Group mainly engages in the provision of drilling services, well services, marine support services and geophysical and surveying services principally in Mainland China. Activities outside Mainland China are mainly conducted in Indonesia, Mexico, Norway and certain countries in the Middle-East.

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

The following table presents revenue and non-current assets (excluding goodwill, investments in joint ventures and deferred tax assets) information for the Group's geographical areas for the years ended 31 December 2015 and 2014.

Year ended/as at 31 December 2015	**Domestic**	**International**		**Total**
		North sea	**Others**	
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Segment revenue:				
Sales to external customers	**15,954,214**	**3,161,998**	**4,537,768**	**23,653,980**
Less: Sales surtaxes	**(479,732)**	**–**	**–**	**(479,732)**
Sales to external customers, net of sales surtaxes	**15,474,482**	**3,161,998**	**4,537,768**	**23,174,248**
Non-current assets:	**35,611,585**	**11,566,382**	**14,830,122**	**62,008,089**

Year ended/as at 31 December 2014	Domestic	International		Total
		North sea	Others	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Segment revenue:				
Sales to external customers	23,627,877	4,073,245	6,019,063	33,720,185
Less: Sales surtaxes	(726,946)	–	–	(726,946)
Sales to external customers, net of sales surtaxes	22,900,931	4,073,245	6,019,063	32,993,239
Non-current assets:	31,936,564	11,385,026	14,914,500	58,236,090

Information about a major customer

Revenue from transactions with a major customer, CNOOC Limited and its subsidiaries (the "CNOOC Limited Group"), including sales to a group of entities which are known to be under common control with CNOOC Limited, accounted for 66% (2014: 64%) of the total sales of the Group for the year ended 31 December 2015.

4. REVENUE AND OTHER REVENUES

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

An analysis of revenue and other revenues is as follows:

	2015	2014
	RMB'000	*RMB'000*
Revenue:		
Rendering of services	**23,653,980**	33,720,185
Other revenues:		
Insurance claims received	**119,213**	39,834
Government grants (a)	**112,836**	167,762
Others	**10,446**	16,125
Total other revenues	**242,495**	223,721

(a) Including release of deferred revenue of RMB44,501,000 for the year (2014: RMB84,082,000) (note 19).

5. PROFIT BEFORE TAX

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

	2015	2014
	RMB'000	*RMB'000*
Employee compensation costs (including Directors' and chief executive's remuneration):		
Wages, salaries and bonuses	**2,825,364**	3,342,584
Social security costs	**525,477**	587,849
Retirement benefits and pensions	**441,613**	450,272
	3,792,454	4,380,705
Auditor's remuneration	**17,919**	20,175

	Notes	2015 RMB'000	2014 RMB'000
Loss on disposal of property, plant and equipment, net		**33,581**	32,096
Lease payments under operating leases in respect of land and buildings, berths and equipment		**1,547,610**	1,605,992
Impairment of accounts receivable	*12*	**558,793**	106,984
Impairment of other receivables	*11*	**2,537**	1,208
Impairment of inventories		**7,833**	5,201
Income from investments in corporate wealth management products and liquidity funds		**102,345**	193,795
Cost of inventories recognised as an expense		**2,667,899**	3,590,729
Research and development costs, included in:		**635,743**	827,791
Depreciation of property, plant and equipment		**79,154**	64,654
Employee compensation costs		**127,056**	111,636
Consumption of supplies, materials, fuel, services and others		**429,533**	651,501

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%.

The Company obtained an approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of Tianjin State Administration of Taxation (the "TSAT") in February 2012. According to the approval, the CIT rate was approved to be 15% for the period from January 2011 to September 2014. The Company has applied to renew its HNTE certificate for three years commencing from 1 October 2014, and was re-certified as an HNTE on 21 October 2014, which is effective for three years commencing from 1 October 2014, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in January 2015. According to the approval, the CIT rate was approved to be 15% for the period from October 2014 to September 2017. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the year ended 31 December 2015 (2014: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (2014: 25%). The Group's activities in Australia are subject to income tax of 30% (2014: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to deemed income tax calculated at 3.5% (2014: 3.5%) of service income generated from drilling activities in Myanmar. The Group's activities in Mexico are subject to income tax of 30% (2014: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 27% (2014: 27%). The Group's activities in the United Kingdom are subject to income tax of 21% (2014: 21%). The Group's activities in Thailand are subject to withholding tax based on 3% (2014: 3%) of revenue generated every month. The Group's activities in Qatar are subject to income tax of 10% (2014: 10%). The Group's activities in Iraq are subject to withholding tax based on 7% of revenue generated in Iraq (2014: 7%). The Group's activities in Singapore are subject to income tax of 17% (2014: 17%). The Group's activities in the United States are subject to income tax of 34% (2014: 34%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's activities in Denmark are subject to income tax of 24.5% (2014: 24.5%). The Group's activities in Canada commencing in the current year are subject to the net federal corporate income tax of 15% and provincial income tax ranging from 10% to 16%, depending on the province and the size of the business. The Group's activities in Malaysia commencing in the current year are subject to income tax of 25%. The Group's activities in New Zealand commencing in the current year are subject to withholding tax based on 15% of revenue generated in New Zealand.

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

	2015	2014
	RMB'000	*RMB'000*
Hong Kong profits tax	**–**	–
Overseas income taxes:		
Current	**206,125**	296,660
Deferred	**(223,908)**	(217,818)
PRC corporate income taxes:		
Current	**340,019**	1,088,664
Deferred	**47,820**	(166,085)
(Over)/under provision in prior year	**(82,408)**	888
Total tax charge for the year	**287,648**	1,002,309

A reconciliation of the income 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:

	2015		2014	
	RMB'000	*%*	*RMB'000*	*%*
Profit before tax	**1,396,354**		8,522,492	
Tax at the statutory tax rate of 25% (2014: 25%)	**349,088**	**25.0**	2,130,623	25.0
Tax reduction as an HNTE	**(224,101)**	**(16.0)**	(722,717)	(8.5)
Tax effect of income not subject to tax	**(55,719)**	**(4.0)**	(85,362)	(1.0)
Tax effect of expense not deductible for tax	**259,780**	**18.6**	60,325	0.7
– Effect of impairment of goodwill	**230,788**	**16.5**	–	–
– Others	**28,992**	**2.1**	60,325	0.7
Tax benefit for qualifying research and development expenses	**(62,982)**	**(4.5)**	(69,871)	(0.8)
Effect of non-deductible expenses/(non-taxable profit) and different tax rates for overseas subsidiaries	**114,172**	**8.2**	(134,229)	(1.6)
Tax effect of tax losses and deductible temporary differences unrecognised	**340,579**	**24.4**	788,631	9.3
Deductible translation adjustment (a)	**(415,496)**	**(29.8)**	(914,269)	(10.7)
Others	**(17,673)**	**(1.3)**	(50,822)	(0.6)
Total tax charge at the Group's effective tax rate	**287,648**	**20.6**	1,002,309	11.8

(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.

The share of tax attributable to joint ventures amounting to approximately RMB60,655,000 (2014: RMB116,417,000) is included in "Share of profits of joint ventures" in the consolidated statement of profit or loss.

7. DIVIDENDS

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Proposed final dividend – RMB0.068 per ordinary share (2014: RMB0.48 per ordinary share)	**324,468**	2,290,364

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

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

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

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

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

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

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

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

	2015	2014
	RMB'000	*RMB'000*
Earnings		
Earnings for the purpose of basic earnings per share (profit for the year attributable to owners of the Company)	**1,073,907**	7,492,058

	2015	2014
Number of shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**4,771,592,000**	4,760,995,266

No diluted earnings per share is presented for the years ended 31 December 2015 and 2014 as the Group had no potential ordinary shares in issue during those years.

9. PROPERTY, PLANT AND EQUIPMENT

31 December 2015	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 2014 and at 1 January 2015							
Cost	**11,633,754**	**48,883,546**	**13,343,021**	**109,915**	**70,597**	**10,492,239**	**84,533,072**
Accumulated depreciation and impairment	**(5,158,792)**	**(15,697,310)**	**(8,105,427)**	**(75,710)**	**(23,141)**	**(134,618)**	**(29,194,998)**
Carrying amount	**6,474,962**	**33,186,236**	**5,237,594**	**34,205**	**47,456**	**10,357,621**	**55,338,074**
Carrying amount							
At 1 January 2015	**6,474,962**	**33,186,236**	**5,237,594**	**34,205**	**47,456**	**10,357,621**	**55,338,074**
Additions	**–**	**200,161**	**761,791**	**21**	**–**	**6,767,029**	**7,729,002**
Depreciation provided during the year	**(617,943)**	**(2,151,337)**	**(1,367,151)**	**(9,264)**	**(10,518)**	**–**	**(4,156,213)**
Disposals/write-offs	**(46,731)**	**(22,185)**	**(22,727)**	**(425)**	**(93)**	**–**	**(92,161)**
Transfers from/(to) construction in progress ("CIP")	**1,983,088**	**4,334,223**	**881,524**	**11,027**	**248,767**	**(7,458,629)**	**–**
Impairment provided	**–**	**(280,116)**	**–**	**–**	**–**	**–**	**(280,116)**
Exchange realignment	**9,626**	**1,640,511**	**83,881**	**–**	**10,398**	**105,042**	**1,849,458**
At 31 December 2015	**7,803,002**	**36,907,493**	**5,574,912**	**35,564**	**296,010**	**9,771,063**	**60,388,044**
At 31 December 2015							
Cost	**13,117,494**	**55,595,648**	**14,905,429**	**116,226**	**329,223**	**9,771,063**	**93,835,083**
Accumulated depreciation and impairment	**(5,314,492)**	**(18,688,155)**	**(9,330,517)**	**(80,662)**	**(33,213)**	**–**	**(33,447,039)**
Carrying amount	**7,803,002**	**36,907,493**	**5,574,912**	**35,564**	**296,010**	**9,771,063**	**60,388,044**

31 December 2014	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 2013 and at 1 January 2014							
Cost	10,663,122	47,577,582	12,207,577	107,318	67,891	6,410,122	77,033,612
Accumulated depreciation and impairment	(4,770,455)	(13,258,952)	(7,487,289)	(71,488)	(18,890)	(134,132)	(25,741,206)
Carrying amount	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
Carrying amount							
At 1 January 2014	5,892,667	34,318,630	4,720,288	35,830	49,001	6,275,990	51,292,406
Additions	17,713	122,245	884,503	4,992	2,161	7,004,292	8,035,906
Depreciation provided during the year	(606,047)	(1,962,075)	(1,135,922)	(8,833)	(4,255)	–	(3,717,132)
Disposals/write-offs	(97,935)	(12,112)	(26,390)	(377)	(593)	–	(137,407)
Transfers from/(to) construction in progress ("CIP")	1,418,016	710,399	801,038	2,593	1,146	(2,933,192)	–
Reclassified from held for sale	–	129,128	–	–	–	–	129,128
Impairment provided	(151,284)	(214,998)	(7,903)	–	–	–	(374,185)
Exchange realignment	1,832	95,019	1,980	–	(4)	10,531	109,358
At 31 December 2014	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074
At 31 December 2014							
Cost	11,633,754	48,883,546	13,343,021	109,915	70,597	10,492,239	84,533,072
Accumulated depreciation and impairment	(5,158,792)	(15,697,310)	(8,105,427)	(75,710)	(23,141)	(134,618)	(29,194,998)
Carrying amount	6,474,962	33,186,236	5,237,594	34,205	47,456	10,357,621	55,338,074

As at 31 December 2015, the gross carrying amount of fully depreciated property, plant and equipment that is still in use was approximately RMB7,511,857,000 (2014: RMB7,607,679,000).

Included in the current year's additions was an amount of approximately RMB17,337,000 (2014: RMB38,525,000) in respect of interest capitalised in property, plant and equipment, with a capitalisation rate of 1.37% (2014: 1.48% per annum) per annum.

Impairment of property, plant and equipment

During the year ended 31 December 2015, the Group carried out a review of the recoverable amount of the Group's plant and machinery due to the down turn of global oilfield services market. Those assets are used in the Group's drilling services segment, marine support services segment and geophysical and surveying services segment respectively. The review led to the recognition of an impairment loss of RMB280,116,000 (2014: RMB374,185,000) which has been recognised in profit or loss for the year ended 31 December 2015. The impairment losses for the current year have been classified under the drilling services segment. The recoverable amounts of the relevant assets have been determined on the basis of their value in use. The discount rate used in measuring value in use was 8% (2014: 8% per annum) per annum.

10. GOODWILL

Goodwill was generated in the acquisition of COSL Holding AS in 2008.

	2015	2014
	RMB'000	*RMB'000*
COST		
At 1 January	**4,122,652**	4,107,763
Exchange realignment	**252,386**	14,889
At 31 December	**4,375,038**	4,122,652
IMPAIRMENT		
At 1 January	**–**	–
Impairment loss recognised in the year	**923,154**	–
Exchange realignment	**57,380**	–
At 31 December	**980,534**	–
CARRYING VALUE		
At 31 December	**3,394,504**	4,122,652

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 Middle East for jack-up and Asia Pacific and Norway for semis-submersible drilling rigs, respectively, with reference to the relevant market trend report. The discount rate applied to the cash flow projections is 8% (2014: 8%) per annum. 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 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. As at 31 December 2015, the recoverable amount of the group of the drilling services cash-generating units is RMB28,629,923,000. During the current year, an impairment loss of goodwill of approximately RMB923,154,000 (2014: Nil) was recognised in profit or loss in view of the unfavorable future prospect of the business of the Group due to the forecasted low utilization rate and fall of services prices of the Group's drilling rigs as a result of further deterioration in the global oilfield services market.

11. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Prepayments	**83,920**	135,292
Deposits	**84,854**	82,736
Other receivables	**341,439**	474,466
	510,213	692,494
Less: Provision for impairment of other receivables	**(13,829)**	(11,292)
	496,384	681,202

An analysis of other receivables is as follows:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Tax recoverables	**73,996**	141,352
Reimbursable advance to suppliers	**139,524**	168,284
Dividend receivable	**44,000**	85,242
Interest receivable	**18,826**	20,892
Advance to employees	**7,029**	6,310
Other advance	**13,113**	8,995
Insurance claim receivables	**3,326**	3,888
Others	**41,625**	39,503
	341,439	474,466

12. ACCOUNTS RECEIVABLE

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, and the CNOOC Limited Group, 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:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Outstanding balances aged:		
Within six months	**5,634,523**	6,376,482
Six months to one year	**267,240**	536,561
One to two years	**599,953**	315,068
Two to three years	**151,016**	2,270
	6,652,732	7,230,381

Included in the Group's accounts receivables balance are debtors with a carrying amount of approximately RMB1,018,209,000 (2014: RMB853,899,000) which are past due as 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:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Outstanding balances aged:		
Six months to one year	**267,240**	536,561
One to two years	**599,953**	315,068
Two to three years	**151,016**	2,270
	1,018,209	853,899

The Group has provided fully for all receivables aged over three years because historical experience shows that those receivables are generally not recoverable.

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

	2015 *RMB'000*	2014 *RMB'000*
At 1 January	**294,067**	186,654
Impairment losses recognised	**564,656**	134,515
Impairment losses reversed	**(5,863)**	(27,531)
Exchange realignment	**28,670**	429
At 31 December	**881,530**	294,067

13. NOTES RECEIVABLE

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Trade acceptances	**1,879,836**	2,738,214
Bank acceptances	**26,706**	37,613
	1,906,542	2,775,827

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

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

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Cash and balances with banks	**7,297,742**	2,019,560
Deposits with CNOOC Finance Corporation Ltd.	**1,506,039**	1,503,902
Time deposits at banks	**4,001,784**	3,255,890
Cash and balances with banks and financial institutions	**12,805,565**	6,779,352
Less:		
Pledged deposits-current	**(31,607)**	(39,119)
Time deposits with maturity of over three months	**(200,000)**	(1,308,046)
Cash and cash equivalents	**12,573,958**	5,432,187

At the end of the reporting period, the cash and bank balances and time deposits at banks of the Group denominated in RMB amounted to approximately RMB3,397,319,000 (2014: RMB3,199,516,000). 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 2015, included in the time deposits at banks of the Group were non-pledged time deposits with maturity of more than three months of approximately RMB200,000,000 (2014: RMB1,308,046,000).

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

15. TRADE AND OTHER PAYABLES

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

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Outstanding balances aged:		
Within one year	**6,745,877**	7,270,558
One to two years	**191,053**	114,775
Two to three years	**45,426**	27,764
Over three years	**43,540**	30,875
	7,025,896	7,443,972

16. 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:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Deferred tax assets	**39,707**	11,954
Deferred tax liabilities	**(627,316)**	(753,081)
	(587,609)	(741,127)

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

	Balance at 1 January 2014 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Exchange realignment RMB'000	Balance at 31 December 2014 and 1 January 2015 RMB'000	Recognised in profit or loss RMB'000	Recognised in other comprehensive income RMB'000	Exchange realignment RMB'000	Balance at 31 December 2015 RMB'000
Deferred tax assets:									
Provision for staff bonus	157,112	29,420	–	–	186,532	**(77,845)**	–	–	**108,687**
Impairment of assets	51,523	19,797	–	–	71,320	**(16,816)**	–	–	**54,504**
Amortisation of intangible assets	4,163	(4,163)	–	–	–		–	–	–
Accrued liabilities	–	–	–	–	–	**9,273**	–	–	**9,273**
Deductible tax loss	–	11,181	–	–	11,181	**18,274**	–	**1,463**	**30,918**
Others	8,685	(6,517)	–	8	2,176	**8,299**	–	**373**	**10,848**
	221,483	49,718	–	8	271,209	**(58,815)**	–	**1,836**	**214,230**
Deferred tax liabilities:									
Accelerated depreciation of property, plant and equipment	953,950	(207,460)	–	1,111	747,601	**(63,683)**	–	**6,749**	**690,667**
Fair value adjustment arising from acquisition of a subsidiary	382,228	(126,561)	–	1,878	257,545	**(183,147)**	–	**7,969**	**82,367**
Fair value change in available for sale investment	6,336	–	570	–	6,906	–	**9,163**	–	**16,069**
Others	448	(164)	–	–	284	**11,927**	–	**525**	**12,736**
	1,342,962	(334,185)	570	2,989	1,012,336	**(234,903)**	**9,163**	**15,243**	**801,839**
	1,121,479	(383,903)	570	2,981	741,127	**(176,088)**	**9,163**	**13,407**	**587,609**

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of Group's joint ventures for which deferred tax liabilities have not been recognised was RMB1,013,919,000 (31 December 2014: RMB1,055,751,000). No liability has been recognised in respect of these differences as the investment company and those joint ventures are all located in the PRC.

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was RMB1,628,456,000 (31 December 2014: RMB2,684,525,000). 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 2015, accumulated tax losses arising in subsidiaries of the Company of approximately RMB7,487,902,000 (2014: RMB5,886,643,000) 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 2015, the Group has deductible temporary differences of RMB177,153,000 (31 December 2014: RMB146,759,000). 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.

17. INTEREST-BEARING BANK BORROWINGS

Current:

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Short term bank loan-guaranteed (a)	**3,896,160**	–
Current portion of long term bank loans	**7,555,369**	3,817,369
	11,451,529	3,817,369

Non-current:

	Contractual interest rate (%)	**Year of maturity**	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
Export-Import Bank of China-unsecured (b)	LIBOR+170bps	2020	**2,716,102**	3,066,886
Bank of China-unsecured (c)	LIBOR+138bps	2017	**8,560,202**	10,081,023
Bank of China-unsecured (d)	LIBOR+90bps	2017	**3,116,928**	3,671,400
Industrial and Commercial Bank of China-unsecured (d)	LIBOR+90bps	2017	**2,337,696**	2,753,550
CDB Development Fund (as defined below)-unsecured (e)	1.08%	2035	**216,745**	–
CDB Development Fund-unsecured (e)	1.08%	2033	**90,251**	–
			17,037,924	19,572,859
Less: Current portion of long term bank loans			**(7,555,369)**	(3,817,369)
			9,482,555	15,755,490

(a) The Group borrowed a US$600,000,000 short term loan from Hongkong and Shanghai Banking Corporation Limited in May 2015 for the purpose of financing COSL Holding AS's daily operations. The loan was guaranteed by CNOOC, bearing interest at rates ranging from LIBOR+0.375% to LIBOR+0.675% per annum and repayable within one year from 31 December 2015.

(b) The Group borrowed a US$800,000,000 loan for the purpose of funding the acquisition of a subsidiary. The repayment started on 2 September 2011 over 19 instalments amounting to US$42,100,000 bi-annually.

(c) The Group entered into a US$2,200,000,000 credit facility agreement with Bank of China on 30 April 2009, of which US$1,700,000,000 was assigned to replace COSL Holding AS's loans and bonds and US$500,000,000 was assigned to finance COSL Holding AS's daily operations. The repayment started on 14 May 2012 over 11 instalments bi-annually.

(d) The Group borrowed US$800,000,000 from Bank of China and US$600,000,000 from Industrial and Commercial Bank of China in May 2009 to replace COSL Holding AS's syndicated bank loan. The repayments started on 25 May 2012 and 22 May 2012, respectively, over 11 instalments bi-annually.

(e) The Group borrowed RMB320,000,000 and RMB130,000,000 loans from China Development Bank Development Fund Co., Ltd. ("CDB Development Fund"), a wholly owned subsidiary of China Development Bank, in December 2015 for the purpose of funding the acquisition of properties, plant and equipment. China Development Bank is a state-owned bank. The repayments will start in December 2018 over 36 and 32 instalments bi-annually, respectively. These loans bear interest at 1.08% per annum which is below prevailing market interest rate. The fair value of the loans measured at prevailing market interest rate of 4.9% per annum was approximately RMB306,996,000. The difference of RMB143,004,000 between the proceeds of the loans received and the fair value of the loans is treated as government grant and recognised in deferred revenue (note 19).

For all bank borrowings as stated above, the weighted average effective interest rate for the year ended 31 December 2015 was 1.66% per annum (2014: 1.64% per annum).

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Bank borrowings repayable:		
Within one year	**11,451,529**	3,817,369
In the second year	**7,398,079**	7,101,147
In the third to fifth year, inclusive	**1,700,476**	8,139,108
Beyond five years	**384,000**	515,235
	20,934,084	19,572,859

There were no assets pledged for any of the above bank borrowings as at 31 December 2015 (2014: Nil).

18. LONG TERM BONDS

	Year of maturity	**31 December 2015** *RMB'000*	31 December 2014 *RMB'000*
Corporate bonds (a)	2022	**1,500,000**	1,500,000
Senior unsecured USD bonds (b)	2022	**6,442,611**	6,064,340
Guaranteed medium term notes			
– First Drawdown Note (c)	2020	**3,226,724**	–
– Second Drawdown Note (c)	2025	**3,221,489**	–
		14,390,824	7,564,340

(a) On 18 May 2007, the Group issued 15-year corporate bonds, with a nominal value of RMB100 per bond, amounting to RMB1,500,000,000. The bonds carry effective interest rate of 4.48% per annum (2014: 4.48% per annum), which is payable annually in arrears on 14 May of each year, and the redemption or maturity date is 14 May 2022.

(b) On 6 September 2012, COSL Finance (BVI) Limited, a subsidiary of the Group, issued 10-year senior unsecured bonds, with a US$1,000,000,000 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 2015 was 3.38 % per annum (2014: 3.38% per annum).

(c) On 20 July 2015, COSL Singapore Capital Ltd., a wholly-owned subsidiary of the Company, established the Euro medium term note programme (the "EMTN Programme"). Under the EMTN Programme, COSL Singapore Capital Ltd. may issue drawdown notes in tranches up to an aggregate principle amount of US$3,500,000,000.

On 30 July 2015, COSL Singapore Capital Ltd. issued the first tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "First Drawdown Note"). The effective interest rate for the year ended 31 December 2015 was 3.61% per annum after taking into consideration of initial transaction costs. The principle of the First Drawdown Note will be repaid on 30 July 2020 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

On 30 July 2015, COSL Singapore Capital Ltd. issued the second tranche of drawdown note under the EMTN Programme with nominal amount of US$500,000,000 (the "Second Drawdown Note"). The effective interest rate for the year ended 31 December 2015 was 4.58% per annum after taking into consideration of initial transaction costs. The principle of the Second Drawdown Note will be repaid on 30 July 2025 and the interest will be paid semi-annually in arrears on 30 January and 30 July of each year.

19. DEFERRED REVENUE

Deferred revenue consists of the contract value generated in the process of the acquisition of COSL Holding AS, the deferred mobilisation revenue, government grants, subsidies received from customers related to acquisition of machinery for provision of drilling services (the "Subsidies") and the compensation fee received from customer in respect of the cancellation of service contract. The deferred revenue generated from contract value, deferred mobilisation revenue and the Subsidies are amortised according to the related drilling contract periods and are credited to revenues of the Group. The defered revenue generated from the compensation fee arising from the cancellation of service contract are amortised over the remaining service contract period and are credited to revenue of the Group. The deferred revenue generated from government grants is recognised in the consolidated statement of profit or loss according to the depreciation periods of the related assets and the periods in which the related costs incurred, and is credited to other revenue of the Group.

	Contract value	Mobilisation revenue	Government grant related to assets	Government grant related to income	Compensation fee	Subsidies	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2014	514,261	208,467	227,717	51,759	–	376,341	1,378,545
Addition	–	185,408	1,200	35,735	–	61,428	283,771
Credited to profit or loss	(72,685)	(203,294)	(12,752)	(71,330)	–	(117,342)	(477,403)
Exchange realignment	2,141	261	–	–	–	1,581	3,983
At 31 December 2014	443,717	190,842	216,165	16,164	–	322,008	1,188,896
Additions	–	18,997	156,484	22,208	567,285	2,716	767,690
Credited to profit or loss	(74,578)	(71,983)	(22,441)	(22,060)	(264,047)	(75,196)	(530,305)
Exchange realignment	23,901	9,611	–	–	23,668	16,627	73,807
At 31 December 2015	393,040	147,467	350,208	16,312	326,906	266,155	1,500,088

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

	31 December 2015	31 December 2014
	RMB'000	*RMB'000*
Current portion	**429,418**	117,016
Non-current portion	**1,070,670**	1,071,880
Balance at end of the year	**1,500,088**	1,188,896

20. ISSUED CAPITAL

	31 December 2015 *RMB'000*	31 December 2014 *RMB'000*
Registered, issued and fully paid:		
H shares of RMB1.00 each	**1,811,124**	1,811,124
A shares of RMB1.00 each	**2,960,468**	2,960,468
	4,771,592	4,771,592

On 15 January 2014, a total of 276,272,000 new H shares were allotted and issued by the Company at the price of HK$21.30 (equivalent to RMB16.75) per share.

MANAGEMENT DISCUSSION AND ANALYSIS

2015 INDUSTRY REVIEW

Since oil prices continued to decrease in 2015, most of global oil projects have been deferred, postponed or directly cancelled. According to the data from IHS, investment in the global upstream oilfield exploration and development in 2015 decreased by 31.2% YOY, of which that in Asia Pacific decreased 20% YOY and that in North America decreased more than 40% YOY. The market competition of oilfield services was intensified and both of days of drilling and day rates decreased. Despite the abandon of many drilling rigs over the past year, supplies of jack-up and semi-submersible drilling rigs were still higher than demands of that as majority of new rigs were introduced to the market.

According to the data of Spears, the total scale of global oilfield equipments services market dropped from US$452.0 billion in 2014 to US$336.0 billion in 2015, representing a decrease of 26%. The scale of offshore drilling market dropped from US$60 billion in 2014 to US$55 billion in 2015 while the global geophysical market continued to slow down after reaching a peak of US$17 billion in 2012 and its market scale was less than US$12 billion in 2015.

Within the report period, easing of global petroleum supply and demand has become a normal state. The Organization of Petroleum Exporting Countries (OPEC) led by Saudi Arabia decides not to regulate the price by reduction of output and resorts to the market for determining the petroleum price, and thus the international petroleum stocks hit a new high. Many causes such as US's ban-lifting on will prolong the rebalance process of international petroleum market. Running of low international petroleum price poses enormous challenges and pressures on the oilfield services sector which will enter a relatively sluggish period.

Impacted by the periodic variation of macro economy and imbalance in matching of the difficulty of oil & gas resource exploitation and exploitation technology, the oilfield service sector is endowed with great periodic characteristics.

The Company is one of the largest providers of oilfield services. With a complete service chain and strong offshore oil service equipment group, the business has covered the whole process of oil and gas field exploration, development and production and the Company has developed into one of a few suppliers capable of providing integrated services in the global oilfield service industry. It can provide the customers with services for single business or integrated service for bulk and general contracting business.

BUSINESS REVIEW

In 2015, the price and volume of four major business segments declined to varying extents. Facing the challenges of the external operating environment, the Company insisted on safety in production, continuously strengthening the integration of resources and improving working efficiency. Cost reduction of the Company has been made through detailed management, enhanced repairing capability and various approaches including decrease administration expenses and the price of procurement, subcontracting and chartering, we managed to operate our major businesses smoothly throughout the year.

Drilling Services Segment

COSL is the major supplier of China offshore drilling services and an important participant in international drilling services. The Group mainly provides services such as drilling, module rigs, land drilling rigs and drilling rigs management. At the end of 2015, the Group operated and managed a total of 43 drilling rigs (of which 32 are jack-up drilling rigs, and 11 are semi-submersible drilling rigs), 2 accommodation rigs and 5 module rigs.

In 2015, income from drilling services business amounted to RMB12,039.5 million, representing a decrease of 30.8% as compared with RMB17,389.0 million last year mainly due to the decreases in operation volume and day rates.

Under such a challenging situation, the Group continued to focus on its main businesses. We incorporated the "concept of safety in production" into our operation by improving production safety management and investigating and preventing safety risks. This helped to ensure our sustainable development in a long-term. Meanwhile, we actively expanded our markets and achieved for the first cooperation with Chevron Energy Company (China) in offshore China. In addition to consolidating and expanding the domestic market, we were also keen to develop the international market. We have successfully obtained projects in Gulf of Mexico, Indonesia and the Far East etc.

In terms of equipment management, "HAI YANG SHI YOU 981" completed its first operation in international market with a drilling depth of 5,030 meters, setting a new record for deepwater semi-submersible drilling rig in Asia. "COSLPROSPECTOR" has successfully started its first well operation in deep water area in the South China Sea, which supported the Group with leading technology and equipment to compete in international deepwater drilling market. Furthermore, PEMEX was highly satisfied with the quality and efficient operation of "HAI YANG SHI YOU 936" and "COSL1".

By the end of 2015, we had 15 drilling rigs operating in the China Sea, 9 rigs operating overseas such as in Norway (North Sea), Mexico and Indonesia, 15 were standby and 4 were being maintained in the shipyard.

In 2015, our drilling rigs operated for 11,176 days, representing a YOY decrease of 2,722 days. The calendar day utilization rate of the rigs reached 70.7%, 21.1 percentage points down compared to last year.

Operation details of jack-up and semi-submersible drilling rigs of the Group in 2015 are as follows:

	2015	**2014**	**Decrease**	**Percentage Change**
Operating days (day)	11,176	13,898	(2,722)	(19.6%)
Jack-up drilling rigs	8,802	10,381	(1,579)	(15.2%)
Semi-submersible drilling rigs	2,374	3,517	(1,143)	(32.5%)
Available day utilization rate	72.8%	96.4%	Down 23.6 percentage points	
Jack-up drilling rigs	75.9%	95.2%	Down 19.3 percentage points	
Semi-submersible drilling rigs	63.1%	100.0%	Down 36.9 percentage points	
Calendar day utilization rate	70.7%	91.8%	Down 21.1 percentage points	
Jack-up drilling rigs	73.7%	90.3%	Down 16.6 percentage points	
Semi-submersible drilling rigs	61.5%	96.4%	Down 34.9 percentage points	

Compared to the last year, operating days of jack-up drilling rigs was decreased 1,579 days, main causes of decreasing are as follows: ① an increase of 440 operating days by “HAI YANG SHI YOU 932”, “GULF DRILLER I” and “KAI XUAN YI HAO” which operated from last year”; ② a decrease of 189 operating days of “COSLHUNTER” and “COSLGIFT” subject to market fluctuation (both of them were operated from last year); ③ a decrease of 56 operating days due to the non-renewal of charter of “Kantan II”; ④ for other rigs, an increase of 179 operating days due to less maintenance and a decrease of 1,953 operating days due to more standby days.

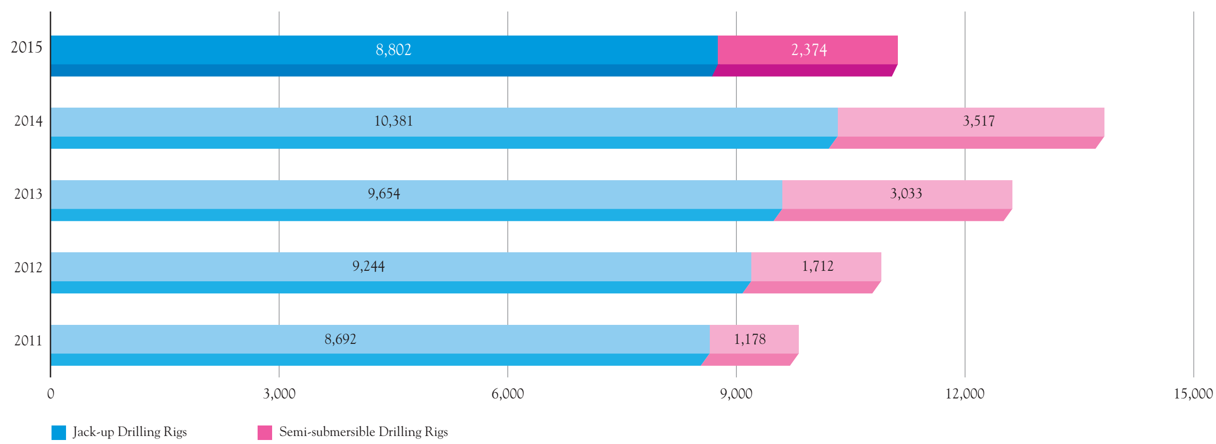
Compared to the same period of last year, operating days of semi-submersible drilling rigs was decreased 1,143 days, main causes of decreasing are as follows ① an increase of 109 operating days of "COSLPROSPECTOR"; ② an increase of 1,285 standby days; ③ an increase of 33 operating days due to less maintenance.

Utilization rate of the calendar day decreased by 21.1 percentage points to 70.7% due to the increase of standby days.

Two accommodation rigs operated in the North Sea for 610 days, representing an increase of 39 days compared with the same period last year. Utilization rate of the calendar day increased by 5.4 percentage points to 83.6%, due to reduced maintenance.

Five module rigs operated in the Gulf of Mexico for 1,494 days, representing an increase of 24 days over the same period last year. Utilization rate of the calendar day decreased by 16.4 percentage points to 81.9% due to added standby days.

NUMBER OF OPERATING DAYS FOR DRILLING RIGS IN RECENT YEARS (DAY)



In 2015, the average day income of the drilling rigs of the Group decreased slightly compared with the same period last year, details as follows:

Average day income (ten thousand US$/day)	**2015**	**2014**	**Decrease**	**Percentage Change**
Jack-up drilling rigs	9.4	12.7	(3.3)	(26.0%)
Semi-submersible drilling rigs	29.6	32.2	(2.6)	(8.1%)
Drilling rigs sub-total	13.6	17.6	(4.0)	(22.7%)
Accommodation rigs	21.4	28.1	(6.7)	(23.8%)
Group average	14.0	18.0	(4.0)	(22.2%)

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

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

(3) USD/RMB exchange rate was 1: 6.4936 on 31 December 2015 and 1: 6.1190 on 31 December 2014, respectively.

Well Services Segment

The Group possesses over 30 years of experience in offshore well services operation and over 20 years of experience in onshore well services operation. Also, the Group is the main provider of China offshore well services together with the provision of onshore well services. The Group's major clients for well services include oil and gas companies in China (such as CNOOC Limited and Petrochina etc.) and international oil and gas companies (such as BP, Shell, ConocoPhillips and Chevron etc.). Through the continuous input in technology research and development, advanced technological facilities and an excellent management team, the Group provides comprehensive professional well services, including but not limited to logging, drilling & completion fluids, directional drilling, cementing, well completion, well workover, stimulation etc.

In 2015, revenue from the well service segment decreased by 27.5% from RMB9,533.4 million to RMB6,913.2 million this year mainly due to the decrease of operation volume and prices.

Under the low oil price environment, the Group continued to promote technology innovation and transformation of scientific research achievements in 2015. Self-developed Rotary Steerable System Welleader® and Logging While Drilling System Drilog®, were successfully applied to many oil fields in Bohai Sea and on lands. The Group has now become the first company in China, and the fourth in the world who owned both technologies, which has enhanced the Group's competitiveness in the international high-spec well services market. Our self-developed EZFLOW drill-in fluid was successfully applied in Bohai Sea with significant output results. Testing on two new achievements, Plate type Extra-large Probe of EFDT and Incongruous Pushing and Struck Releasing Device has been completed and started commercial application, signifying that the Group has made important improvement in solving different technical problems such as pressure testing and sampling in low porosity and low permeability reservoir and controlling operation risks. The self-owned EALT (Enhanced Array Lateralog Tool) has completed the prototype tool development and well testing demonstrating that the Tool bears the preliminary generalization ability. The technology of drilling & completion fluids and cementing service achieved a breakthrough in application to deepwater, ultra-deep water, HTHP and high sulfur content operation with satisfactory results. The development of gravel packing and sand control tools for offshore horizontal wells by the Group reaped fruit and were successfully applied in site operation. It is the first time the Group possesses internationally advanced gravel packing and sand control tools. The self-developed 7 inch cable through packer has passed functional tests and further enriched the product line of conventional well completion tools. The Group independently completed the first horizontal well CTU acidizing stimulation operation in Iraq.

Marine Support Services Segment

The Group operates and manages the professional oilfield operation fleet with the strongest offshore capability, the largest scale and the most comprehensive services in China offshore. The vessels amount to over 130, including AHTS vessels, platform supply vessels, standby vessels, workover support barges and crude oil tankers (of which 85 self-owned utility vessels and 3 oil tankers). The Group can provide comprehensive support and services for offshore oil and gas exploration, development, construction and oil/gas field production. Its major businesses include anchor handling, towing of drilling rigs/engineering barges, oil lifting, offshore transportation of crude oil and cargo, stand-by, ice-breaking, fire fighting, rescue, oil spill assisting, workover support and other marine support services, which can fulfill different needs of operators.

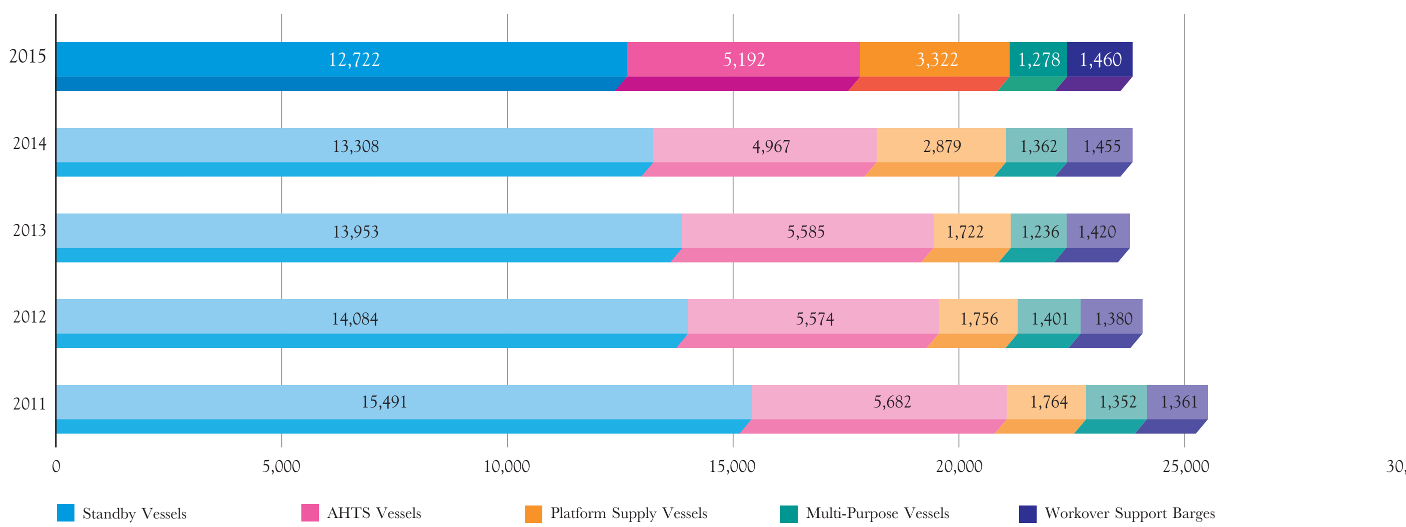
In 2015, the Group continued focusing on domestic market with active resources allocation to operate 5 utility vessels in Southeast Asia. In terms of equipment management, the Group further adjusted the structure of the fleet through disposal of old vessels and increasing the number of high-spec and deep water vessels. In 2015, there were 15 deep water supply vessels and AHTS vessels with 6,000 to 30,000 horsepower being delivered to put in operation. In 2015, revenue of marine support services business fell by 22.1% from 2014 to 2015, amounted to RMB3,468.9 million and RMB2,703.4 million respectively. The chartered vessels operated 13,289 days in total in 2015, decreased by 3,894 days compared to last year, generating revenue of RMB938.5 million decreased by RMB425.0 million to the last year. The calendar day utilization rate of self-owned vessels was 87.2% in 2015, decreased by 6.4 percentage points compared to last year.

Self-owned utility vessels of the Group operated 23,974 days in 2015, representing an increase of 3 days as compared with last year. Details are as follows:

Operating days (day)	2015	2014	Increase/ (Decrease)	Percentage Change
Standby vessels	12,722	13,308	(586)	(4.4%)
AHTS vessels	5,192	4,967	225	4.5%
Platform supply vessels	3,322	2,879	443	15.4%
Multi-purpose vessels	1,278	1,362	(84)	(6.2%)
Workover support barges	1,460	1,455	5	0.3%
Total	23,974	23,971	3	0.01%

In 2015, the total transportation volume of oil tankers of the Group amounted to 1,725,000 tonnes, representing a decrease of 1.0% from 1,743,000 tonnes over the same period of last year.

NUMBER OF OPERATINGS DAYS FOR SELF-OWNED UTILITY VESSELS IN RECENT YEARS (DAY)



Geophysical and Surveying Services Segment

With more than 50 years of experience in offshore oil and seismic acquisition & processing and over 30 years of experience in offshore surveying operation, the Group is a major supplier for China offshore geophysical and surveying services and a solid competitor and a provider of effective and high quality service in the global geophysical and surveying market. At the end of 2015, the Group owns 6 towing streamer seismic vessels, 1 undersea cable team and 5 integrated marine surveying vessels. Clients are provided with services including but not limited to integrated services of wide azimuth, broadband, high density seismic collection, processing and interpretation by undersea cable, and also integrated offshore surveying services, offshore pipeline inspection and underwater light structure installation services.

In 2015, revenue of geophysical and surveying services segment for the year dropped to RMB1,518.1 million, representing a decrease by 41.7% compared with RMB2,601.9 million for the same period last year, of which, the surveying services recorded revenue of RMB294.1 million, representing a decrease of 39.9% as compared with RMB489.3 million over the same period last year.

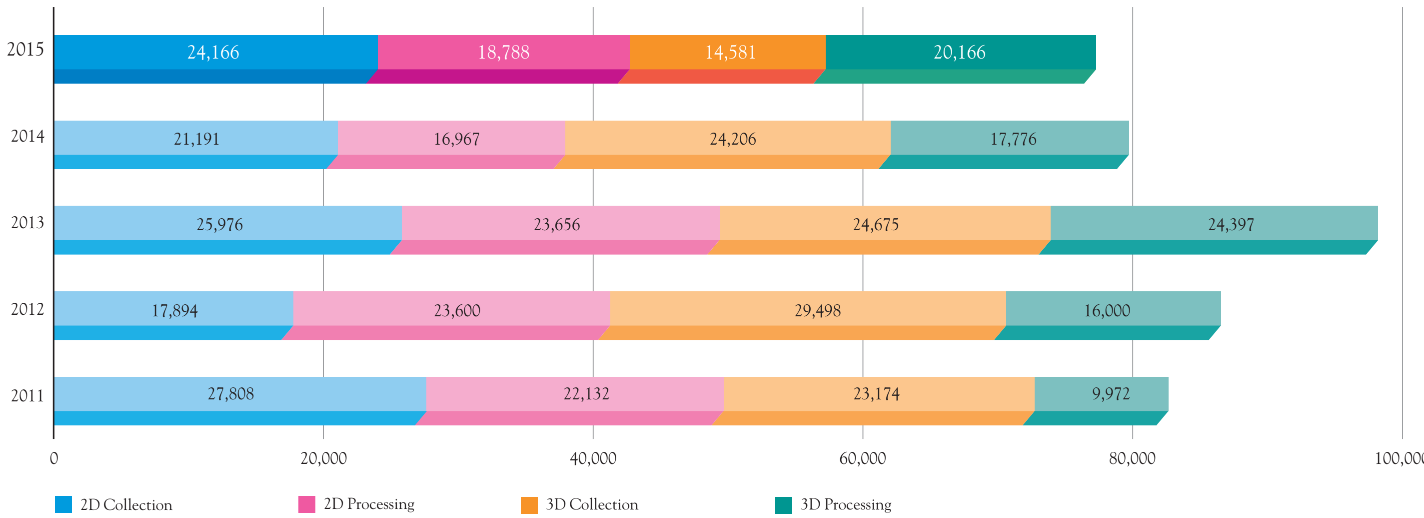
In 2015, with continuous effort on the R&D of collection equipment, the localization rate of equipment in the geophysical and geo-surveying service business was further increased. The scope of service in the seismic surveying and geo-surveying business was expanded by success of applying technological achievements, such as broadband and wide azimuth collection, shallow water de-multiple and broadband processing, deepwater borehole soil sampling and in-situ testing, deepwater sea floor in-situ testing and inspection of pipeline internals. In addition, innovation of the broadband, wide azimuth and high density joint operation technology for multiple vessels and hypocenters with "HAI YANG SHI YOU 721" as the focus was also implemented during the year. Meanwhile, faced with the market changes, in order to develop international market, 3 seismic vessels was conducted seismic acquisition operation in New Zealand, Myanmar and Mexican seas.

The details of operation volume for the geophysical collection and data processing businesses of the Group in 2015 are as follows:

Businesses	**2015**	**2014**	**Increase/ (Decrease)**	**Percentage Change**
2D collection (km)	24,166	21,191	2,975	14.0%
2D processing (km)	18,788	16,967	1,821	10.7%
3D collection (km^2)	14,581	24,206	(9,625)	(39.8%)
of which: submarine cable (km^2)	300	669	(369)	(55.2%)
3D processing (km^2)	20,166	17,776	2,390	13.4%

In 2015, the Group's operation volume of 3D collection decreased by 39.8% over the same period of last year while that of 2D collection increased by 14.0% due to allocation of 3D vessels for operation. Data processing shows the volume of 2D and 3D processing increased by 10.7% and 13.4%, respectively.

THE OPERATING VOLUME OF GEOPHYSICAL SERVICE FLEET IN RECENT YEARS (KM/KM²)



Major subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary engaged in drilling operations of the Group. COSL Holding AS is a major subsidiary of CNA. By 31 December 2015, the total assets of CNA amounted to RMB26,745.5 million and equity amounted to RMB5,805.1 million. Affected by the changes of the external market, revenue of CNA in 2015 amounted to RMB3,714.1 million, representing a decrease of RMB1,231.3 million or 24.9% as compared with RMB4,945.4 million in the same period last year. The net loss amounted to RMB2,387.7 million while a net profit of RMB93.2 million was recorded in the same period last year, which was mainly due to the asset impairment loss of RMB2,083.2 million recognised in 2015.

FINANCIAL REVIEW

1. Analysis on Consolidated Statement of Profit or Loss

1.1 Revenue

For the year 2015, revenue of the Group amounted to RMB23,174.2 million, representing a decrease of RMB9,819.0 million or 29.8% as compared with last year. The detailed analysis is set out below:

Analysis by business segment

Unit: RMB million

Business segment	2015	2014	Decrease	Percentage change
Drilling services	12,039.5	17,389.0	(5,349.5)	(30.8%)
Well services	6,913.2	9,533.4	(2,620.2)	(27.5%)
Marine support services	2,703.4	3,468.9	(765.5)	(22.1%)
Geophysical and surveying services	1,518.1	2,601.9	(1,083.8)	(41.7%)
Total	23,174.2	32,993.2	(9,819.0)	(29.8%)

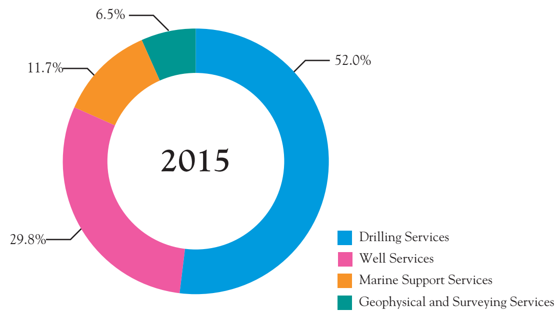
- Revenue generated from drilling services decreased by 30.8% over the same period last year. The main reasons include: ① Operation days of drilling rigs decreased by 2,722 days as compared with the same period last year. ② Service price of drilling rigs dropped. ③ The Group's subsidiary, COSL Offshore Management AS, reached settlement of USD65 million with Statoil Petroleum AS with respect to the dispute of standby fees in 2014, while no such settlement was recorded in 2015.

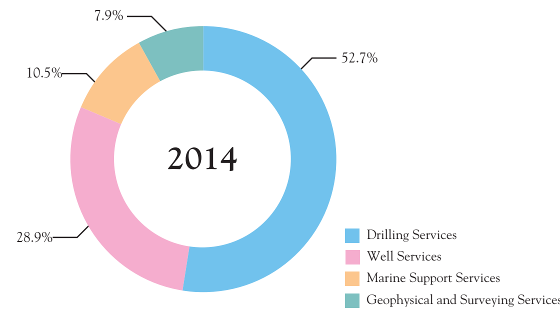
- Revenue of well services decreased by 27.5% over the same period last year, which was mainly due to the decrease in service price and operation volume.

- Revenue from marine support services decreased by 22.1% as compared with the same period last year, which was mainly due to the decrease of 3,891 days in operation and the decrease in service price.

- Revenue from geophysical and surveying services decreased by 41.7% as compared with the same period last year, which was mainly due to the decrease in operation volume.

REVENUE ANALYSIS – BY BUSINESS





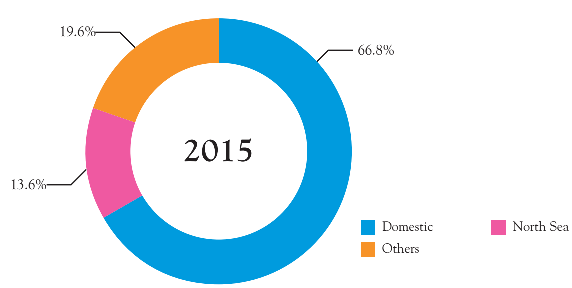
Analysis by operation area

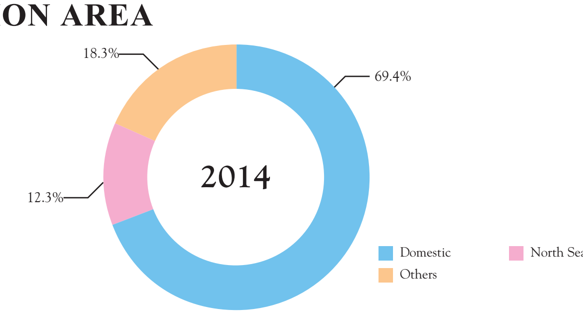
Unit: RMB million

Region	2015	2014	Decrease	Percentage Change
Domestic	15,474.4	22,900.9	(7,426.5)	(32.4%)
International	7,699.8	10,092.3	(2,392.5)	(23.7%)
of which: North sea	3,162.0	4,073.2	(911.2)	(22.4%)
Other	4,537.8	6,019.1	(1,481.3)	(24.6%)
Total	23,174.2	32,993.2	(9,819.0)	(29.8%)

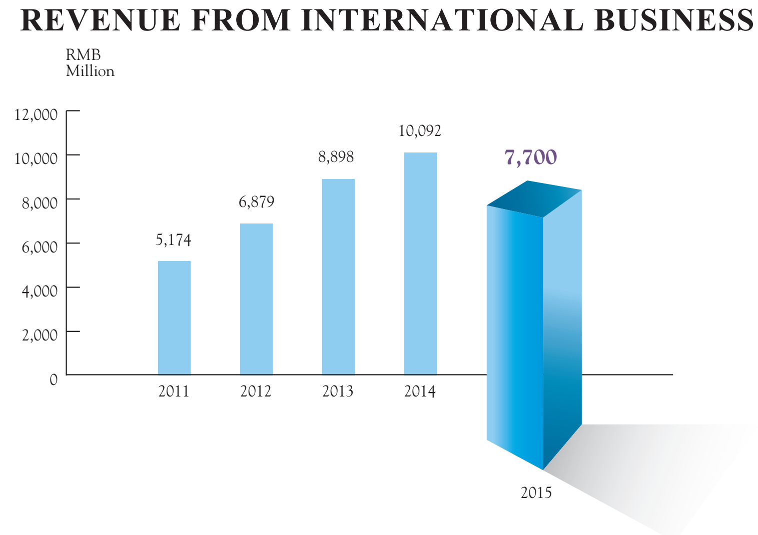
In terms of operation area, the Group's main source of revenue was from domestic market, accounting for 66.8% of the Group's total income. In 2015, the Group's international business recorded revenue of RMB7,699.8 million (compared with RMB10,092.3 million over the same period last year), accounting for 33.2% of the Group's revenue for the year, representing an increase of 2.6 percentage points. Among which, North Sea was the largest contributor to the revenue generated from the international business, and recorded revenue of RMB3,162.0 million, representing 13.6% of the Group's revenue for the year.

OPERATION AREA





The latest five years revenue from international business



1.2 Operating expenses

For the year 2015, operating expenses of the Group amounted to RMB21,785.2 million, representing a decrease of RMB3,005.8 million, fell by 12.1% compared with RMB24,791.0 million for last year.

The table below shows the operating expenses for the Group in 2015 and 2014:

Unit: RMB million

	2015	2014	Increase/ (Decrease)	Percentage Change
Depreciation of property, plant and equipment and amortization of intangible assets	4,213.4	3,769.6	443.8	11.8%
Employee compensation costs	3,792.5	4,380.7	(588.2)	(13.4%)
Repair and maintenance costs	799.3	1,094.9	(295.6)	(27.0%)
Consumption of supplies, materials, fuel, services and others	4,569.3	5,955.0	(1,385.7)	(23.3%)
Subcontracting expenses	3,474.8	5,445.4	(1,970.6)	(36.2%)
Operating lease expenses	1,547.6	1,606.0	(58.4)	(3.6%)
Other operating expenses	2,185.0	2,165.2	19.8	0.9%
Impairment of goodwill	923.2	–	923.2	100.0%
Impairment of property, plant and equipment	280.1	374.2	(94.1)	(25.1%)
Total operating expenses	21,785.2	24,791.0	(3,005.8)	(12.1%)

Increase in equipment led to an increase in depreciation of property, plant and equipment and amortization of intangible assets of RMB443.8 million.

Due to a decrease in operation volume, detailed management and strict cost control of the Group, employee compensation cost, repair and maintenance cost, consumption of supplies and subcontracting expenses decreased more significantly in 2015.

Other operating expenses increased by RMB19.8 million as compared with the same period last year, which was mainly due to the increase in provision of RMB453.1 million bad debt allowance made for accounts receivable and other receivables during the year.

Concerned of the downturn of global oilfield services and further deteriorated market conditions, provision of RMB923.2 million was made for impairment of goodwill for the year.

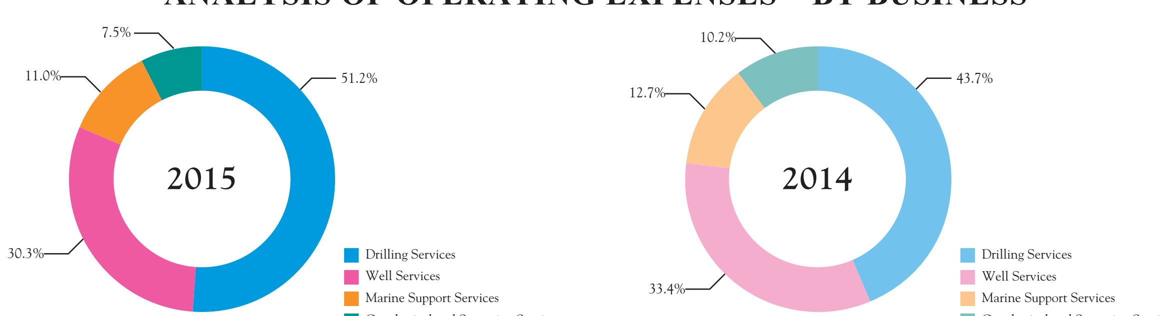
For the year 2015, impairment of property, plant and equipment amounted to RMB280.1 million, which was mainly attributable to the impairment loss against fixed assets of RMB280.1 million in respect of an individual asset in Norway according to the market situation. Last year, the asset impairment loss made in respect of a semi-submersible drilling rig in Norway, four chemical carriers and well services equipment in Libya was RMB374.2 million.

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

Unit: RMB million

Business segment	**2015**	**2014**	**Increase/ (Decrease)**	**Percentage Change**
Drilling services	11,153.7	10,826.9	326.8	3.0%
Well services	6,602.7	8,281.5	(1,678.8)	(20.3%)
Marine support services	2,393.5	3,165.4	(771.9)	(24.4%)
Geophysical and surveying services	1,635.3	2,517.2	(881.9)	(35.0%)
Total	21,785.2	24,791.0	(3,005.8)	(12.1%)

ANALYSIS OF OPERATING EXPENSES – BY BUSINESS



1.3 Profits from operations

For the year 2015, the Group's profits from operations amounted to RMB1,631.5 million, representing a decrease of RMB6,794.4 million or 80.6% as compared with RMB8,425.9 million over the same period of last year.

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

Unit: RMB million

Business segment	**2015**	**2014**	**Decrease**	**Percentage Change**
Drilling services	972.6	6,575.5	(5,602.9)	(85.2%)
Well services	393.6	1,364.3	(970.7)	(71.2%)
Marine support services	317.3	319.7	(2.4)	(0.8%)
Geophysical and surveying services	(52.0)	166.4	(218.4)	(131.3%)
Total	1,631.5	8,425.9	(6,794.4)	(80.6%)

1.4 Financial expenses, net

Unit: RMB million

	2015	**2014**	**Increase/ (Decrease)**	**Percentage Change**
Exchange gains and losses, net	(87.7)	5.7	(93.4)	(1,638.6%)
Finance costs	700.3	587.5	112.8	19.2%
Interest income	(105.3)	(155.0)	49.7	(32.1%)
Financial expenses, net	507.3	438.2	69.1	15.8%

The increase in financial expenses for the year was mainly attributable to the increase in bond interest expenses due to issuance of medium term notes.

1.5 Investment income

For the year 2015, the Group's investment income amounted to RMB102.3 million, representing a decrease of RMB91.5 million or 47.2% as compared with RMB193.8 million over the same period of last year, which was mainly attributable to decrease in investment income from the Group's financial products and investment in monetary funds.

1.6 Share of profits of joint ventures, net of tax

For the year 2015, the Group's share of profits of joint ventures amounted to RMB169.7 million, representing a decrease of RMB171.3 million or 50.2% as compared with RMB341.0 million of last year. This was mainly attributable to the decrease in gains of joint ventures as affected by the market situation.

1.7 Profit before tax

The profit before tax attained by the Group was RMB1,396.4 million in 2015, representing a decrease of RMB7,126.1 million or 83.6% as compared with RMB8,522.5 million for the same period last year.

1.8 Income tax

The income tax expense of the Group in 2015 was RMB287.6 million, representing a decrease of RMB714.7 million or 71.3%, as compared with RMB1,002.3 million in 2014, which was mainly due to decrease in profit before tax as affected by market changes.

1.9 Profit for the year

For the year 2015, profit of the Group was RMB1,108.7 million, representing a decrease of RMB6,411.5 million or 85.3% as compared with RMB7,520.2 million for the same period last year.

1.10 Basic earnings per share

For the year 2015, the Group's basic earnings per share were approximately RMB0.23, representing a decrease of approximately RMB1.34 or 85.4% as compared with approximately RMB1.57 for the same period of last year.

1.11 Dividend

For the year 2015, the Board of the Company proposed a final dividend of RMB0.068 per share, totaling RMB324.5 million. If approved by the general meeting, the final dividends are expected to be paid on or before 30 June 2016.

2. Analysis on Consolidated Statement of Financial Position

As of 31 December 2015, the total assets of the Group amounted to RMB93,525.1 million, representing an increase of RMB6,650.8 million or 7.7% as compared with RMB86,874.3 million at the end of 2014. The total liabilities amounted to RMB46,696.4 million, representing an increase of RMB7,144.2 million or 18.1% as compared with RMB39,552.2 million at the end of 2014. Total equity amounted to RMB46,828.7 million, representing a decrease of RMB493.4 million or 1.0% as compared with RMB47,322.1 million by the end of 2014.

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		2015	2014	Increase/ (Decrease)	Percentage Change	Reasons
Assets						
1	Property, plant and equipment	60,388.0	55,338.1	5,049.9	9.1%	It was mainly attributable to large equipment such as new drilling rigs and utility vessels and also the increase in construction in progress such as drilling rigs, marine vessels, geophysical vessels and surveying vessels according to progress.
2	Goodwill	3,394.5	4,122.7	(728.2)	(17.7%)	Given the continuously weak global oilfield service industry and further deteriorated market conditions, provision was made for impairment of goodwill.
3	Other non-current assets	1,150.4	2,514.0	(1,363.6)	(54.2%)	It was mainly attributable to the prepayments for the construction of drilling rigs, marine vessels and geophysical vessels transferred to construction in progress according to progress.
4	Deferred tax assets	39.7	12.0	27.7	230.8%	Deductible temporary difference increased caused by the deductible loss for the year.
5	Notes receivable	1,906.5	2,775.8	(869.3)	(31.3%)	Cash was received upon maturity of the notes.
6	Time deposits with maturity of over three months	200.0	1,308.0	(1,108.0)	(84.7%)	Time deposits were due.
7	Cash and cash equivalents	12,574.0	5,432.2	7,141.8	131.5%	Medium term notes of US$1 billion were issued in this year.

Unit: RMB million

Items		2015	2014	Increase/ (Decrease)	Percentage Change	Reasons
Liabilities						
1	Salary and bonus payables	985.3	1,463.9	(478.6)	(32.7%)	Cash was paid to employees as per schedule.
2	Tax payable	111.3	279.2	(167.9)	(60.1%)	Operating income decreased due to market impact and tax payable was reduced accordingly.
3	Interest-bearing bank borrowings (current)	11,451.5	3,817.4	7,634.1	200.0%	Loans of US$623.9 million were repaid within the year while loans of US$1,763.5 million will be expired within one year.
4	Other current liabilities	429.4	117.0	312.4	267.0%	It was mainly attributable to the compensation from the compensation agreement between the Group and Statoil Petroleum AS with respect to the cancellation of the service contract of "COSLPIONEER".
5	Interest-bearing bank borrowings (non-current)	9,482.6	15,755.5	(6,272.9)	(39.8%)	It was mainly attributable to loan repayment and the long-term borrowing to be re-classified and due within one year.
6	Long term bonds	14,390.8	7,564.3	6,826.5	90.2%	Medium term notes of US$1 billion were issued in this year.
7	Employee benefit liabilities	66.4	95.7	(29.3)	(30.6%)	The liabilities of defined benefit plan for pension of the subsidiary, COSL Holding AS.
Equity						
1	Non-controlling interests	87.3	49.5	37.8	76.4%	The subsidiary PT. SAMUDAR TIMUR SANTOSA generated profit for the year.

3. Analysis of consolidated statement of cash flows

At the beginning of 2015, the Group held cash and cash equivalents of RMB5,432.2 million, in 2015, the net cash inflows from operating activities amounted to RMB6,556.2 million; net cash outflows from investing activities amounted to RMB3,316.2 million; net cash inflows from financing activities amounted to RMB3,431.8 million and the impact of foreign exchange fluctuations resulted in an increase in cash of RMB470.0 million. By 31 December 2015, the Group's cash and cash equivalents amounted to RMB12,574.0 million.

3.1 Cash flows from operating activities

For the year ended 31 December 2015, net cash inflows from operating activities of the Group amounted to RMB6,556.2 million, representing a decrease of 35.5% as compared with the same period of last year. This was mainly attributed to a decrease in revenue as affected by the market.

3.2 Cash flows from investing activities

For the year ended 31 December 2015, net cash outflows generated from investing activities of the Group amounted to RMB3,316.2 million, representing a decrease of RMB9,122.1 million or 73.3% as compared with the same period last year, which was mainly attributable to the decrease of RMB2,611.8 million in cash outflows of purchase of property, plant and equipment, the decrease of RMB3,386.5 million in net cash outflows from the acquisition and disposal of available-for-sale investments (which were mainly monetary funds and wealth management products subscribed by the Group), a decrease of RMB1,816.1 million in cash outflows from placement and withdrawal of time placement with maturity over three months, a decrease of RMB1,373.6 million in cash outflows of deposits for purchase of property, plant and equipment and increase of RMB65.9 million in cash outflows from other investing activities.

3.3 Net cash flows from financing activities

For the year ended 31 December 2015, net cash inflows from financing activities of the Group amounted to RMB3,431.8 million, representing an increase in inflows of RMB5,351.0 million as compared with the same period of last year. This was mainly attributable to the increase in cash inflow of RMB10,198.9 million due to increase in bank borrowings and issuance of US$1 billion Medium Term Notes. The placing of 276,272,000 H shares took place in 2014, but there was no such financing activities during 2015 which resulted in the decrease in cash inflow of RMB4,573.4 million. Dividend distribution resulted in the increase in cash outflow of RMB238.6 million. Other financing activities increased cash outflows by RMB35.9 million in aggregate.

3.4 The effect of foreign exchange fluctuations on cash during the year was an increase in cash of RMB470.0 million.

4. **Capital expenditure**

In 2015, the capital expenditure of the Group amounted to RMB7,866.5 million, representing a decrease of RMB212.4 million or 2.6% as compared with the same period last year, of which capital expenditures on fixed assets and construction in progress were RMB7,317.4 million.

The capital expenditure of each business segment is as follows:

Unit: RMB million

Business segment	2015	2014	Increase/ (Decrease)	Percentage Change
Drilling services	3,973.6	3,482.8	490.8	14.1%
Well services	705.1	1,181.2	(476.1)	(40.3%)
Marine support services	1,543.8	2,231.4	(687.6)	(30.8%)
Geophysical and surveying services	1,644.0	1,183.5	460.5	38.9%
Total	7,866.5	8,078.9	(212.4)	(2.6%)

The capital expenditure of the drilling services segment was mainly used for the construction of drilling rigs (i.e. 2 400-feet jack-up drilling rigs and 1 deepwater semi-submersible drilling rig, etc.). The capital expenditure of the well services segment was mainly used for the construction and purchase of various well services equipment. The capital expenditure of the marine support services segment was mainly used for the construction of utility vessels. The capital expenditure of the geophysical and surveying services segment was mainly used for the construction of geophysical vessel and integrated surveying vessels.

5. **Charge on assets**

As of 31 December 2015, the Group had no large scale charges against its assets.

6. **Employee**

As of 31 December 2015, the Group had 16,074 employees on service. The Company has basically formed an employment structure in term of marketization and put in place a reasonable remuneration structure.

BUSINESS PLAN

Since the beginning of 2016, Global prices of oil have continued to decrease and capital expenditure of oil and gas companies across the world will further decrease as compared with 2015. Global demands on oilfield services market will decrease and market competition will be more intense. The trend of work load and prices in the China offshore oil and gas market will be similar to the global market.

The Company faces a severe business environment and our operation faces further pressure. It is expected that the revenue and operating profit for 2016 will decrease significantly as compared with 2015. The Company will continue to reinforce QHSE management to ensure safe, high-quality and high-efficiency service capability, stabilize and increase the market share, further enlarge international market expansion and expand market distribution. The Company will also adjust investment strategies and control its pace of investment. The capital expenditure budget of 2016 is approximately between RMB3.5 billion and 4.5 billion, it will expend mainly on exists progressing projects such as building utility vessels. Also, the Company will continue to implement initials for reducing costs and improving efficiency and strictly control costs; actively promote R&D achievements transformation, speed up the progress of industrialization and commercialization and continue to improve operation capacity, optimize financial structure and human resources structure.

As a leading integrated oilfield services provider with robust financial condition and flexible operation, the Company will be capable of fulfilling the changes in customers' demand in the new situation.

The business plan above is formulated by the Company based on the current operation situation and market environment and it should not be constructed as the forecast on profit of the Company or actual commitment of the Directors. Whether the Company can meet the expecting performance in 2016 will mainly depend on market and economic conditions. Investors should be reminded of the risks involved.

2016 BUSINESS OUTLOOK:

The low prices of oil caused a large impact to the investment in oil industry and most of oil and gas companies over the world have adjusted their investment plans, especially reducing upstream investments. According to the forecast published by IHS, the global offshore exploration and development expenditure will be US$153 billion in 2016, representing a further decrease by 8.4% as compared with 2015. The capital expenditure of CNOOC Limited, a major customer of the Company, will also decrease significantly in 2016.

Under the circumstance of the growing demand on oil globally, decrease in investment will affect the supply of oil in the future, which will lead to the recovery of the oil price gradually. With exclusion of the extreme political issues, global oil prices will remain low in the first half year of 2016 and may slightly increase in the second half of 2016. With such uncertainties of the decline of international oil and gas market, oilfield services industry will face the most rigorous challenges over the latest several years.

The international oilfield service industry is still in a competition pattern where the market shares are highly concentrated. The annual report on oilfield service market issued by Spears indicates that, the top ten drilling contractors at the offshore drilling market take up 55% of the global market shares; the geophysical prospecting market suffered from stagnation and slump in recent years since 2012 when it climbed to the peak of 17 billion dollars. The top ten geophysical prospecting service providers occupy 83% of the global geophysical prospecting market shares; and Schlumberger, Halliburton and Baker Hughes, the top three providers in the field of technical service, totally hold 77% of the global well cementing market shares, 69% of drilling and completion fluid market shares, 66% of directional well market shares, 74% of wireline logging market shares and 91% of well logging during drilling market shares respectively. The current sharp drop in petroleum price will not impact such competition pattern and further concentration of market shares also occur in the field of technical service.

Since 2010, those high-cost oilfield development projects have driven gradual decline in upstream return on investment, therefore, at the end of 2013 when the petroleum price was still higher than US$100/bucket, the petroleum companies began to cut the budget and postpone the projects. Such situation becomes extremely severe when the petroleum price is dropped significantly. The industry's slump period is expected to be long. With continuous reduction of order backlogs, the oilfield service providers resort to the measures of canceling new projects and abandoning old vessels in a bid to cope with current overstock, but such measures are still incapable of achieving market equilibrium. It is estimated that, in the next one or two years, the global oilfield service industry will be exposed to a further job cut, bankruptcy and merger.

According to IHS's forecasts, by 2020, the global investments in upstream offshore exploration will return to the level of 2014. In the last decade, the compound growth rate of oilfield service market was 10%, and the rate from 2015 to 2020 is estimated to be 8%; the global demands in self-elevating drilling platforms in 2017 is expected to decline by 22.5% compared with the level of 2014, and the demands in floating drilling platforms in 2017 will be decrease by 22.7% compared with the level of 2014.

OTHER INFORMATION

Audit Committee

The audit committee comprises 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 2015 has been reviewed by the audit committee.

Corporate Governance Code

During the 12 months ended 31 December 2015, the Company has strictly complied with principles and code provisions as set out in the Corporate Governance Code in Appendix 14 of the Listing Rules.

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 2015, strictly 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 2015.

Other Matters

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. As at the 31 December 2015, the infrastructure project has fulfilled the investment requirements for the transfer. The transfer procedures of such land transaction were not yet completed, and the Company is now actively undertaking relevant communication and coordination in respect of the transfer.

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

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

This announcement will be published 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 published on the websites of the Company and the Stock Exchange of Hong Kong Limited in due course.

By order of the Board
China Oilfield Services Limited
Wang Baojun
Company Secretary

29 March 2016

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 Cheng Chi; and the independent non-executive directors of the Company are Messrs. Fong Wo, Felix, Law Hong Ping, Lawrence and Fong Chung, Mark.