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

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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2016

FINANCIAL HIGHLIGHTS

1. Revenue was RMB6,962.6 million.
2. Loss from operations was RMB8,141.6 million.
3. Loss for the period was RMB8,399.5 million.
4. Basic loss per share were RMB176.11 cents.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2016

	Notes	**30 June 2016** *RMB'000* **(Unaudited)**	31 December 2015 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**57,121,346**	60,388,044
Goodwill	*9*	**–**	3,394,504
Other intangible assets		**434,708**	469,605
Investments in joint ventures		**696,266**	681,314
Available-for-sale investments		**–**	–
Other non-current assets	*12*	**475,330**	1,150,440
Deferred tax assets		**31,001**	39,707
Total non-current assets		**58,758,651**	66,123,614
CURRENT ASSETS			
Inventories		**1,344,595**	1,328,250
Prepayments, deposits and other receivables		**535,785**	496,384
Accounts receivable	*10*	**7,621,983**	6,652,732
Notes receivable	*11*	**11,157**	1,906,542
Other current assets	*12*	**4,471,508**	4,211,964
Pledged deposits		**20,962**	31,607
Time deposits with maturity of over three months		**200,000**	200,000
Cash and cash equivalents		**7,988,557**	12,573,958
Total current assets		**22,194,547**	27,401,437
CURRENT LIABILITIES			
Trade and other payables	*13*	**7,156,699**	8,081,048
Salary and bonus payables		**580,497**	985,252
Tax payable		**164,513**	111,320
Interest-bearing bank borrowings	*14*	**11,294,028**	11,451,529
Other current liabilities		**128,126**	429,418
Total current liabilities		**19,323,863**	21,058,567

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)
AT 30 JUNE 2016

	Notes	30 June 2016 RMB'000 (Unaudited)	31 December 2015 RMB'000 (Audited)
NET CURRENT ASSETS		**2,870,684**	6,342,870
TOTAL ASSETS LESS CURRENT LIABILITIES		**61,629,335**	72,466,484
NON-CURRENT LIABILITIES			
Deferred tax liabilities		**537,572**	627,316
Interest-bearing bank borrowings	*14*	**2,250,183**	9,482,555
Long term bonds	*15*	**19,663,083**	14,390,824
Deferred revenue		**887,447**	1,070,670
Employee benefit liabilities		**76,041**	66,449
Total non-current liabilities		**23,414,326**	25,637,814
NET ASSETS		**38,215,009**	46,828,670
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**4,771,592**	4,771,592
Reserves		**33,350,598**	41,969,786
		38,122,190	46,741,378
Non-controlling interests		**92,819**	87,292
Total equity		**38,215,009**	46,828,670

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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

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

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

As at 30 June 2016, particulars of the principal subsidiaries of the Group are as follows:

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2016	30 June 2015	Principal activities
COSL Chemicals (Tianjin), Ltd.	Tianjin, PRC 7 September 1993	PRC	Renminbi ("RMB") 20,000,000	**100%**	100%	Provision of drilling fluids services
COSL Holding AS	Norway 21 January 2005	Norway	Norwegian Kroner ("NOK") 1,494,154,870	**100%**	100%	Investment holding
PT. COSL INDO	Indonesia 1 August 2005	Indonesia	US Dollar ("US$") 400,000	**100%**	100%	Provision of oil & gas exploitation services
COSL-HongKong Limited	Hong Kong 1 December 2005	Hong Kong	Hong Kong Dollar 10,000	**100%**	100%	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	Australia	Australian Dollar 10,000	**100%**	100%	Provision of drilling services
COSL Mexico S.A.de C.V	Mexico 26 May 2006	Mexico	US$8,504,525	**100%**	100%	Provision of drilling services
COSL (Middle East) FZE	United Arab Emirates 2 July 2006	United Arab Emirates	UAE Dirhams 1,000,000	**100%**	100%	Provision of oil & gas exploitation services
COSL Norwegian AS	Norway 23 June 2008	Norway	NOK1,541,328,656	**100%**	100%	Investment holding
COSL Drilling Pan-Pacific (Labuan) Ltd.	Malaysia 4.April 2009	Malaysia	US$100,000	**100%**	100%	Management of jack-up drilling rigs

Name of entity	Place and date of incorporation/ registration	Principal place of business	Issued and fully paid share capital/ paid-in capital	Percentage of equity attributable to the Group 30 June 2016	30 June 2015	Principal activities
COSL Drilling Pan-Pacific Ltd.	Singapore 13 April 2009	Singapore	US$1,000,000	**100%**	100%	Management of jack-up drilling rigs
COSL Singapore Capital Ltd.	Singapore 29 October 2009	Singapore	Singapore Dollar 2	**100%**	100%	Bond issuance
PT. Samudra Timur Santosa ("PT STS")(a)	Indonesia 27 July 2010	Indonesia	US$250,000	**49%**	49%	Provision of marine support services
COSL Oil-Tech (Singapore) Ltd.	Singapore 31 January 2011	Singapore	US$100,000	**100%**	100%	Provision of oilfield services and related activities
COSL Finance (BVI) Limited	British Virgin Islands 12 July 2012	British Virgin Islands	US$1	**100%**	100%	Bond issuance
COSL Deepwater Technology Co. Ltd.	Shenzhen, PRC 12 September 2013	PRC	RMB470,000,000	**100%**	100%	Provision of geophysical and surveying services
COSL Blue Tech International Limited	Hebei,PRC 10 April 2015	PRC	RMB25,000,000	**100%**	100%	Provision of chemical products, R&D and manufacturing services
COSL Drilling Saudi Ltd.	Saudi Arabia 19 April 2016	Saudi Arabia	Saudi Riyal 375,000	**96%**	N/A	Provision of drilling services

(a) In the opinion of the Directors, the Group has control over PT STS as the Group has 100% voting rights on PT STS that gives it the current ability to direct the relevant activities of PT STS. Accordingly, PT STS had been accounted for as a subsidiary and has been consolidated into the Group's condensed consolidated financial statements for the six months ended 30 June 2016 and 2015.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the operating results of the Group for the current interim period or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

As at 30 June 2016, particulars of the joint ventures of the Group are as follows:

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2016	2015	Voting rights held 2016	2015	Principal activities
China Offshore Fugro GeoSolutions (Shenzhen) Company Ltd.	US$6,000,000	Shenzhen, PRC 24 August 1983	**50**	50	**50**	50	Provision of geophysical and surveying services
China France Bohai Geoservices Co., Ltd.	US$6,650,000	Tianjin, PRC 30 November 1983	**50**	50	**50**	50	Provision of logging services

Name	Nominal value of issued ordinary/ registered share capital	Place and date of incorporation/ registration and operations	Percentage of Ownership interest 2016	Percentage of Ownership interest 2015	Voting rights held 2016	Voting rights held 2015	Principal activities
China Petroleum Logging-Atlas Cooperation Service Company	US$2,000,000	Shenzhen, PRC 10 May 1984	**50**	50	**50**	50	Provision of logging services
China Nanhai Magcobar Mud Corporation Ltd. ("Magcobar") (a)	RMB4,640,000	Shenzhen, PRC 25 October 1984	**60**	60	**50**	50	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.	US$2,000,000	Tianjin, PRC 14 April 1993	**50**	50	**50**	50	Provision of well completion services
COSL-Expro Testing Services (Tianjin) Company Ltd.	US$5,000,000	Tianjin, PRC 28 February 2007	**50**	50	**50**	50	Provision of well testing services
PBS-COSL Oilfield Services Company SDN BHD ("PBS-COSL") (b)	Brunei Dollar 100,000	Brunei 20 March 2014	**49**	49	**50**	50	Provision of drilling services

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

(b) The Group has 49% of the equity interests in PBS-COSL, the remaining equity interests of which are held by the other sole investor. Pursuant to the articles of association of PBS-COSL, the board of directors of PBS-COSL shall comprise four directors whereby both the Company and the other sole investor shall appoint two directors each. Unanimous approvals by the directors of PBS-COSL are required for decisions on directing the relevant activities of PBS-COSL. In the opinion of the Directors, the Group does not have control over PBS-COSL and the investment in this joint arrangement constitutes interest in a joint venture based on the rights and obligations of the parties to this joint arrangement. Accordingly, PBS-COSL has been accounted for in the Group's condensed consolidation financial statements using the equity method.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

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

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2015.

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

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

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

2A. SIGNIFICANT EVENT IN THE CURRENT INTERIM PERIOD

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

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

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

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

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

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

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

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

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

Six months ended 30 June 2016 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sale surtaxes	3,501,801	2,134,848	859,385	466,610	6,962,644
Sales surtaxes	8,922	7,287	10,178	716	27,103
Sales to external customers, before net of sales surtaxes	3,510,723	2,142,135	869,563	467,326	6,989,747
Intersegment sales	936,958	177,733	6,955	53,262	1,174,908
Segment revenue	4,447,681	2,319,868	876,518	520,588	8,164,655
Elimination	(936,958)	(177,733)	(6,955)	(53,262)	(1,174,908)
Group revenue	3,510,723	2,142,135	869,563	467,326	6,989,747
Segment results	(7,550,228)	(149,798)	(148,802)	(264,509)	(8,113,337)
Reconciliation:					
Exchange gain, net					21,792
Finance costs					(469,386)
Interest income					41,626
Investment income					155,248
Loss before tax					(8,364,057)
Income tax					35,473
As at 30 June 2016 (Unaudited)					
Segment assets	48,937,258	6,096,316	8,640,142	5,998,665	69,672,381
Unallocated assets					11,280,817
Total assets					80,953,198
Segment liabilities	4,505,381	1,848,451	1,368,603	869,810	8,592,245
Unallocated liabilities					34,145,944
Total liabilities					42,738,189

Six months ended 30 June 2015 (Unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support services *RMB'000*	Geophysical and surveying services *RMB'000*	Total *RMB'000*
REVENUE:					
Sales to external customers, net of sales surtaxes	6,558,925	3,298,797	1,484,310	747,364	12,089,396
Sales surtaxes	106,366	92,404	33,945	28,043	260,758
Sales to external customers, before net of sales surtaxes	6,665,291	3,391,201	1,518,255	775,407	12,350,154
Intersegment sales	822,034	516,596	49,012	29,113	1,416,755
Segment revenue	7,487,325	3,907,797	1,567,267	804,520	13,766,909
Elimination	(822,034)	(516,596)	(49,012)	(29,113)	(1,416,755)
Group revenue	6,665,291	3,391,201	1,518,255	775,407	12,350,154
Segment results	756,261	417,102	204,302	(22,545)	1,355,120
Reconciliation:					
Exchange losses, net					(16,982)
Finance costs					(281,486)
Interest income					48,263
Investment income					81,520
Profit before tax					1,186,435
Income tax					264,510
As at 31 December 2015 (Audited)					
Segment assets	56,032,445	7,822,223	8,315,831	6,309,795	78,480,294
Unallocated assets					15,044,757
Total assets					93,525,051
Segment liabilities	5,211,937	2,814,233	1,449,270	904,648	10,380,088
Unallocated liabilities					36,316,293
Total liabilities					46,696,381

4. (LOSS)/PROFIT BEFORE TAX

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

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

5. INCOME TAX

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

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

The Company has applied from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of Tianjin State Administration of Taxation (the "TSAT") in February 2012 to renew its High-New Technology Enterprise ("HNTE") certificate for three years commencing from 1 October 2014, and was re-certified as an HNTE on 21 October 2014, which is effective for three years commencing from 1 October 2014, and the Company subsequently obtained the approval from Tianjin Offshore Oil Tax Bureau of Tianjin Provincial Office of the TSAT in January 2015. According to these two approvals, the CIT rate was approved to be 15% for the period from January 2011 to September 2017. Therefore, management considers that it is appropriate to use the preferential rate of 15% to provide the income tax provision of the Company for the six months ended 30 June 2016 (six months ended 30 June 2015: 15%).

The Group's activities in Indonesia are mainly subject to corporate income tax of 25% (six months ended 30 June 2015: 25%). The Group's activities in Australia are subject to income tax of 30% (six months ended 30 June 2015: 30%) based on its taxable profit generated. The Group's activities in Myanmar are subject to deemed income tax calculated at 3.5% (six months ended 30 June 2015: 3.5%) of service income generated in Myanmar. The Group's activities in Mexico are subject to income tax of 30% (six months ended 30 June 2015: 30%). The Group's activities in Norway are mainly subject to corporate income tax of 25% (six months ended 30 June 2015: 27%). The Group's activities in the United Kingdom are subject to income tax of 20% (six months ended 30 June 2015: 21%). The Group's activities in Thailand are subject to withholding tax based on 3% (six months ended 30 June 2015: 3%) of revenue generated every month. The Group's activities in Qatar are subject to income tax of 10% (six months ended 30 June 2015: 10%). The Group's activities in Iraq are subject to withholding tax based on 7% (six months ended 30 June 2015: 7%) of revenue generated in Iraq. The Group's activities in Singapore are subject to income tax of 17% (six months ended 30 June 2015: 17%). The Group's activities in the United States are subject to income tax of 34% (six months ended 30 June 2015: 34%). The Group's activities in United Arab Emirates are not subject to any income tax. The Group's activities in Denmark are subject to income tax of 22% (six months ended 30 June 2015: 24.5%). The Group's activities in Canada are subject to the net federal corporate income tax of 15% (six months ended 30 June 2015: 15%) and provincial income tax ranging from 10% to 16% (six months ended 30 June 2015: 10% to 16%), depending on the province and the size of the business. The Group's activities in Malaysia are subject to income tax of 24% (six months ended 30 June 2015: 25%). The Group's activities in New Zealand commencing in late last year are subject to withholding tax based on 15% of revenue generated in New Zealand. The Group's activities in Saudi Arabia commencing in the current interim period are subject to income tax of 20%.

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

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

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

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

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

6. DIVIDENDS PAID AND PROPOSED

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

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

7. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

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

No diluted (loss)/earnings per share is presented for the six-month periods ended 30 June 2016 and 2015 as the Group had no dilutive potential ordinary shares in issue during those periods.

8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired certain machines and equipment, motor vehicles and incurred cost on construction in progress with an aggregate cost amounting to approximately RMB2,015,095,000 (six months ended 30 June 2015: RMB4,101,790,000). Machines and equipment with an aggregate net carrying amount amounting to RMB31,560,000 (six months ended 30 June 2015: RMB68,128,000) were disposed of during the current interim period, resulting in a loss on disposal of RMB14,333,000 (six months ended 30 June 2015: RMB16,784,000).

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

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

In assessing value in use, the estimated future cash flows are discounted to their present value. The cash flow projection was based on financial budgets covering a five-year period approved by senior management. The cash flow beyond the five-year period is estimated based on the market trend and by reference to the relevant market trend report. The discount rate applied to the cash flow projection is 8% (31 December 2015: 8%). The discount rate used is a long-term weighted-average cost of capital, which is based on the management's best estimation of the investment returns that market participants would require for the relevant assets. Other key assumptions for the value in use calculations reflect management's judgments and expectation regarding the past performance of the relevant assets, as well as future industry conditions and operations, including expected utilization rates, day rates, cost level and capital requirements.

9. GOODWILL

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

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

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

10. ACCOUNTS RECEIVABLE

The Group normally allows a credit period of 30 to 45 days to its trade customers in Mainland China and no more than 6 months to its trade customers with good trading history in overseas. The aged analysis of the accounts receivable, net of provision for impairment, as at the end of the reporting period, based on the invoice date, is as follows:

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

11. NOTES RECEIVABLE

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

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

12. OTHER CURRENT ASSETS AND OTHER NON-CURRENT ASSETS

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

(a) The liquidity funds have no fixed maturity date and coupon rate.

(b) Other non-current assets mainly consisted of deferred expenses recognised in relation to mobilisation costs incurred by the Group's jack-up and semi-submersible drilling rigs, tax recoverable generated from certain overseas income tax paid which is deductible for PRC corporate income taxes purpose and deposits paid for the acquisition of property, plant and equipment. The current portion of deferred expenses was recorded as other current assets. The deferred expenses are amortised over their respective drilling contract periods.

13. TRADE AND OTHER PAYABLES

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

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

14. INTEREST-BEARING BANK BORROWINGS

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

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

15. LONG TERM BONDS

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY REVIEW

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

BUSINESS REVIEW

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

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

Drilling Services Segment

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

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

At the end of June 2016, the Group operated and managed a total of 45 drilling rigs (including 34 jack-up drilling rigs and 11 semi-submersible drilling rigs). 9 of them were operating in Bohai, China, 6 were operating in South China Sea, 2 were operating in East China Sea, and 7 were operating in international regions such as the North Sea of Norway, Mexico and Indonesia, and 21 rigs were on standby. In addition, the Group also owned 2 accommodation rigs and 5 module rigs.

During the first half of the year, the number of operating days of the Group’s drilling rigs amounted to 3,972 days, representing a decrease of 2,273 days compared with the same period last year. The calendar day utilization rate was 49.7%, a decrease of 30.3 percentage points compared with the same period last year due to the increase in the number of standby days.

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

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

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

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

The average day income of the drilling rigs of the Group for the first half of 2016 decreased as compared with the same period last year, with details as follows:

Average day income (ten thousand US$/day)	**For the six months ended 30 June**			
	2016	2015	Decrease	Percentage decrease
Jack-up drilling rigs	**7.6**	10.3	(2.7)	(26.2%)
Semi-submersibles drilling rigs	**23.6**	30.4	(6.8)	(22.4%)
Drilling rigs sub-total	**10.7**	14.7	(4.0)	(27.2%)
Accommodation rigs	**8.0**	24.8	(16.8)	(67.7%)
Group's average	**10.6**	15.2	(4.6)	(30.3%)

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

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

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

Well Services Segment

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

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

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

Marine Support Services Segment

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

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

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

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

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

Geophysical and Surveying Services Segment

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

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

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

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

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

Financial Review

1. Analysis of condensed consolidated statement of profit or loss

1.1 Revenue

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

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

Unit: RMB million

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

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

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

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

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

1.2 Operating expenses

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

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

Unit: RMB million

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

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

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

A decrease in operation volume and the adoption of variety measures in controlling costs by the Group led to a decrease of materials consumption of RMB546.5 million.

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

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

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

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

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

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

Unit: RMB million

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

1.3 *(Loss)/profit from operations*

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

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

Unit: RMB million

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

1.4 *Financial expenses, net*

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

1.5 *Investment income*

During the first half of 2016, the investment income of the Group amounted to RMB155.2 million, representing an increase of RMB73.7 million or 90.4% from RMB81.5 million for the same period last year, which was mainly due to the increase in investment income from the corporate wealth management products during the period.

1.6 *Share of profits of joint ventures, net of tax*

As affected by the market environment, profits of joint ventures decreased. In the first half of 2016, the Group's share of profits of joint ventures amounted to RMB28.3 million, representing a decrease of RMB65.9 million as compared with RMB94.2 million for the same period last year.

1.7 *Income tax*

In the first half of 2016, the income tax expense of the Group was RMB35.5 million, representing a decrease of RMB229.0 million or 86.6% as compared with RMB264.5 million for the same period last year. This was mainly due to the downturn of oilfield services market which resulted in the decrease of profit before tax during the period.

1.8 (Loss)/profit for the period

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

1.9 Basic (loss)/earnings per share

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

2. Analysis on condensed consolidated statement of financial position

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

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

Unit: RMB million **Items**	**30 June 2016**	31 December 2015	Increase/ (Decrease)	**Reasons**
Goodwill	–	3,394.5	(100%)	An impairment loss of goodwill amounted to RMB3,455.4 million is led by the unfavorable market environment.
Other current assets	**475.3**	1,150.4	(58.7%)	Mainly due to part of the prepayment of construction during the period has been transferred to property, plant and equipment.
Notes receivables	**11.2**	1,906.5	(99.4%)	Mainly due to the receipts of the notes fall due at the beginning of the period.
Pledged Deposits	**21.0**	31.6	(33.5%)	Mainly due to the decrease in pension of the Group.
Cash and cash equivalents	**7,988.6**	12,574.0	(36.5%)	The net proceeds of the issuance of the corporate bonds of RMB4,993.0 million and repayment of the debts, interest and dividend of RMB8,493.3 million.
Wages payables and bonus	**580.5**	985.3	(41.1%)	Mainly due to the payment of wages on schedule.
Tax payables	**164.5**	111.3	47.8%	Operating income decreased due to market impact and tax payable was reduced accordingly.
Other current liabilities	**128.1**	429.4	(70.2%)	Mainly due to the amortisation compensation for the cancellation of service contract with Statoil Petroleum AS in relation to the COSLPioneer.
Interest-bearing borrowings (Non-current portion)	**2,250.2**	9,482.6	(76.3%)	It was mainly attributable to loan repayment and the long-term borrowing to be re-classified and due within one year.
Long-term bonds	**19,663.1**	14,390.8	36.6%	The issuance of the corporate bonds of RMB5,000.0 million.

3. Analysis of consolidated statement of cash flows

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

3.1 Cash flows from operating activities

For the six months ended 30 June 2016, the Group's net cash inflows from operating activities amounted to RMB304.6 million, representing a decrease of RMB1,157.0 million or 79.2% as compared with the same period last year. This is mainly due to the declining demand in oilfield services market resulted in cash generated from product sales and provision of services of the Group decreased by RMB3,887.6 million during the period and the decrease of RMB1,596.4 million in cash used in the purchase of goods and the payment of receipt of services.

3.2 Cash flows used in/from investing activities

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

3.3 Cash flows used in/from financing activities.

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

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

4. Capital Expenditure

In the first half of 2016, the capital expenditure of the Group was RMB2,023.8 million, representing a decrease of RMB2,098.5 million or 50.9% as compared with RMB4,122.3 million for the same period last year.

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

Unit: RMB million

Business segments	For the six months ended 30 June 2016	2015	Decrease	Percentage decrease
Drilling services	**1,292.8**	1,776.8	(484.0)	(27.2%)
Well services	**77.8**	470.7	(392.9)	(83.5%)
Marine support services	**472.1**	875.8	(403.7)	(46.1%)
Geophysical services	**181.1**	999.0	(817.9)	(81.9%)
Total	**2,023.8**	4,122.3	(2,098.5)	(50.9%)

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

5. Major Subsidiary

COSL Norwegian AS ("CNA") is a major subsidiary of the Group engaged in drilling operations. COSL Holding AS is a subsidiary of CNA. As of 30 June 2016, the total assets of CNA amounted to RMB18,809.3 million and equity amounted to RMB1,786.3 million. Affected by the changes in market environment, CNA realized revenue of RMB1,157.6 million in the first half of 2016, representing a decrease of RMB773.8 million or 40.1% as compared with the same period last year. The loss of net profit amounted to RMB4,123.7 million, increased by RMB2,673.7 million as compared with the same period last year, which was mainly due to the decrease of operating revenue and the increase of recognition of fixed asset and goodwill impairment loss during the period.

PROSPECT

Looking forward to the second half of the year, the overall market remains a cautious attitude to the trend of crude oil prices. The trend of short term oil prices will still be under a relatively high fluctuation. Every business segment of the Company will continue to face tough challenges.

OTHER INFORMATION

AUDIT COMMITTEE

The audit committee comprises of three independent non-executive directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the risk management, internal control and financial reporting matters. The unaudited interim financial report for the six months ended 30 June 2016 has been reviewed by the audit committee.

CORPORATE GOVERNANCE CODE

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

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

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

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

PURCHASE, SALE AND REDEMPTION OF OUR LISTED SECURITIES

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

PROGRESS OF BUSINESS PLAN

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

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

MISCELLANEOUS

On 20 March 2012, the Company disclosed in its announcement a connected transaction in relation to the transfer of land to CNOOC Infrastructure Management Co., Ltd. As at 30 June 2016, the infrastructure project has fulfilled the investment requirements for the transfer. The transfer procedures of such land transaction were not yet completed, and the Company is now actively undertaking relevant communication and coordination in respect of the transfer.

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

The directors are of the opinion that there have been no material changes to the information published in its annual report for the year ended 31 December 2015, other than those disclosed in this interim report.

DISCLOSURE OF INFORMATION ON THE HKSE'S WEBSITE

All information required by paragraphs 46(1) to 46(6) of Appendix 16 of the Listing Rules will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn) in due course.

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

29 August 2016

As at the date of this announcement, the executive directors of the Company are Messrs. Qi Meisheng, Dong Weiliang and Li Feilong; the non-executive directors of the Company are Messrs. Liu Jian (Chairman) and Xie Weizhi; and the independent non-executive directors of the Company are Messrs. Law Hong Ping, Lawrence, Fong Chung, Mark and Wong Kwai Huen, Albert.