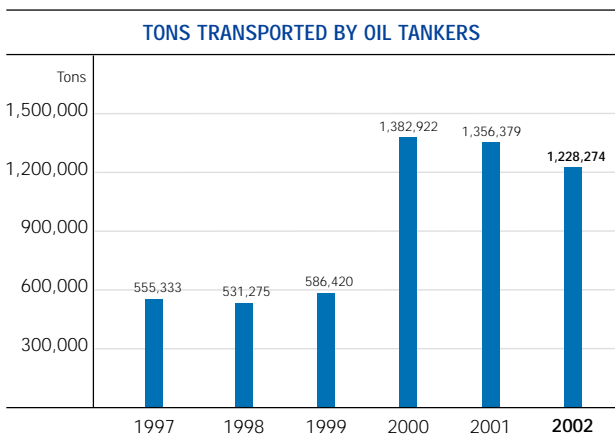
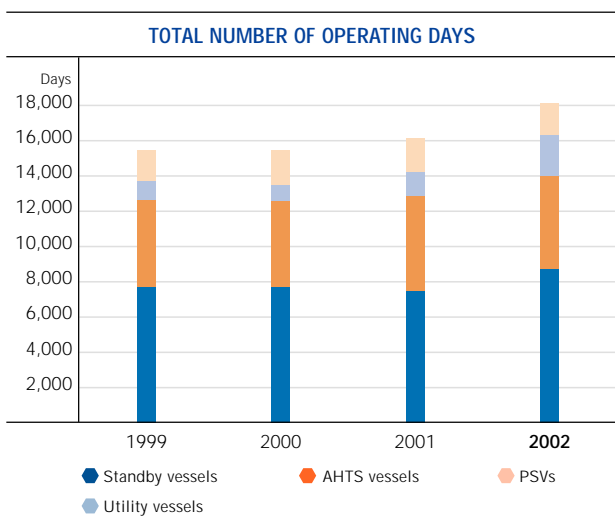
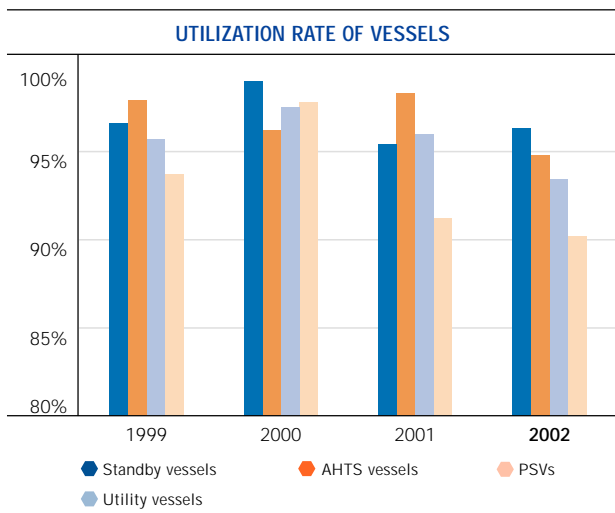


# MARINE SUPPORT AND TRANSPORTATION SERVICES

COSL is the market leader in marine support and transportation services in the offshore China market. It owns and operates a fleet of 54 marine support vessels and six oil tankers to serve production needs of offshore China E&P operators. Offshore support vessels transport materials, supplies and personnel to offshore facilities as well as move and position drilling structures. Oil tankers transport crude oil and refined products.



## MANAGEMENT DISCUSSION & ANALYSIS



### Marine Support and Transportation Services

As of December 31, 2002, COSL owned and operated the largest and most diverse marine support fleet offshore China with 54 marine support vessels. We also owned and operated six oil tankers. Offshore support vessels transport materials, supplies and personnel to offshore facilities as well as move and position drilling structures. Oil tankers transport crude oil and refined products.

Despite the disposal of Binhai 206 in August 2002, COSL achieved its 2002 goals for its marine support and transportation services. With the seven vessels we added to our fleet between the second half of 2001 and January 2002, we were able to meet the demand for marine support services that followed an increase in production activities. Operating days increased from 16,118 days in 2001 to 18,117 days in 2002, as the total number of days available increased from 16,807 in 2001 to 19,100 days in 2002, primarily due to the expansion of our fleet and a decrease in vessel repair days. As a result, the utilization rate for our marine support vessels averaged 94.8%, which was slightly lower than the 2001 average utilization rate of 95.9%. Our oil tankers transported a total of 1,228,274 tons in the year 2002, representing a decrease of 9.4% from the year 2001.

As of December 31, 2002, 37 of our vessels were deployed in the Bohai Bay, including six oil tankers, 19 were deployed in the South China Sea, two in the East China Sea, one in Indonesia, and one was moving to the Korean Sea.

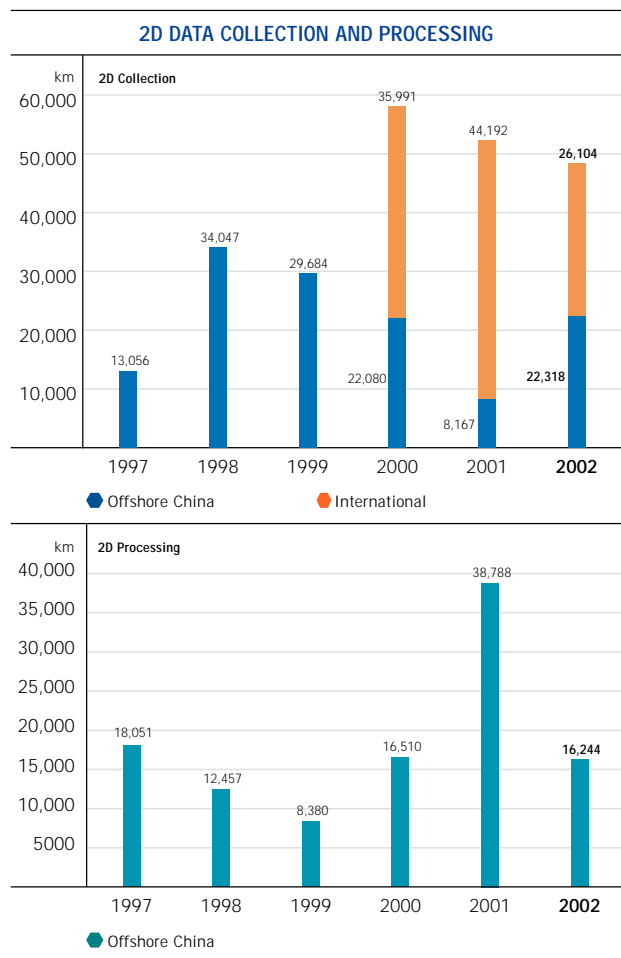
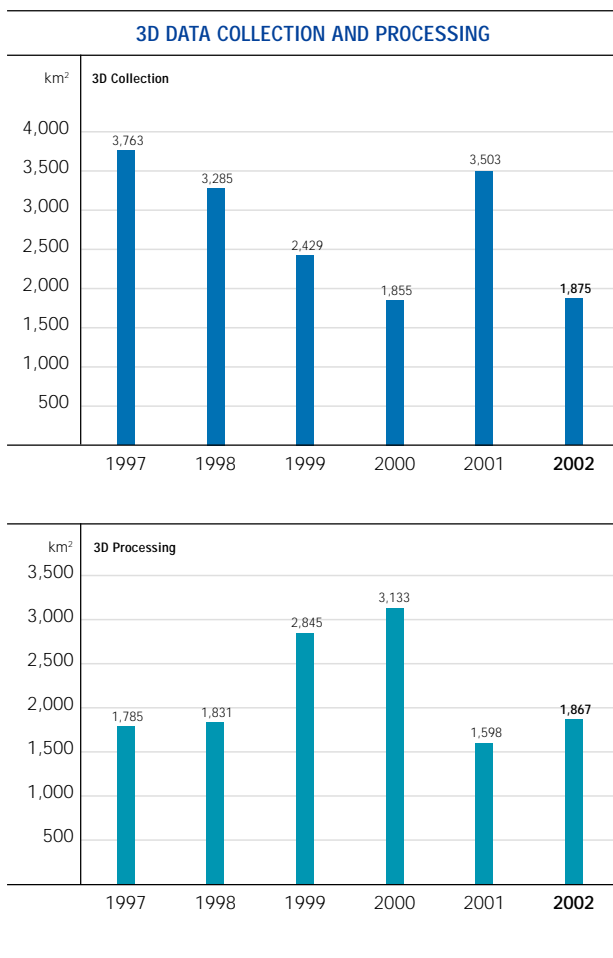
We intend to expand our marine support and transportation fleet from 60 to 67 vessels by the end of 2003 to support new operating activities, especially offshore production. We believe these additional vessels will help satisfy the anticipated demand for production related services in the years to come.

## Geophysical Services

COSL is the leading provider of geophysical services offshore China, and operates a fleet of six seismic vessels and three marine geotech survey vessels.

This segment is the most international of COSL's four business segments. During the year, seismic vessels performed services in offshore West Africa, the Gulf of Mexico, the Bohai Bay and also the South China Sea. Five of our six vessels were engaged in contracts through the end of the year, exceeding our anticipated activity levels.

Competition remained fierce in both 2D and 3D seismic data collection. COSL collected 1,875 km<sup>2</sup> of 3D data and 48,422 km of 2D data in 2002, compared to 3,503 km<sup>2</sup> and 52,359 km of 3D and 2D data, respectively, in 2001. The decreases in international 2D collection and the lack of 3D collection activities were the main reasons contributing to this drop. Despite the decrease, the geophysical service segment achieved a turnaround in the year 2002, following COSL's cost control measures and a price increase for 2D services. Another major factor that contributed to the significant growth was an increase in the amount of geotech survey services COSL performed for development fields.



# GEOPHYSICAL SERVICES

COSL is the leading provider of geophysical services offshore China. COSL's geophysical division is the most international division out of our four service lines, having worked in the Gulf of Mexico, Brazil, Spain, West Africa and other locations. This business segment involves seismic and geotech surveying carried out by our six seismic ships and three survey ships.



A circular inset image showing the silhouette of an oil rig against a sunset sky. The rig's complex lattice structure is prominent, with several tall derrick towers. The sky transitions from a deep orange near the horizon to a darker purple and blue at the top. The entire scene is framed within a circle that is set against a background of radiating blue and green light beams.

# Competitive Cost Structure

Allied with Highly Capable Personnel