

## CORPORATE GOVERNANCE

China Oilfield Services Limited's Board and management are committed to conducting business ethically and in a way that is open and transparent to COSL's shareholders and the market. In our first year as a listed company, we believe our corporate governance practices are appropriately rigorous and have reached a high standard.

The following outlines our main corporate governance practices that were in place in 2002.

### The Board

Mr. Fu Chengyu is the first Chairman of COSL's Board of Directors, and is supported by two executive Directors, one non-executive Director and three independent non-executive Directors. Although Mr. Fu's position combines the roles of Chairman and Chief Executive Officer, the Directors are satisfied that given the nature of our business, the undertaking of both roles by Mr. Fu does not interfere with the Board's independence from the management. The non-executive Directors are independent of management and all Directors bring their independent judgment to bear on issues of strategy, performance, resources, key appointments and standards of conduct.

Seven of our Directors, including two of our original independent non-executive Directors, were elected on September 20, 2002, at our first Shareholders' meeting. Gordon Kwong, the other independent non-executive Director, was elected on October 30, 2002, at a Shareholders' special meeting. The name, qualifications and other details of each member of the Board are set out in the latter part of this report. All directors submit themselves for re-election at least once every three years.

A minimum of two Board meetings are held each year to discuss overall company strategy, acquisition and investment policy, major capital expenditure projects and significant financing matters. The Board monitors the company's exposure to key business risks and reviews the strategic direction of individual business segments, their annual budgets, their progress towards achievement of those budgets and their capital expenditure programs. The Board also considers QHSE issues as well as key appointments.

### Board Meetings

There were four Board meetings during the year and the attendance is set out below:

	No. of meetings attended
Mr. Fu Chengyu (Chairman and Chief Executive Officer)	4
Mr. Yuan Guangyu (President and Chief Operating Officer)	4
Mr. Yang Yexin (Director and Executive Vice President)	4
Mr. Wang Zhongan (Non-executive Director)	4
Mr. Gordon Che Keung Kwong (Independent non-executive Director)*	1
Mr. Richard Paul Margolis (Independent non-executive Director)	4
Mr. Andrew Y. Yan (Independent non-executive Director)	4

\* Only one Board meeting took place after Mr. Gordon Che Keung Kwong joined the Board of Directors on October 30, 2002.

## Audit Committee

We established an audit committee on November 3, 2002 with written terms of reference in compliance with the Code of Best Practice of the Listing Rules. Consisting of our three independent non-executive Directors, namely Gordon Kwong, Richard Margolis and Andrew Yan, the committee oversees the financial reporting process and the effectiveness of our system of internal control.

## Remuneration Committee

Our remuneration committee was established on November 3, 2002. The committee's current members are Gordon Kwong, Richard Margolis and Andrew Yan, all of whom are independent non-executive Directors. The primary duties for the remuneration committee are to make recommendations to the Board of Directors on the framework of executive remuneration and to determine on behalf of the Board of Directors specific remuneration packages and conditions of employment for our Executive Directors and senior management. No director plays a part in any discussion about his or her own remuneration.

## Supervisory Committee

The Supervisory Committee is responsible for monitoring our financial matters and overseeing actions of our Board of Directors and our management personnel. The supervisory committee consists of three Supervisors, two of whom represent our Shareholders and are elected and may be removed by our Shareholders in a general meeting, and one of whom represents our staff and workers and is elected and may be removed by our staff and workers. The term of office of our Supervisors is three years, renewable upon re-election. A Supervisor cannot concurrently hold the position of a Director, manager or financial controller. Our supervisory committee's primary duties include attending our Board of Directors' meetings, examining our financial affairs, verifying financial reports, business reports, profit

distribution proposals and other financial information proposed at our Shareholders' general meetings by our Directors from time to time, and overseeing the actions of our Directors and other senior management personnel in carrying out their duties.

## Corporate Communications Initiatives

Communications with Shareholders are given high priority. Our website, [www.cosl.com.cn](http://www.cosl.com.cn), was launched in September 2002, and has continued to serve as a helpful source of information about COSL and its current activities. The website is periodically updated and contains sections on investor relations, corporate governance and company updates.

COSL holds regular dialogue with institutional and private Shareholders. We aim to conduct presentations at the time of the release of all annual and interim results. We shall issue a written notice 45 days prior to the Annual General Meeting informing all the registered shareholders, at which COSL's Directors are available to answer questions. All Shareholders are encouraged to attend the Annual General Meeting, where past work and future plans will be discussed, and where shareholders will be entitled to vote on the issues laid out in the agenda prepared by our Company Secretary.

## Code of Conduct

COSL expects all of its Directors, managers, Supervisors and employees to act with integrity and in an ethical manner. We have workplace behavior policies that are communicated to all employees.