FINANCIAL HIGHLIGHTS

- Turnover increased 10.2% to RMB1,436 million
- Profit from operations improved 23.4% to RMB376.6 million
- Profit attributable to shareholders surged 50.5% to 326.8 million

CONTENTS

CHAIRMAN'S STATEMENT

Dear Shareholders,

Despite oil price fluctuations caused by the war in Iraq and the effect of Severe Acute Respiratory Syndrome, or SARS, on local and regional economies, COSL achieved its results targets during the first half of this year. Compared to the first six months of 2002, total turnover grew by 10.2% to RMB1,436 million in the first half of 2003. Profit from operation increased by 23.4% to RMB376.6 million. EBITDA and net profit surged by 25.0% and 50.5%, respectively. China's robust economic growth and higher oil prices led oil companies to increase their investment in exploration and development activities offshore China. This factor, combined with our business strategies and cost control measures, enabled us to achieve impressive results during the period.

Drilling services and geophysical services drove our strong growth in the first half of 2003. Our drilling rigs experienced higher utilization rates and day rates, and the total turnover from drilling services increased by 24.1% over the corresponding period last year. In our geophysical services, 3D seismic data collection offshore China increased by 89.1%, while international 2D seismic data collection was approximately double, together contributing to a 60.8% increase in geophysical services turnover.

In addition to increasing total turnover, we adopted stringent cost control measures in the first half of 2003. While total turnover increased by 10.2%, operating expenses only rose by 6.3%. During this period, we were recognized as an advanced technology enterprise for tax purposes for the period October-December, 2002. As a result, we received a tax refund of RMB45.5 million, which we applied towards our tax expense for the first half of 2003. Our overall net profit for the first six months of 2003 was RMB326.8 million, representing a 50.5% increase over our net profit for the first half of 2002 of RMB217.1 million.

During the first part of 2003, COSL successfully leveraged its integrated services platform to achieve stronger sales. We strengthened our principal businesses of exploration and development. At the same time, we further integrated our various oilfield production technology services, which should enable us to cater to our customer's different exploration and development plans. At the beginning of this year, we established an oilfield production technology laboratory and increased our investment in the research and development of oil storage and management techniques. In addition, we formed the Bohai Bay Oilfield Services Project Team to coordinate and manage the use of internal and external resources for oilfield production projects in that region.

COSL's business strategy is to maintain its leading position offshore China and selectively pursue international opportunities. Earlier this year, we recruited three senior industry representatives to assist us in this plan. In particular, we appointed Mr. Alan Good as a Vice President responsible for developing our overseas business and operations.

Although external factors affected certain CAPEX projects during the first half of the year, our business growth warranted our planned capital expenditures. Given the current business environment, we remain confident of maintaining our plans.

Well services business activities fell in the first half of 2003, which reflected demand fluctuations and keen market competition. Looking ahead, although we expect repair and maintenance costs to increase in the second half of 2003, we believe that our well services business will improve in this period. We are still confident that COSL can achieve continuous growth and meet its business and operational targets.

CHAIRMAN'S STATEMENT

Our business achievements during the first half of the year resulted in good profitability. To share this success with our valued shareholders, our Board of Directors has proposed the payment of a special interim divided of RMB1.23 cents per share, which is subject to our shareholders' approval at the upcoming extraordinary general meeting.

We experienced a safe and smooth six months of operations as we did not record any major incidents. According to Occupational Health and Safety Assessment Series, our occupational incident rate for the period was 0.12. At the same time, we made determined efforts to perfect our International Safety Management System, and have successfully obtained a Document of Compliance Certificate.

On behalf of the Board of Directors, I would like to thank all our employees for their dedication and hard work which created much value for our shareholders in the first half of 2003 and also for their commitment to our quality, health, safety and environment program, their contribution to our successful operating performance and their fortitude amid the outbreak of SARS.

Lastly, I would like to take this opportunity to express my gratitude to our former independent non-executive Director, Mr. Richard Paul Margolis, for his dedication and hard work. I wish him every success in the future. Thanks also to you, our valued shareholders. Your continuous support is our greatest source of encouragement.

Fu Chengyu

Chairman and Chief Executive Officer

Hong Kong, August 21, 2003

MANAGEMENT DISCUSSION & ANALYSIS

Business Review

Drilling Services

Our drilling services continued to experience strong market demand during the first six months of 2003. The number of exploration wells we drilled grew by 21.2% to 40 wells in the first half of 2003 compared to 33 wells in the first half of 2002. Development wells drilled also increased by 72.7%, from 33 wells in the first half of 2002 to 57 wells in the first half of 2003.

High exploration and development activities offshore China led to strong demand for our drilling rigs. In the first half of 2003, our drilling rigs operated for a total of 1,757 days, an increase of 35 days compared to the corresponding period last year. Our average utilization rate rose to 93.8%, compared to 90.7% in the first half of 2002. The average day rate for our jack-up rigs averaged US$31,569/day, while the day rate for our semi-submersibles averaged US$55,136/day, compared to US$26,245/day and US$47,380/day, respectively, in the first half of 2002. The rise in utilization rates and day rates, together with the increase in well workover activities, resulted in strong growth in our drilling services.

During the period under review, our drilling rigs mainly operated in the Bohai Bay, Western South China Sea, Eastern South China Sea and East China Sea. Bohai IV and Bohai IX were assigned to provide drilling services for operations in Indonesia and West Africa, respectively.

We continued to promote our Integrated Project Management (IPM) program to our customers in the first half of 2003 and successfully completed four projects under the program, compared to two in the first half of 2002.

We have commenced our program to build a new jack-up rig that can drill in water depths up to 400 feet as announced in April 2003. We have begun to solicit bids for technical designs.

Well Services

Well services business activity fell in the first half of 2003 as we experienced lower demand for wire-line logging and fluids in relation to exploration well activities. Prices charged for some of our wire-line logging services were also lowered in response to market competition. In addition, there was no requirement to perform certain well completion services directly related to development activities, including sand control and electronic submersible pump activities. (In the first half of 2002 we performed 20 sand control and 21 electronic submersible pump assignments.)

In the first half of 2003, we worked hard on improving our technical capabilities in well services. These improvements include a liquid additives system (LAS) for our cementing services and a magnetic resonance imaging log (MRIL) for our wire-line logging services. For our fluids operation, we built a facility for the disposal of oil-based mud in Tanggu. The LWD equipment we purchased last year is expected to be delivered in October and will be used in our directional drilling operations.

Marine Support and Transportation Services

As at June 30, 2003, we owned and operated a diverse fleet of 57 marine support vessels and 5 oil tankers.

Three newbuild marine support vessels were built in January, April and June, respectively, in 2003. Although we experienced increased demand for our marine support vessels in the first half of this year, we were able to satisfy the needs of our customers. Due to the expansion of our fleet and a decrease in vessel repair days, total operating days increased from 8,871 days in the first half of 2002 to 9,257 days in the first half of 2003, as the total number of days available increased from 9,478 days in the first half of 2002 to 9,647 in the first half of 2003. The utilization rate for our marine support vessels averaged 96.0%, which was slightly higher than the average utilization rate of 93.6% in the first half of 2002.

MANAGEMENT DISCUSSION & ANALYSIS

In May 2003, we disposed of Binhai 601, which was built in 1979, because the tanker's structure and engine showed signs of aging and it was not able to keep up with current transportation needs.

We continued to search for suitable international opportunities during the first half of the year. Binhai 283 and Binhai 291 were both deployed to provide services offshore Korea.

Geophysical Services

Competition remained keen in both 2D and 3D seismic data collection in the first six months of 2003. We collected 1,261 km^2 of 3D data and 22,481 km of 2D data, compared to 667 km^2 and 19,000 km of 3D and 2D data, respectively, in the first half of 2002. These increases were primarily due to an increase in 3D activities in the domestic market, mainly in the Bohai Bay and a substantial increase in international 2D data collection activities, conducted mainly in the Gulf of Mexico area, compared to the corresponding period last year. 2D data processing activities increased by 21.7% to reach 8,519 km.

Financial Review

Turnover

Turnover for the first half of 2003 was RMB1,436.0 million, an increase of RMB132.6 million, or 10.2%, compared with the same period last year. The increase in turnover was attributable to a substantial increase in turnover from geophysical services and drilling services, as well as a moderate increase in turnover from marine support and transportation services.

In the first six months of 2003, turnover from drilling services grew by RMB122.9 million, or 24.1%, to RMB632.1 million, compared to the same period in 2002. This increase was mainly due to an increase in drilling services provided in the first half of 2003, an increase in the day rates we charged for our drilling rigs and an increase in well workover services provided on drilling platforms owned by our customers.

In the first six months of 2003, turnover from well services amounted to RMB268.4 million, a fall of RMB84.4 million, or 23.9%, from turnover of RMB352.8 million for the corresponding period of 2002. We experienced lower demand for wire-line logging and fluids in relation to exploration well activities. Prices charged for some of our wire-line logging services were also lower due to market competition. In addition, we did not perform certain well completion activities directly related to development activities, including sand control and electronic submersible pump activities. (In the first half of 2002, we performed 20 sand control and 21 electronic submersible pump activities.)

Turnover from marine support and transportation services was RMB302.9 million in the first six months of 2003, an increase of RMB6.3 million, or 2.1%, over turnover of RMB296.6 million in the first six months of 2002. This increase primarily resulted from our two new-build vessels put into service during the first half of 2003 and a 4.4% increase in total operating days. Utilization of vessels with higher horse power fell, while utilization of vessels with lower horse power went up. This increase also resulted from an average increase of 9.5% in the day rates that we charge for our vessels.

Geophysical services turnover increased by RMB88.0 million, or 60.8%, to RMB232.7 million in the first half of 2003, compared to turnover of RMB144.7 million in the first half of 2002. The rise was mainly due to an increase in domestic 3D data collection activities and international 2D data collection activities compared with the same period last year. The increase in turnover was also due to the increase in the collection rates that we charged and the sale of collected seismic data, as well as a 21.7% growth in our 2D seismic data processing activities over the same period last year. Revenue from our survey services remained similar to that of the same period last year.

Operating expenses

For the six months ended June 30, 2003, total operating expenses were RMB1,061.7 million, representing an increase of RMB62.5 million, or 6.3%, compared to the first six months of 2002. This increase was mainly due to an increase in depreciation costs, operating lease expenses, other selling, general and administrative expenses and other operating expenses. Depreciation costs rose by RMB52.2 million, mainly due to the revaluation of our assets on April 30, 2002, the addition of three vessels and the acquisition of equipment for our drilling and well services. Operating lease expenses increased by RMB34.5 million mainly because we leased additional equipment in connection with our entry through cooperative projects into the high-end LWD market and because we had to pay higher rates for safety and positioning vessels, which were in demand because of the rise in seismic activities. Increased auditing, consultation and fees payable to foreign companies since our listing together with a higher provision for doubtful accounts led to a rise in our other selling, general and administrative expenses by RMB24.2 million. Our expanded overseas operations led to an increase in other operating expenses by RMB3.4 million compared to the same period last year, primarily due to increased expenses for overseas training programs in support of our overseas expansion. Offsetting these increases, our repair and maintenance costs fell by RMB12.9 million, primarily because the high demand for our drilling rigs led us to defer some of our scheduled repairs and maintenance. Costs related to the consumptions of supplies, materials, fuel, services and others decreased by RMB40.0 million, primarily because of lowered consumption of supplies related to lower well services activities and lower material consumption as a result of the deferral of our marine support vessel maintenance.

In the first six months of 2003, drilling services operating expenses increased by RMB24.3 million, or 6.8%, to RMB383.9 million, from RMB359.6 million during the same period last year. The addition of personnel for drilling services driven by higher drilling activities resulted in an increase of RMB13.7 million, or 18.6%, in employee compensation costs, to RMB87.3 million in the first half of 2003. Costs related to the consumption of supplies, materials, fuel, services and others and operating lease expenses increased by RMB0.5 million and RMB3.9 million, respectively, primarily due to an increase in business activity. Offsetting these increases, repair and maintenance costs decreased by RMB19.5 million compared to the same period last year, primarily because high demand for our drilling rigs led us to defer some of our scheduled repairs and maintenance.

Well services operating expenses for the first half of 2003 decreased by RMB12.4 million, or 4.8%, to RMB244.9 million, from RMB257.3 million in the first half of 2002. This decrease was mainly due to an overall decrease in business activities which led to a decrease of RMB46.4 million in costs related to the consumption of supplies, materials, fuel, services and others. Employee compensation costs, other selling, general and administrative expenses and other operating expenses decreased by RMB7.0 million in aggregate compared to the same period last year. Depreciation costs increased by RMB26.3 million to RMB54.2 million, mainly due to the revaluation of our assets on April 30, 2002 and the purchase of new equipment. Our entry into the high-end LWD market through cooperative projects led to an increase in operating lease expenses of RMB13.7 million.

Operating expenses for marine support and transportation services in the first six months of 2003 amounted to RMB246.2 million, representing and increase of RMB18.6 million, or 8.2%, compared to RMB227.6 million during the same period of last year. This increase was mainly due to an increase in depreciation costs of RMB36.8 million to RMB99.8 million as a result of the revaluation of our assets on April 30, 2002 and the addition of three new vessels. Repair and maintenance costs fell by RMB2.3 million because we have scheduled most of our maintenance for the second half of the year. Costs related to the consumption of supplies, materials, fuel,

MANAGEMENT DISCUSSION & ANALYSIS

services and others declined by RMB12.2 million over the same period last year, mainly because docking rates decreased and because we spent less on leasing vessels from other companies. Employee compensation costs also declined by RMB4.9 million compared to the same period last year.

Geophysical services operating expenses rose by RMB32.0 million, or 20.7%, from RMB154.7 million in the first half of 2002 to RMB186.7 million in the first half of 2003. This increase was mainly due to a substantial increase in seismic data collection activity compared to the same period last year, which resulted in an increase of RMB18.1 million in costs related to the consumptions of supplies materials, fuel, services and others. Reflecting a significant increase in business activity and an increase in costs related to the leasing of convoy and navigation vessels, operating lease expenses increased by RMB16.2 million. Bihai 501, Bihai 517 and Binhai 518 were scheduled for maintenance during the first half of this year, causing an increase of RMB7.9 million in repair and maintenance costs. Offsetting these increases was a decrease of RMB13.3 million in depreciation costs, primarily because certain assets were fully depreciated in early 2003.

Profit from operations

For the first six months of 2003, our profit from operations grew by RMB71.4 million, or 23.4%, to RMB376.6 million from RMB305.2 million in the first half of 2002. This increase resulted from a RMB56.7 million increase in operating profit from our geophysical business, which experienced a loss of RMB10.0 million in the first half of 2002. Operating profit from drilling services for the first half of 2003 amounted to RMB248.2 million, representing an increase of RMB98.6 million, or 65.9%, compared to the first half of 2002. Offsetting these increases, operating profit from well services declined by RMB71.5 million, or 74.2%, to RMB24.8 million, while operating profit from marine support and transportation services fell by RMB12.4 million, or 17.9%, to RMB57.0 million.

Share of profit of jointly-controlled entities

Our share of profit from jointly-controlled entities increased by RMB8.0 million, or 37.9%, from RMB21.1 million in the first half of 2002 to RMB29.1 million in the first half of 2003, primarily due to an increase of RMB7.5 million in profits received from our well services joint ventures.

Cash and cash equivalents

Our cash and cash equivalents were RMB2,473.1 million at June 30, 2003, representing a decrease of RMB159.1 million from a cash and cash equivalents balance of RMB2,632.2 million at December 31, 2002. During the first half of 2003, we invested RMB396.9 million in capital expenditures, purchased RMB150.0 million in government debt securities with an obligation to resell and distributed RMB52.3 million as a final dividend payment for 2002. These developments were largely offset by an increase of RMB452.2 million in cash inflow from operating activities. In the first half of the year, we committed a total of RMB998.0 million to capital expenditures.

Outlook

Our operating results in the first half of 2003 have laid a solid foundation for us to continue developing in the second half of the year. We believe the pace of exploration and production development activities in the offshore China market and the utilization rates for our drilling rigs and marine support vessels will remain at relatively high levels. In an effort to deal with the pressure on our well services segment, we plan to adopt various strategies to raise our technical capabilities and to increase our overall competitiveness. We believe our geophysical services will experience steady growth. In summary, in order to ensure a win-win situation for our shareholders, customers and employees, we are committed to our development strategies “try our very best” and will continue to diligently execute our business model.

SUPPLEMENTARY INFORMATION

Corporate Governance

The interim results have been reviewed by our Board's audit committee which consists of our two independent non-executive Directors. The committee has reviewed the accounting principles and practices adopted by us, and has also discussed auditing, internal control and financial reporting matters.

Substantial Shareholders

As at June 30, 2003, so far as is known to our Directors, the following persons were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote at a general meeting of COSL.

Name	Number of shares held
CNOOC	2,460,468,000
Capital Group Companies, Inc.	242,925,000
J.P. Morgan Chase & Co.	168,494,000
JP Morgan Chase Bank	143,027,000

Apart from the foregoing, no person or corporation had any interest in the share capital of COSL as recorded in the register required to be kept under the Securities and Futures Ordinance as having an interest in 5% or more of the issued capital of COSL.

Purchase, Disposal and Redemption of Our Listed Securities

Neither we nor our subsidiaries purchased, disposed of or redeemed any of our listed securities during the first six months of 2003.

Directors' and Supervisors' Interests in Contracts

None of our Directors and supervisors had a material interest, either direct of indirect, in any contract of significance to the business of COSL to which COSL or any of its subsidiaries was a party during the six months ended June 30, 2003.

Directors' and Supervisors' Interests in Shares

As at June 30, 2003, none of our Directors, supervisors, or their associates had any personal, family, corporate or other interests in any equity or debt securities of COSL or any of its associated corporations as defined in the Securities and Futures Ordinance.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

At no time during the period were rights to acquire benefits by means of the acquisition of shares in or debentures of COSL granted to any Director, supervisors of their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was COSL or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

Special Interim Dividend

Our Board of Directors has proposed to pay a special interim dividend of RMB1.23 cents per share for the six months ended June 30, 2003. The proposed special interim dividend for the period is subject to the approval of COSL's shareholders at the upcoming extraordinary general meeting.

SUPPLEMENTARY INFORMATION

Our Register of Members will be closed from September 22, 2003 (Monday) to October 22, 2003 (Wednesday) (both dates inclusive). In order to qualify for the proposed special interim dividend, all transfers, accompanied by the relevant share certificates, must be lodged with our share registrar, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:00 p.m. on September 19, 2003 (Friday).

Code of Best Practice

In the opinion of our Board, we complied with the Code of Best Practice as set out in Appendix 14 of The Stock Exchange of Hong Kong Limited ("HKSE")'s Listing Rules throughout the accounting period covered by our interim report.

On behalf of the Board

Fu Chengyu

Chairman and Chief Executive Officer

Hong Kong, August 21, 2003

INDEPENDENT AUDITOR'S REVIEW REPORT

ERNST & YOUNG
安永會計師事務所

To the Board of Directors
China Oilfield Services Limited

(Incorporated in the People's Republic of China with limited liability)

We have been instructed by the Company to review the interim financial report of the Company and its subsidiaries ("the Group") for the six months ended June 30, 2003 set out on pages 10 to 27.

Respective responsibilities of directors and auditors

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") require the preparation of an interim financial report to be in compliance with Statement of Standard Accounting Practice 25 "Interim financial reporting" issued by the Hong Kong Society of Accountants and the relevant provisions thereof. The interim financial report is the responsibility of, and has been approved by, the directors. It is our responsibility to form an independent conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Review work performed

We conducted our review in accordance with Statement of Auditing Standards 700 "Engagements to review interim financial reports" issued by the Hong Kong Society of Accountants. A review consists principally of making enquiries of the Group's management and applying analytical procedures to the interim financial report and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the interim financial report.

Review conclusion

On the basis of our review which does not constitute an audit, we are not aware of any material modifications that should be made to the interim financial report for the six months ended June 30, 2003.

Ernst & Young
Certified Public Accountants

Hong Kong
August 21, 2003

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the six months ended June 30, 2003

	Notes	**Consolidated for six months ended June 30, 2003 (unaudited) RMB'000**	Pro forma combined for six months ended June 30, 2002 (note a) RMB'000	Consolidated for the period from December 25, 2001 (date of establishment) to June 30, 2002 (unaudited) RMB'000
			(note b)	(note c)
Turnover		**1,435,998**	1,303,393	512,790
Other revenues		**2,360**	1,079	315
Operating expenses				
Depreciation of property, plant and equipment		**(294,809)**	(242,625)	(96,145)
Employee compensation costs		**(236,914)**	(235,826)	(77,184)
Repair and maintenance costs		**(39,771)**	(52,673)	(38,729)
Consumption of supplies, materials, fuel, services and others		**(353,867)**	(393,838)	(179,404)
Operating lease expenses		**(51,274)**	(16,732)	(3,346)
Other operating expenses		**(42,507)**	(39,139)	(9,830)
Other selling, general and administrative expenses		**(42,573)**	(18,416)	(10,387)
Total operating expenses		**(1,061,715)**	(999,249)	(415,025)
Profit from operations		**376,643**	305,223	98,080
Finance costs				
Exchange losses, net		**(1,139)**	(210)	(106)
Interest expenses		**(1)**	(5,115)	(3,371)
Interest income		**6,412**	5,409	2,040
		5,272	84	(1,437)
Share of profits of jointly-controlled entities		**29,061**	21,066	11,990
Profit before tax		**410,976**	326,373	108,633
Tax	5	**(84,136)**	(109,225)	(36,406)
Net profit from ordinary activities attributable to shareholders		**326,840**	217,148	72,227
Proposed special interim dividend/profit distributions	6	**49,142**	344,921	—
Earnings per share - Basic	7	**8.18 cents**	N/A	6.72 cents
- Pro forma basic	7	**N/A**	8.35 cents	N/A

Notes:

a. The pro forma combined results of the Group for the six months ended June 30, 2002 were extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

b. See basis of presentation in note 1 to the financial statements.

c. The Company did not acquire the Relevant Businesses and the Relevant Companies as set out in note 1 to the financial statements until April 30, 2002. As such, there were no results of operations prior to April 30, 2002.

CONSOLIDATED BALANCE SHEET

As at June 30, 2003

	Notes	**June 30, 2003 (unaudited) RMB'000**	December 31, 2002 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment, net	8	**4,417,233**	4,316,707
Interests in jointly-controlled entities		**137,882**	141,163
		4,555,115	4,457,870
CURRENT ASSETS			
Inventories		**206,724**	206,314
Prepayments, deposits and other receivables		**90,422**	91,946
Accounts receivable, net	9	**517,069**	524,873
Due from the ultimate holding company	10	**14,384**	—
Due from other CNOOC group companies	11	**11,393**	20,933
Short term investments	12	**150,016**	—
Pledged time deposits		**70,093**	23,440
Cash and cash equivalents		**2,473,078**	2,632,156
		3,533,179	3,499,662
CURRENT LIABILITIES			
Trade payables and other payables	13	**215,212**	274,741
Salary and bonus payables		**72,409**	114,487
Tax payable		**173,346**	184,118
Due to the ultimate holding company	10	**—**	26,559
Due to other CNOOC group companies	11	**9,131**	9,733
		470,098	609,638
NET CURRENT ASSETS		**3,063,081**	2,890,024
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,618,196**	7,347,894
NON-CURRENT LIABILITIES			
Deferred tax liability		**563,100**	567,299
Long term payable to the ultimate holding company	10	**600,000**	600,000
		6,455,096	6,180,595
CAPITAL AND RESERVES			
Issued capital	15	**3,995,320**	3,995,320
Reserves		**2,410,634**	2,132,936
Proposed special interim/final dividend		**49,142**	52,339
		6,455,096	6,180,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended June 30, 2003

	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed special interim/final dividend RMB'000	Total RMB'000
Balance at January 1, 2003	3,995,320	1,975,810	31,420	125,706	52,339	6,180,595
Profit for the period	—	—	—	326,840	—	326,840
Final dividend declared	—	—	—	—	(52,339)	(52,339)
Proposed special interim dividend	—	—	—	(49,142)	49,142	—
As at June 30, 2003	3,995,320	1,975,810	31,420	403,404	49,142	6,455,096

PRO FORMA COMBINED STATEMENT OF CHANGES IN EQUITY (note a)
For the six months ended June 30, 2002

	Owner's equity RMB'000	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed special interim/final dividend RMB'000	Total RMB'000
	(note b)						
Balance at January 1, 2002	2,935,005	—	—	—	—	—	2,935,005
Revaluation surplus	—	—	1,221,649	—	—	—	1,221,649
Recognition of deferred tax liability	—	—	(357,300)	—	—	—	(357,300)
Distributions to owner	(344,921)	—	—	—	—	—	(344,921)
Profit for the period	144,921	—	—	—	72,227	—	217,148
Capitalization upon reorganization of the Company	(2,735,005)	2,600,000	135,005	—	—	—	—
As at June 30, 2002	—	2,600,000	999,354	—	72,227	—	3,671,581

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Unaudited)
For the period from 25 December 2001 (date of establishment) to June 30, 2002

	Owner's equity RMB'000	Share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed special interim/final dividend RMB'000	Total RMB'000
	(note b)						
December 25, 2001 (date of establishment) and at December 31, 2001	300,000	—	—	—	—	—	300,000
Issue of state legal person shares and conversion of registered capital upon Reorganization	(300,000)	2,600,000	999,354	—	—	—	3,299,354
Profit from May 1, 2002 to June 30, 2002	—		—	—	72,227	—	72,227
As at June 30, 2002	—	2,600,000	999,354	—	72,227	—	3,671,581

Notes:

a. The pro forma combined statement of changes in equity of the Group for the six months ended June 30, 2002 was extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

b. See basis of presentation in note 1 to the financial statements.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended June 30, 2003

	Consolidated for six months ended June 30, 2003 (unaudited) RMB'000	Pro forma combined for six months ended June 30, 2002 (note a) RMB'000	Consolidated for the period from December 25, 2001 (date of establishment) to June 30, 2002 (unaudited) RMB'000
		(note b)	(note c)
Net cash inflow/(outflow) from operating activities	**452,176**	(24,950)	193,323
Net cash inflow/(outflow) from investing activities	**(2,113,234)**	25,714	(234,008)
Net cash inflow/(outflow) from financing activities	**(52,339)**	(610,000)	205,000
Net increase/(decrease) in cash and cash equivalents	**(1,713,397)**	(609,236)	164,315
Cash and cash equivalents at beginning of the period	**2,607,926**	773,551	—
Cash and cash equivalents at the end of the period	**894,529**	164,315	164,315
Analysis of balances of cash and cash equivalents			
Cash and bank balances with banks and financial institutions	**2,543,171**	314,428	314,428
Less: pledged time deposits for letter of credit facilities	**(70,093)**	(150,113)	(150,113)
Cash and cash equivalents for balance sheet	**2,473,078**	164,315	164,315
Less: non-pledged time deposits with original maturity of more than three months when acquired:			
- bank deposits	**(1,578,565)**	—	—
- CNOOC Finance Company	**(150,000)**	—	—
Add: short term investments with original maturity of less than three months when acquired	**150,016**	—	—
Cash and cash equivalents for cash flow statement	**894,529**	164,315	164,315

Notes:

a. The pro forma combined cash flow statement of the Group for the six months ended June 30, 2002 was extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

b. See basis of presentation in note 1 to the financial statements.

c. The Company did not acquire the Relevant Businesses and the Relevant Companies as set out in note 1 to the financial statements until April 30, 2002. As such, there were no results of operations prior to April 30, 2002.

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2003

1. GROUP REORGANISATION AND BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

China Oilfield Service Limited (the "Company") was established on December 25, 2001 by China National Offshore Oil Corporation ("CNOOC"), a state-owned enterprise in the People's Republic of China (the "PRC"), in Tianjin, the PRC, as a limited liability company under the Company Laws of the PRC. As part of the reorganisation (the "Reorganisation") of CNOOC in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "HKSE") and pursuant to an approval document obtained from the relevant government authority dated September 26, 2002, the Company was restructured into a joint stock limited liability company. Pursuant to the Reorganisation which was effective on April 30, 2002, the Company acquired from the wholly-owned subsidiaries of CNOOC:

(1) the assets, liabilities and undertakings which principally relate to the business of the provision of oilfield services including drilling services, well services, marine support and transportation services and geophysical services offshore China (the "Relevant Businesses"), with the exclusion of certain cash and cash equivalents of RMB688 million and a payable to CNOOC of RMB688 million; and

(2) the interests in certain joint ventures which principally carry on the business of the provision of oilfield services including well services and geophysical services offshore China (the "Relevant Companies").

In consideration of the above acquisition, the Company in total issued 2,600 million State legal person shares of par value of RMB1.00 each to CNOOC, and the Company's registered and paid-up capital became RMB2,600 million accordingly.

The prior period comparative figures included in the Group's financial statements are presented using the following bases:

i) The Reorganisation involved companies under common control. The Relevant Businesses and the Relevant Companies are regarded as a continuing group. Accordingly, for information purposes, the pro forma combined profit and loss account, the pro forma statement of changes in equity and the pro form cash flow statement for the six months ended June 30, 2002 have been prepared as if the current Group structure was in existence throughout the period from January 1, 2002 to June 30, 2002.

ii) The Company did not acquire the Relevant Businesses and the Relevant Companies until April 30, 2002. As such, there were no results of operations prior to April 30, 2002. The consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement for the period from December 25, 2001 (date of establishment of the Company) to June 30, 2002 include the activities of the Group for the period from May 1, 2002 to June 30, 2002.

2. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The Group is principally engaged in the provision of oilfield services including drilling services, well services, marine support and transportation services, and geophysical services offshore China.

The registered office of China Oilfield Services Limited is located at 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin 300451, China.

In the opinion of the directors, the ultimate holding company is CNOOC.

2. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES continued

As at June 30, 2003, the Company had direct or indirect interests in the following subsidiaries and jointly-controlled entities:

Name of entity	Place and date of incorporation/ establishment	Percentage of equity directly attributable to the Group	Nominal value of issued and paid up capital	Principal activities
Directly held subsidiaries:				
Lico International Inc	United States of America November 2, 1994	100%	US$100,000	Sales of logging equipment
China Oilfield Services (BVI) Limited	British Virgin Islands March 19, 2003	100%	US$1	Investment holding
Indirectly held subsidiaries:				
COSL (Labuan) Company Limited	Malaysia April 11, 2003	100%	US$1	Provision of drilling services in Indonesia
COSL Services Southeast Asia (BVI) Limited	British Virgin Islands May 29, 2003	100%	US$1	Investment holding
Jointly-controlled entities:				
China-France Bohai Geoservices Co., Ltd. ("China-France")	Tianjin, PRC November 30, 1983	50%	US$11,650,000	Provision of logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar")	Shenzhen, PRC October 25, 1984	60%*	US$1,250,000	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd.("CNOOC - OTIS")	Tianjin, PRC April 14, 1993	50%	US$2,000,000	Provision of well completion services
China Petroleum Logging-Atlas Cooperation Service Company ("Logging - Atlas")	Guangdong, PRC May 10, 1984	50%	US$2,000,000	Provision of logging services
China Offshore Thales Geo Solutions (Tianjin) Company Ltd. ("China Offshore Thales")	Tianjin, PRC August 24, 1983	50%	US$1,720,000	Provision of geophysical services
Tianjin Jinlong Petro-Chemical Company Ltd. ("Jinlong")	Tianjin, PRC September 7, 1993	50%	RMB1,036,000	Provision of drilling fluids services

* *In the opinion of the directors, the Company does not have control over Magcobar's financial and operating decisions, and accordingly, the financial statements of Magcobar have not been incorporated into the Group's consolidated financial statements. The financial statements of Magcobar have been dealt with in the Group's consolidated financial statements under the equity accounting method.*

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2003

3. PRINCIPAL ACCOUNTING POLICIES

The accompanying interim financial statements are prepared under the historical cost convention, and in accordance with Statement of Standard Accounting Practice ("SSAP") No.25 "Interim Financial Reporting".

The principal accounting policies and basis of presentation used in the preparation of the interim financial statements are the same as those used in the annual audited financial statements for the year ended December 31, 2002, except for the changes in certain accounting policies following the adoption of the revised SSAP12 (revised) - Income Taxes issued by the Hong Kong Society of Accountants and the adoption of the accounting policy on short term investments as detailed below.

SSAP12 (Revised) prescribes the basis for accounting for current and deferred income taxes. The principal impact of the revision of this SSAP in the consolidated financial statements is that it requires full provision for deferred taxes under the liability method on all temporary differences. The impact of adopting the revised SSAP12 is not significant and, accordingly, no prior period adjustment has been made in the financial statements of the Group.

Short term investments

Short term investments held for investment purpose are stated at their fair value on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of debt securities are credited or charged to the profit and loss account in the period in which they arise.

4. SEGMENT INFORMATION

The Group is engaged in a broad range of petroleum related activities through its four major business segments: drilling services, well services, marine support and transportation services, and geophysical services.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the services they provide. Each of the Group's business segments represents a strategic business unit that provides services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

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

(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;

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

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

No further analysis of geographical segment information is presented as almost all of the Group's assets, operations and customers are located in the PRC, which is considered as one geographic location in an economic environment with similar risks and returns.

4. SEGMENT INFORMATION continued

An analysis of the Group's turnover and operating results by principal activity for the six months ended June 30, 2003 is as follows:

	Drilling consolidated 2003 (unaudited) RMB'000	Well services consolidated 2003 (unaudited) RMB'000	Marine support and transportation consolidated 2003 (unaudited) RMB'000	Geophysical consolidated 2003 (unaudited) RMB'000	Total consolidated 2003 (unaudited) RMB'000
TURNOVER					
Sales (including intersegment)	**649,082**	**280,013**	**303,441**	**232,678**	**1,465,214**
Less: Intersegment sales	**17,029**	**11,635**	**552**	**—**	**29,216**
Total sales to external customers	**632,053**	**268,378**	**302,889**	**232,678**	**1,435,998**
PROFIT FROM OPERATIONS					
Segment results	**248,196**	**24,819**	**56,977**	**46,651**	**376,643**

An analysis of the Group's pro forma combined turnover and operating results by principal activity for the six months ended June 30, 2002 is as follows:

	Drilling pro forma combined 2002 (note a) RMB'000 (note 1)	Well services pro forma combined 2002 (note a) RMB'000 (note 1)	Marine support and transportation pro forma combined 2002 (note a) RMB'000 (note 1)	Geophysical pro forma combined 2002 (note a) RMB'000 (note 1)	Total pro forma combined 2002 (note a) RMB'000 (note 1)
TURNOVER					
Sales (including intersegment)	509,219	352,831	304,352	144,730	1,311,132
Less: Intersegment sales	—	—	7,739	—	7,739
Total sales to external customers	509,219	352,831	296,613	144,730	1,303,393
PROFIT FROM OPERATIONS					
Segment results	149,583	96,262	69,391	(10,013)	305,223

Note a: The pro forma combined results of the Group for the six months ended June 30, 2002 were extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

4. SEGMENT INFORMATION continued

An analysis of the Group's turnover and operating results by principal activity for the period from December 25, 2001 (date of establishment) to June 30, 2002 is as follows:

	Drilling consolidated 2002 (unaudited) RMB'000 (note 1)	Well services consolidated 2002 (unaudited) RMB'000 (note 1)	Marine support and transportation consolidated 2002 (unaudited) RMB'000 (note 1)	Geophysical consolidated 2002 (unaudited) RMB'000 (note 1)	Total consolidated 2002 (unaudited) RMB'000 (note 1)
TURNOVER					
Sales (including intersegment)	188,020	147,214	103,314	74,242	512,790
Less: Intersegment sales	—	—	—	—	—
Total sales to external customers	188,020	147,214	103,314	74,242	512,790
PROFIT FROM OPERATIONS					
Segment results	47,867	34,986	2,657	12,570	98,080

5. TAX

The Group is subject to income tax on an entity basis on 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 income currently sourced from Hong Kong.

Prior to the Reorganisation on April 30, 2002, the filing of tax returns of the Company was handled by CNOOC on a group basis. The share of the Company's income tax liability was determined based on the applicable tax rate on the Company's profits determined in accordance with PRC accounting principles applicable to state-owned enterprises. Such tax was payable to CNOOC which in turn would settle the tax liability with the relevant tax bureau. Following the Reorganisation, the Company became subject to enterprise income tax at the rate of 33% and the Company now settles its tax liability by itself with the respective tax authorities.

During the period, the application by the Company as an advanced technology enterprise for tax purposes was approved and the Company's enterprise income tax rate for the period from October 1 to December 31, 2002 (being the period after the restructuring of the Company into a joint stock limited liability company on September 26, 2002) was reduced from 33% to 15%. As a result, a tax refund of RMB45.5 million relating to the period from 1 October to December 31, 2002 has been recorded by the Company. The eligibility for such tax rate reduction in the future is conditional upon the fulfillment of certain conditions on an annual basis as stipulated in the relevant tax rules, which include a minimum proportion of sales of advanced technology services to total sales and a minimum proportion of research and development expenses to each of total expenses and total revenues under PRC accounting principles.

As a reduction in the enterprise income tax rate from 33% to 15% for the period under review cannot be ascertained at the date of this report, management considers it appropriate to use 33% to accrue for the income tax liability of the Company for the six months ended June 30, 2003.

5. TAX continued

The Company's newly incorporated subsidiary in Malaysia, COSL (Labuan) Company Limited, is subject to income tax and branch profit tax at an aggregate rate of 6.6% for its gross services income generated from drilling activities in Indonesia.

The determination of current and deferred income tax was based on enacted tax rates.

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

	Consolidated for six months ended June 30, 2003 (unaudited) RMB'000	Pro forma combined for six months ended June 30, 2002 (note a) RMB'000	Consolidated for the period from December 25, 2001 (date of establishment) to June 30, 2002 (unaudited) RMB'000
		(note 1)	(note 1)
Hong Kong profits tax:	**—**	—	—
Overseas income taxes:			
Current income taxes	**120**	96	51
Deferred income taxes	**—**	—	—
PRC corporate income tax:			
Current income taxes	**128,422**	147,178	35,424
Tax refund	**(45,532)**	—	—
Deferred income taxes	**(4,199)**	(41,000)	(1,000)
Share of tax attributable to:			
Jointly-controlled entities	**5,325**	2,951	1,931
	84,136	109,225	36,406

Note a: The pro forma combined results of the Group for the six months ended June 30, 2002 were extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

6. DIVIDENDS

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

In connection with the Reorganisation and in preparation for the listing of the Company's shares on HKSE on November 20, 2002, we declared a special distribution of RMB344.9 million for the four months ended April 30, 2002.

The Board has proposed to pay a special interim dividend of RMB1.23 cents per share for the six months ended June 30, 2003. The proposed special interim dividend for the period is subject to the approval of the Company's shareholders at the upcoming shareholders' extraordinary general meeting.

7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the six months ended June 30, 2003 of approximately RMB326,840,000 (2002: RMB72,227,000) and the weighted average of approximately 3,995,320,000 (2002: 1,075,138,122) shares in issue during the period.

The weighted average number of shares used to calculate the basic earnings per share for the period from December 25, 2001 (date of establishment) to June 30, 2002 includes 300,000,000 shares (the Company had registered capital of RMB300,000,000 upon its establishment on December 25, 2001 and pursuant to the Reorganisation, the entire registered capital was converted to share capital) deemed to have been in issue from the date of establishment of the Company to the Reorganisation date on April 30, 2002 and the issued share capital of 2,600,000,000 shares issued immediately after the Reorganisation.

The calculation of pro forma basic earnings per share is based on the pro forma net profit from ordinary activities attributable to shareholders for the six months ended June 30, 2002 of approximately RMB217,148,000 and the weighted average of approximately 2,600,000,000 shares deemed to have been in issue during the period.

Diluted earnings per share for the six months ended June 30, 2003 and 2002 have not been calculated because no diluting events occurred during these periods.

8. PROPERTY, PLANT AND EQUIPMENT, NET

During the period, the Group acquired tankers and vessels, drilling equipment, machine and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB396,898,000. Tankers and vessels amounting to RMB11,627,000 were disposed in 2003, and the loss on disposal of RMB340,000 incurred by the Company was dealt with in the Group's consolidated financial statements for the six months ended June 30, 2003 as other operating expenses.

As at the date of these financial statements, drilling rigs, tankers and vessels with an aggregate cost amount and net book value of RMB673,060,000 and RMB182,671,000, respectively, have yet to be completed the title re-registration procedures after Reorganisation. The Company is in the process of re-registration with relevant government authorities for the title of these rigs, tankers and vessels under its name.

9. ACCOUNTS RECEIVABLE, NET

An aging analysis of accounts receivable, net as at the balance sheet date is as follows:

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Outstanding balances aged:		
Within one year	**527,588**	523,674
Within one to two years	**3,481**	1,689
Within two to three years	**—**	40
	531,069	525,403
Less: Provision for doubtful debts	**(14,000)**	(530)
	517,069	524,873

The general credit terms of the Group range from 30 to 90 days.

10. BALANCES WITH THE UITIMATE HOLDING COMPANY

The balances with the ultimate holding company included in current liabilities are unsecured, interest-free and have no fixed terms of repayment.

The long term payable to the ultimate holding company is unsecured, interest-free and repayable over three years on an annual instalment basis with repayment commencing from May 1, 2005.

11. BALANCES WITH OTHER CNOOC GROUP COMPANIES

The balances with other CNOOC group companies are unsecured, interest-free and have no fixed terms of repayment.

12. SHORT TERM INVESTMENTS

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Government debt securities purchased with an obligation to re-sell	**150,016**	—

The market value of the Group's short term investments at the date of approval of the financial statements approximated the book value at June 30, 2003.

13. TRADE PAYABLES AND OTHER PAYABLES

An aging analysis of trade and other payables as at the balance sheet date is as follows:

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Outstanding balances aged:		
Within one year	**170,032**	254,662
Within one to two years	**44,869**	20,034
Within two to three years	**311**	45
	215,212	274,741

14. DISTRIBUTABLE RESERVES

As at June 30, 2003, in accordance with the PRC Company Law, an amount of approximately RMB1,976 million standing to the credit of the Company's capital reserve account and an amount of approximately RMB31 million standing to the credit of the Company's statutory reserve funds, as determined under the PRC accounting standards and regulations, were available for distribution by way of future capitalisation issue. In addition, the Company had retained profits of approximately RMB403 million available for distribution as dividend. Save as aforesaid, the Company did not have any reserves available for distribution to its shareholders at June 30, 2003.

15. ISSUED CAPITAL

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Registered, issued and fully paid:		
2,460,468,000 State legal person shares of RMB1.00 each	**2,460,468**	2,460,468
1,534,852,000 H shares of RMB1.00 each	**1,534,852**	1,534,852
As at June 30, 2003 and December 31, 2002	**3,995,320**	3,995,320

The Company does not have any share option scheme.

16. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

The Group is part of a larger group of companies under CNOOC and has extensive transactions and relationships with members of CNOOC. As such, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties. Related parties refer to corporations in which CNOOC is a shareholder and is able to exercise control, joint control or significant influence. The transactions were made on terms agreed between the parties.

NOTES TO INTERIM FINANCIAL STATEMENTS

June 30, 2003

16. RELATED PARTY TRANSACTIONS continued

In addition to the transactions and balances detailed elsewhere in these financial statements, the following is a summary of significant transactions carried out between the Group and (i) CNOOC Limited Group; (ii) CNOOC Group; and (iii) its jointly-controlled entities and associate:

			Consolidated for six months ended June 30, 2003 (unaudited) RMB'000	Pro forma combined for six months ended June 30, 2002 (note a) RMB'000	Consolidated for the period from December 25, 2001 (date of establishment) to June 30, 2002 (unaudited) RMB'000
				(note 1)	(note 1)
A.	Included in revenue				
	Gross revenue earned from provision of services to the following related parties:				
	a.	CNOOC Limited Group			
		Provision of drilling services	**253,093**	238,945	69,464
		Provision of well services	**201,029**	134,979	56,847
		Provision of marine support and transportation services	**161,480**	98,041	31,600
		Provision of geophysical services	**96,453**	59,760	38,399
			712,055	531,725	196,310
	b.	CNOOC Limited Group as operator under production sharing contracts			
		Provision of drilling services	**9,379**	52,150	39,512
		Provision of well services	**2,418**	140,116	52,943
		Provision of marine support and transportation services	**20,442**	50,652	5,913
			32,239	242,918	98,368
	c.	CNOOC Group			
		Provision of drilling services	**13,952**	2,300	2,300
		Provision of well services	**19,292**	8,297	8,297
		Provision of marine support and transportation service	**33,928**	55,437	21,611
		Provision of geophysical services	**14,798**	—	—
			81,970	66,034	32,208
	d.	Jointly-controlled entities and associate			
		Provision of drilling services	**346**	—	—
		Provision of well services	**7,474**	—	—
			7,820	—	—

16. RELATED PARTY TRANSACTIONS *continued*

		Consolidated for six months ended June 30, 2003 (unaudited) RMB'000	Pro forma combined for six months ended June 30, 2002 (note a) RMB'000	Consolidated for the period from December 25, 2001 (date of establishment) to June 30, 2002 (unaudited) RMB'000
			(note 1)	(note 1)
B.	Included in operating expenses			
	Services provided by the CNOOC Group:			
	Labour services	**27,902**	28,717	11,898
	Materials, utilities and other ancillary	**32,137**	38,575	22,781
	Transportation services	**2,174**	3,445	260
	Lease of office, warehouse, berths	**5,001**	3,170	2,032
	Lease of equipment	**1,059**	769	410
	Repair and maintenance services	**4,597**	24,445	19,592
	Management services	**4,338**	113	—
		77,208	99,234	56,973
C.	Included in interest income/expenses:			
	Interest income earned from the CNOOC Group	**767**	1,629	604
	Interest expenses paid to the CNOOC Group	**—**	4,372	2,628
D.	Transfer of property, plant and equipment and business:			
	Sales of fixed assets to CNOOC Group	**—**	84,553	—

E. Deposits and loans:

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Deposits placed with CNOOC Trust Company	**—**	24,230
Deposits placed with CNOOC Finance Company	**276,989**	73,321

Note a: The pro forma combined results of the Group for the six months ended June 30, 2002 were extracted from the Accountant's Report as set out in the Company's prospectus dated November 11, 2002.

16. RELATED PARTY TRANSACTIONS continued

In addition to the above, (i) during the period, accounts receivable amounting to approximately RMB58 million were settled through CNOOC Finance Company at an early settlement discount of approximately RMB200,000 with recourse. Accounts receivable amounting to RMB50 million were settled subsequent to June 30, 2003; and (ii) CNOOC made an advance of RMB238 million to the Company during 2002 which was repaid prior to December 31, 2002.

The Company and the above related parties are within the group of CNOOC and are under common control by the same ultimate holding company.

In connection with the Reorganisation, the Company entered into several agreements with the CNOOC Group which govern employee benefits arrangements, the provision of materials, utilities and ancillary services, the provision of technical services, the lease of properties and various other commercial arrangements.

There is no pension payments relating to the supplementary pension benefits which were borne by CNOOC (pro forma combined basis for the six months ended June 30, 2002: RMB28 million).

Prior to August 2002, the Group occupied certain properties owned by CNOOC at no consideration. The Company signed various property lease agreements in September 2002 with CNOOC Group to lease the aforesaid properties together with other properties for a term of one year. Pursuant to these lease agreements, the Company is required to pay an aggregate annual rental of RMB7.6 million effective from August 1, 2002 to CNOOC Group.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the usual course of business.

17. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At balance sheet date, the Group had following minimum lease payments under non-cancellable operating leases:

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Within one year	**14,411**	12,773
In the second to fifth years (Inclusive)	**4,852**	4,493
	19,263	17,266

18. CAPITAL COMMITMENTS

The Group had the following capital commitments, principally for fixed assets construction and purchases:

	June 30, 2003 (unaudited) RMB'000	December 31, 2002 (audited) RMB'000
Contracted, but not provided for	**848,274**	679,159
Authorised, but not contracted for	**1,322,504**	395,402
	2,170,778	1,074,561

19. CONTINGENT LIABILITIES

As at June 30, 2003 and December 31, 2002, the Group had no significant contingent liabilities.

20. APPROVAL OF INTERIM FINANCIAL STATEMENTS

The interim financial statements for the six months ended June 30, 2003 were approved and authorised for issue by Board of Directors on August 21, 2003.

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting ("EGM") of China Oilfield Services Limited ("COSL") will be held on October 22, 2003 (Wednesday) at 10:00 a.m. at the Multi-function Conference Room, 3/F., CNOOC Plaza, No. 6, Dongzhimenwai Xiaojie, Beijing for the following purposes:

Ordinary resolutions:

1. To declare a special interim dividend for the six months ended June 30, 2003; and

2. To elect a director.

By Order of the Board
Chen Weidong
Company Secretary

August 21, 2003

Registered address of the Company:
3-1516 Hebei Road
Haiyang New and Hi-Tech Development Zone
Tanggu, Tianjin 300451
China

Notes:

(a) Holders of COSL's overseas listed foreign invested shares (in the form of H Shares) whose names appear on COSL's Register of Members maintained by Computershare Hong Kong Investor Services Limited on October 22, 2003 (Wednesday) are entitled to attend and vote at the EGM.

(b) Shareholders who intend to attend the EGM must complete and return the written replies for attending the EGM to COSL's office in Hong Kong by facsimile or post no later than October 2, 2003 (Thursday):

Address:	65/F., Bank of China Tower 1 Garden Road, Hong Kong
Tel:	(852) 2213 2500
Fax:	(852) 2525 9322

(c) Each holder of H Shares who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a shareholder or not, to attend and vote on his behalf at the EGM. Where a shareholder has appointed more than one proxy to attend the EGM, such proxies may only vote on a poll or a ballot. The instrument appointing a proxy must be in writing under the hand of the appointor or his attorney duly authorized in writing. If the appointer is a legal person, the power of attorney must be either under the common seal of the legal person or under the hand of its director or other person, duly authorized. If the instrument appointing a proxy is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign, or other documents of authorization, must be notarially certified. For holders of H Shares, the power of attorney or other documents of authorization and proxy forms must be delivered to COSL's office at 65/F. Bank of China Tower, 1 Garden Road, Hong Kong, no less than 24 hours before the time appointed for the holding of the EGM in order for such documents to be valid.

(d) COSL's Register of Members will be closed from September 22, 2003 (Monday) to October 22, 2003 (Wednesday) (both days inclusive), during which time no transfer of H Shares will be registered. Transferees of H Shares who wish to attend the EGM and qualify for entitlement to the special interim dividend referred to above must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:00 p.m. on September 19, 2003 (Friday) for completion of the registration of the relevant transfer in accordance with COSL's Articles of Association.

Computershare Hong Kong Investor Services Limited's address is as follows:
Rooms 1712-1716
17th Floor, Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

(e) Shareholders or their proxies must present proofs of their identities upon attending the EGM. Should a proxy be appointed, the proxy must also present copies of his/her Proxy Form, copies of appointing instrument and power of attorney, if applicable.

(f) The EGM is expected to last not more than one day. Shareholders or proxies attending the EGM are responsible for their own transportation and accommodation expenses.