

CONTENTS

2	Financial Highlights	49	Report by the Supervisory committee
3	Operation Highlights	51	Report of the Auditors
4	Chairman's Statement	52	Consolidated Income Statement
6	CEO's Report	53	Consolidated Balance Sheet
8	Management Discussion and Analysis	54	Consolidated Statement of Changes in Equity
32	Quality, Health, Safety and Environment (QHSE)	55	Consolidated Cash Flow Statement
33	Corporate Governance Report	57	Balance Sheet
38	General Meeting of shareholders	58	Notes to Financial Statements
39	Directors, Supervisors & Senior Managers	91	Notice of Annual General Meeting
41	Report of the Directors	93	Glossary

COMPANY BACKGROUND

China Oilfield Services Limited ("COSL" or the "Group", Stock code: 2883.HK), is the leading oilfield services provider in the offshore China market. COSL's services cover each phase of oil and gas exploration, development and production. Its four business segments include: drilling services, well services, marine support and transportation services, as well as geophysical services. COSL's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 20 November 2002 and the stock code is 2883.HK. Effective from 26 March 2004, COSL's stocks can be traded by means of level I unlisted American Depositary Receipts ("ADRs") at OTC (over-the-counter) market in the United States. The ticker symbol is CHOLY.

For the year ended 31 December 2005, COSL's total revenue amounted to RMB4,788.8 million, representing an increase of 25.2% over the same period in the previous year. Net profit for the year surged 17.0% from RMB 701.7 million in 2004 to RMB 821.0 million in 2005. Income from the Company's principal operations and net profit increased by 19.3% and 31.7%, respectively on a compound basis from year 2001 to 2005.

As at 31 December 2005, COSL operated 14 drilling rigs, including 10 jack-ups and 3 semi-submersibles, and 1 rented jack-up. In addition, COSL owns and operates the largest and most diverse fleet of marine support and transportation vessels offshore China, including 68 vessels, 5 oil tankers and 1 chemical tanker. We also rent 5 working vessels and 5 chemical tankers. Moreover, COSL owns 7 seismic vessels, 4 geotech survey vessels and an array of modern facilities and equipment for logging, drilling fluids, directional drilling, cementing, well completion and well work-over services.

The majority of COSL's business is conducted offshore and onshore China, South East Asia, North and South America, the Middle East Asia, offshore Africa and offshore Europe. We are dedicated to providing premier qualified services, while adhering to the highest quality, health, safety and environmental standard. COSL has obtained ISM (International Safety Management) certifications. COSL also plans to obtain certifications under the ISO14000 environmental management standard as well as the OHSAS18000 occupational health and safety standard.



CORPORATE MILESTONES IN 2005



April 10

The Company entered into a new comprehensive well workover contract with CNOOC SES LTD in Southeastern Indonesia. According to the contract, COSL will provide services for the oilfields in Sumatra in Southeastern Indonesia. Total amount of the contract was US\$98.4 million.



May 17

The Company was approved to pay enterprise income tax for 2004 at a preferential tax rate of 15%. A total of RMB191 million was refunded from the taxation authorities.



July 14

The Company entered into the construction contract with respect to the construction of the second 400 feet jack-up rig. Total contract price

(excluding value-added tax) was about US\$147 million. The new-built rig (COSL 942) is expected to be delivered by December, 2007.



November 8

Mr. Wu Mengfei, our CFO & Executive Vice President was awarded Best CFO under the oil and natural gas companies group by the survey "2005 Asia Investor Relations Assessment" conducted among sell side analysts.



November 20

The Company was awarded the first phase of data collection in the "Joint Agreement on Data Seismic Exploration Jointly by PRC, Philippines and Vietnam". The task was completed five months in advance. NH502, which was the geophysical seismic vessel responsible for the operation, had collected 11,020 kilometers of 2D seismic data.



November 23

The Company announced that it was awarded a drilling contract for two blocks in Myanmar and Australia. Two semi-submersibles, NH2 and NH6 were assigned to operate in the two blocks respectively.



December 12

The Company announced an acquisition of assets from related parties, involving office equipment, machinery, premises and vehicles for a cash consideration of RMB11.7 million (HK\$11.3 million) in total.



December 28

The Company announced that it was awarded a two-year cementing contract for 28 geothermal wells by Philippine National Oil Corporate. Total contract amounted US\$3.7 million.

FINANCIALS AT A GLANCE

Revenue RMB million

4,789

- As at 31 December 2005, total revenue for the year amounted to RMB4,788.8 million, representing an increase of 25.2% over the same period in the previous year.

Net Profit RMB million

821

- Net profit for the year surged 17.0% from RMB701.7 million in 2004 to RMB821.0 million in 2005.
- The revenue from the Company's principal operations and net profit increased by 19.3% and 31.7%, respectively on a compound basis since 2001.