



CHAIRMAN'S STATEMENT

Dear Shareholders,

When I was reviewing COSL's 2005 financial report, I was delighted to see that the turnover has grown by 25.2% compared to last year. The compound growth rate of the turnover reached 19.3% from year 2001 to 2005. The assets, equity, earnings per share and the value of the Company have all achieved sustained and stable growth. The proactive, prudent and pragmatic approach of the management, as well as the united and hardworking spirit of our employees, are the essential drivers for the continual development of the Company. In 2005, the Company achieved significant progress in the aspects of equipment enhancement, market expansion, technology improvement, Integrated Project Management (IPM) and QHSE systems, as well as the strengthening of corporate governance, enhanced control and management quality of internal finance and purchasing.

As the details of the above information can be found in the CEO's report, management discussion and other relevant sections in the following parts report, I will not repeat them here. Instead, I would like to share with you my understanding of the Company's growth potential and my confidence in the Company's rapid and continual growth.

To start with, the sustained and strong economic growth of China is the macro-economic background for the

development of the Company. Robust GDP growth brings strong demand for energy, especially the growth in demand for oil and natural gas. Investments made by domestic oil companies in offshore oil exploration and production capacity has been increasing. In 2005, CNOOC Limited's capital investment for exploration increased by 72% and its development capex increased by 30%. Meanwhile, Petrochina, Sinopec and some other foreign oil companies have been increasing their E&P capex, which has provided unprecedented opportunity for the development of COSL the leading oilfield service provider in offshore China.

Secondly, the whole oilfield services industry is experiencing an unparalleled boom period. Continuously high oil prices bring increasing demand in all aspects of oilfield services. Overall equipment capacity and human resources are constantly facing an shortage situation. In addition, the proactive "going overseas" strategy of Chinese oil companies has also provided an excellent opportunity for Chinese oilfield service enterprises to enter the international market. The sustained high oil prices do not inhibit the strong growth of the world economy. High oil prices are expected to last for a long period of time, therefore the over-demand for oilfield services will not be altered in the short term. As the only listed oilfield services company in China, COSL will leverage on this golden opportunity to tap into the international market. The proportion of income from the overseas market is expected to grow in multiples in the future.

Lastly, the Company has entered a period of rapid development. The successful restructure and listing of COSL in November 2002 have reinforced our rapid growth. The Company has not only been able to raise the capital of its development required through the capital market, but also achieved significant breakthroughs in its corporate governance and development mechanism. The development in the past three years has brought the Company to a new position. The size of capital, value and income of the Company have been growing in multiples. More importantly, the combination of the numerous driving forces such as the growth model, the management philosophies, the brand name effect, and the strong capital investment for three consecutive years, will definitely lead COSL into another stage of robust growth.

Faced with a golden opportunity for development, the Company has many obvious competitive edges. The Company must capitalize on this opportunity to accelerate its development. At the same time, the Board and I clearly recognize some insufficiencies of the Company. We must put more efforts to reform and innovate. First and foremost, we must increase investment in research and development (R&D) of technology, to strengthen our ability to learn and absorb, to innovate and to consolidate our development strengths and potential. We are determined to devote our efforts in enhancing the competitiveness of COSL through technological innovation. We have to improve our personnel training and recruitment system so as to enhance the competitiveness of the Company in the international market. We are also committed more qualified services, enhancing technological advantages on the basis of "cost competitive strategy", so as to place the Company in an invincible position in the intensively competitive market.

A new era for COSL has already come. With the success of the past, we are facing both opportunities and challenges at the same time. I would like to thank with all my heart to the members of the board, the supervisory committee and senior management as well as all our employees who worked hard and contributed diligently. It is our joint effort and the strong support of the shareholders that enabled us to accomplish our past results. I believe that if we continue to work proactively and pragmatically in the coming years, we shall be able to achieve brilliant results again and present great successes to the shareholders as return "with our continuous proactive and pragmatcal efforts". We shall realize a "win-win" situation for customers, shareholders and employees. Also, contributing to society and creating harmony are the common and continuous pursuits of the Company and myself. We will certainly realize these pursuits.



Fu Chengyu
Chairman