COSL 2006

INTERIM REPORT

CHINA OILFIELD SERVICES LIMITED

Financial Highlights

1. Turnover increased by 20.7% to RMB2,863.5 million
2. Profit from operations increased by 42.9% to RMB691.3 million
3. Net profit increased by 20.6% to RMB670.3 million
4. Basic earnings per share were RMB16.78 cents

CHIEF EXECUTIVE OFFICER'S REPORT

Dear Shareholders

As oil prices remain at a high level and global demand for oilfield services is robust, the oil and gas development activities in offshore China and worldwide are highly dynamic. I am pleased to report to our dear Shareholders that the operating results of China Oilfield Services Limited achieved a record high in the first half of 2006, driven by a cyclical boom in the industry.

Operating results of the Company continued to grow. In the first half of 2006, the Company realized sustained and stable growth in operating results. Net income from sales grew by 20.7% compared with the first half of 2005. Operating profit and net profit grew by 42.9% and 20.6% respectively over the same period last year. Meanwhile, EBITDA was RMB1,171.0 million, representing an increase of 33.0% over the same period last year. Operating profit margin also increased to 24.1% from 20.4% in the same period last year. Turnover for the first half of the year was RMB2,863.5 million, representing an increase of 20.7% over the same period last year. The increase was primarily attributable to the increases in the turnover from drilling services, marine support and transportation services and geophysical services of 28.6%, 14.6% and 56.3% respectively. Turnover from overseas operation was RMB568.9 million, representing a growth of 178.0% over the same period last year and accounted for 20.0% of the total turnover. Net profit of the Company was RMB670.3 million, representing a 20.6% increase over RMB555.9 million in the same period of 2005. In addition, the Company succeeded in obtaining an income tax refund of RMB176.0 million for new and high technological enterprises.

Drilling services continued to grow substantially. In the first half of the year, turnover from drilling services amounted to RMB1,364.4 million, representing an increase of RMB303.4 million, or 28.6%, from RMB 1,061.0 million in the same period last year. Operating profit margin also increased to 32%. While maintaining a high calendar day leasing rate, our day rate for drilling increased by 43.6%. Of the increase, day rate of jack-up rigs increased by 30.4% to reach US$49,663/day, where as that of semi-submersible rigs increased by 78.7% to US$109,723/day. Reasons for the increases included the frequent commencement of exploration and development activities in offshore China and increased level of overseas operation of drilling rigs.

Facility capacity has been further strengthened. In response to the current robust market demand for oilfield services, the Company continued to expand its investment in facilities. In the first half of the year, COSL941, a 400-feet jack-up rig, was delivered and commenced operation in late June. COSL718, a 6-streamer geophysical vessel, also commenced operation in the first half of the year, thus enhancing greatly our service capacity and work efficiency. In addition, the construction of COSL942, another 400-feet jack-up rig, has just started. Strengthening of the facility capacities will enable us to keep extending our service area and enhance our competitiveness.

Diversified development in overseas market. In the first half of 2006, the Company effectively increased revenue from overseas operation to RMB569.0 million, representing an increase of 178% over the same period in 2005. Overseas revenue as a ratio of gross revenue increased from 9% at the year end of 2005 to 20%. Operating profit margin reached 28.9%, which was 5.8 percentage point higher than that of domestic operation. Our semi-submersible rigs NH2 and NH6 performed drilling operations in Myanmar and Australia respectively during the period. NH2 secured a 3-month drilling service contract in the Natuna sea of Indonesia. At the same time, the Company actively expanded into other related drilling services. After having secured a contract to provide platform management service to Northern Drilling Company of Iran in January, in June we secured a contract to provide Workover Pulling Unit (WPU) senior management personnel for BR Energy in Malaysia, including the provision to the client of relevant maintenance and training on the procedures for managing Quality, Health, Safety and Environmental protection (QHSE) in addition to operation and management services. Meanwhile, our self-developed ELIS equipment was certified by our client for operation in UAE. The operating sphere of the Company has now expanded to 11 regions and countries including Indonesia, Myanmar, the Philippines and Australia, shaping the trend of diversified development. The continuous developments in overseas markets not only increased the Company's influence in these regions, but has to a large extent built up the COSL brand image, as well as laid a solid foundation for the Company to achieve its goal of a 30% overseas revenue contribution in 2008.

Highly effective financing with low cost. To ensure normal operation of the Company and relieve pressure on capital, we conducted effective financing activities in the first half of the year to improve the Company's capital structure. In February this year, we issued short-term debentures of RMB1.0 billion, at a nominal interest rate of 3.1%. In June we obtained an RMB944.0 million strategic loan from the Import-Export Bank of China at an interest rate of 4.05%, which was lower than the borrowing rate of 6.39% of other banks in the same period. We succeeded in obtaining financing of RMB1.9 billion in total.

Scientific research of the Company bore fruitful results in the first half of the year with the granting of 3 patents. Adding to that, spotlight scientific research projects like "Formation Characteristics Tools (FCT)", as an engineering project of the PRC's Eleventh "Five-year Plan", passed the examination by State 863 experts. Feasibility and technological research for ASDD [Artificial Seabed Deepwater Drilling] was completed and the project proceeded to the stage of industrial experiment.

In the first half of the year, the Company continued to drive firmly for the smooth and efficient operation of the QHSE system to effectively cater for the needs in production operation. To achieve this, we focused on establishing a safety culture and realized participation of all employees through enhanced safety training. The overall safety in production was secured in the first half of the year, as the total number of accidents dropped compared with the same period last year. OHSA statistical recordable accident rate was 0.3, in line with the Company's QHSE target for the year. The work safety was under control.

Looking forward into the second half of the year, as an oilfield service supplier, we are optimistic about the future, in view of the continuous growth in global oil demand and marine oil and gas exploration and development. We will continue to firmly implement the Company's strategies, expand our operation capacity, focus on technological integration, create service value, improve structural and operating efficiency, further utilize the international operation of capital, increase the ratio of overseas revenue, provide integrated services and "one-stop" solutions, with an aim to create maximum value for our clients and realize a "win-win" situation for our shareholders, clients, staff and business partners.

Last but not least, I would like to express my sincere gratitude for all the Shareholders, directors and colleagues for your persistent support for the Company's growth.

Yuan Guangyu
Chief Executive Officer

Hong Kong, 21 August 2006

BUSINESS REVIEW

Drilling Services

In the first half of 2006, international crude oil prices continued the upward trend in 2005. Higher demand than supply coupled with geopolitical factors and international futures speculation resulted in the United States West Texas crude oil futures averaging an increase of approximately 30% over the same period last year. Rising crude oil prices stimulated exploration and development activities of oil and natural gas and oil field services statistics indicated a promising prospect. The Baker Hughes website data showed that in the first half of the year, average worldwide drilling platform count was 2,954, representing a 14.3% increase over 2,585 in the same period last year. To meet the demand for drilling rigs in offshore China and worldwide, we are steadily expanding our facilities. As at 30 June 2006, we operated a total of 15 drilling rigs (including 1 leased rig). Of these rigs, 8 operated in the Bohai Bay, 3 operated in the South China Sea,1 operated in Australia, 1 operated in Myanmar and 1 was being repaired in Singapore (from 29 April 2006 to 20 August 2006). The newly built 400-feet jack-up rig COSL 941 commenced operation on 26 June 2006. Its first area of operation will be in the western part of the South China Sea.

In the first half of 2006, demand for drilling activities in offshore China remained strong. Driven by the overseas operations of two semi-submersible rigs (NH2 and NH6), average day rate for our rigs was US$61,653/day, up by 43.6% over the same period last year. Average day rate for our jack-up rigs was US$49,663/day, representing a 30.4% growth over the same period last year. Our semi-submersible rigs recorded an average day rate of US$109,723/day, a 78.7% increase over the same period last year. During this period, the utilization rates on utilizable days of both our jack-up rigs and semi-submersible rigs reached 100%, up by 0.6 percentage point and 2.0 percentage points respectively over the same period last year. Our calendar day utilization rate was down by 2.3 percentage point compared with the same period last year. Decreases for jack-up rigs and semi-submersible rigs were 1.5 percentage point and 5.3 percentage point respectively. The decrease was due to upgrading modifications of jack-up rig BH4 and semi-submersible rig NH6, which increased the days of maintenance by 80 days compared to the same period last year, making a total of 315 days. As a result, the aggregate operating days of our rigs in the first half of the year were 2,224 days, which was 54 days less than the same period last year. Among the decrease was 25 days recorded by jack-up rigs and 29 days by semi-submersible rigs.

Our well workover services completed a total of 6,112 team days in the first half of the year, representing a 50.1% rise over the 4,073 team days in the same period last year. This included 5,225 team days for domestic operation, representing an increase of 28.3% over the same period last year. The new Indonesian well workover project contributed 887 team days.

In the first half of 2006, the overseas operating area of our drilling rigs continued to expand. Semi-submersible rigs NH2 and NH6 were deployed to Myanmar and Australia respectively for well drilling. During the period, NH2 secured a 3-month drilling contract in the Natuna sea of Indonesia. The Company had been actively expanding into other related drilling services. After securing a contract to provide platform management service to Northern Drilling Company of Iran in January, we secured a contract to provide Workover Pulling Unit (WPU) senior management personnel for BR Energy in Malaysia in June. Apart from operation and management services, the Company also provided clients with relevant maintenance and training on QHSE system management procedure.

In the first half of 2006, we selectively provided our clients with Integrated Project Management (IPM) services which comprised drilling and well workover as demanded by the market. A total of 11 IPM contracts were executed, realizing a contract revenue of RMB380.6 million, down by 29.5% from RMB540.0 million in the same period last year.

Well Services

In the first half of 2006, our well services continued to include logging, drilling fluids, directional drilling, cementing, well completion and related activities for exploration and development in offshore China. At the same time, we committed ourselves to expanding into overseas markets in Southeast Asia, such as Indonesia and the Philippines.

Logging

We completed 350 logging trips in the first half of 2006, an increase of 8 trips from 342 trips in the same period last year. Turnover from logging services during the first half of 2006 amounted to RMB134.5 million, against RMB120.1 million in the same period last year. The 12.0% growth is attributable to greater utilization of new technology and growth in overseas business.

Drilling Fluids

We offered drilling fluids services for 169 wells in the first half of 2006, a decrease of 5 wells compared to 174 wells in the same period last year. Drilling fluids generated revenue of RMB120.0 million in the first half of 2006, decreasing by 7.6% from RMB129.9 million in the same period last year. The decrease in revenue was attributable to a decrease in working volume.

Directional Drilling

We performed directional drilling services on 101 trips in the first half of 2006, a 6.3% rise over the 95 trips in the same period last year. Revenue from directional drilling services amounted to RMB134.5 million compared to RMB144.7 million in the same period last year. The 7.0% decrease was attributable to a decrease in the operation of advanced equipments.

Cementing

We completed cementing services on 135 wells in the first half of 2006, 13 more than the 122 wells in the same period last year. Revenue generated from cementing services in the first half of 2006 was RMB141.2 million, a 45.1% increase as compared to RMB97.3 million in the same period last year. The increase was attributable to the 7 well cementing projects in Myanmar and the Philippines.

Other Well Services

Other well services generated revenue of RMB76.5 million in the first half of 2006, a decrease of RMB57.8 million from RMB134.3 million in the same period last year. The drop in revenue for the period was attributable to a decrease in the trading of commodities not produced by the Company.

Marine Support and Transportation Services

As at 30 June 2006, we operated a total of 68 marine support vessels, 5 oil tankers and 1 chemical tanker and leased 5 chemical tankers.

Our marine support and transportation fleet maintained a high utilization rate. The number of operating days in the first half of 2006 was 11,632 days, up by 1.6% from the 11,444 days in the same period last year. Utilization rate grew to 94.5% from 93.1% the same period last year with the number of days for marine support vessels maintenance decreased by 152 days.

In the first half of the year, average day rate of our fleet grew by 7.0% over the same period last year to reach US$0.92/kilowatt day.

Gross transportation volume of Oil Tankers for the first half of the year was 740,910 tons, 36,007 tons less than the 776,917 tons in the same period last year. The decrease is attributable to a decrease in market demand.

Gross transportation volume of chemical tankers was 219,350 tons, of which 49,120 tons were attributable to the new chemical tankers acquired in the second half of 2005, and the rest of the volume came from the leased chemical tankers.

In the first half of 2006, we had one standby vessel in the Middle East to serve our clients. The rest of the fleet operated in offshore China.

Geophysical Services

Seismic Services

As at 30 June 2006, the Company owned a fleet of 7 seismic vessels, of which 1 was operating in Bohai Bay, China, 1 in the East China Sea, 4 in the South China Sea and 1 in East Africa. In addition, 4 geotech survey vessels operated in offshore China.

In the first half of 2006 we collected 30,229 kilometers of 2D seismic data and 3,494 sq. kilometers of 3D seismic data. 2D seismic data increased by 9,362 kilometers, or 44.9%, from the 20,867 kilometers in the same period last year. During this period, 3 geophysical vessels took turns to operate in East Africa and Indonesia. Overseas operation surged by 269.0%. 3D seismic data increased by 1,263 sq. kilometers, or 56.6%, from 2,231 sq. kilometers in the same period last year. The growth was attributable to the highly efficient operation of the 6-streamer seismic vessel, COSL718, which commenced operation in the first half of the year and collected 1,461 sq. kilometers of 3D seismic data.

In the first half of 2006, 3D data processed reached 1,296 sq. kilometers, an increase of 565 sq. kilometers, or 77.3%, over the same period last year. 2D data processed was 3,035 kilometers, a decrease of 1,255 kilometers or 29.3% from the same period last year.

Surveying Services

Turnover from surveying services totaled RMB70.9 million in the first half of 2006, an increase of RMB27.3 million from RMB43.6 million in the same period last year. This was mainly attributable to the additional RMB25.0 million brought about by COSL709 which commenced operation in the second half of 2005. The vessel is an integrated surveying and positioning vessel with multiple functions for testing, maintaining and laying marine facilities.

FINANCIAL REVIEW

Turnover

Turnover for the first half of 2006 amounted to RMB2,863.5 million, representing an increase of RMB491.0 million, or 20.7%, compared to RMB2,372.5 million the same period last year. This increase was mainly attributable to the growth in drilling services, marine support vessels and transportation services and geophysical services. Turnover from overseas business reached RMB568.9 million, an increase of 178.0% over the same period last year and representing 20.0% of gross turnover.

Driven by the overseas operation of semi-submersible rigs and robust exploration and development activities in offshore China in the first half of 2006, our drilling services recorded a significant growth. Turnover in this period was RMB1,364.4 million, which was RMB303.4 million or 28.6% more than the RMB1,061.0 million in the same period last year.

In the first half of 2006, turnover from well services amounted to RMB606.7 million, representing a decrease of RMB19.6 million from RMB626.3 million the same period last year. This decrease in turnover was mainly attributable to a decrease of RMB94.1 million in the trading of commodities not produced by the Company. Excluding this factor, well services recorded a 14.0% increase in revenue. New overseas projects include well workover in Indonesia, pre-drilling project in Myanmar and well cementing in the Philippines.

In the first half of 2006, turnover from marine support vessels and transportation services amounted to RMB489.9 million, an increase of RMB62.3 million or 14.6%, over the RMB427.6 million in the same period last year. The increase in turnover was attributable to a 7.0% growth in the price of marine support and transportation services to US$0.92/kilowatt per day. Strong demand in the chemicals marine transportation market raised revenue by 27.6%.

In the first half of 2006, turnover from geophysical services amounted to RMB402.5 million, representing an increase of RMB144.9 million or 56.3%, compared to RMB257.6 million in the same period last year. This increase was mainly attributable to the seismic data collection services.

Other Revenues

In the first half of 2006, we recorded other revenues of RMB8.8 million, representing a decrease of 6.4% from RMB9.4 million for the same period last year.

Operating Expenses

In the first half of 2006, we recorded total operating expenses of RMB2,181.1 million, representing an increase of RMB282.7 million or 14.9% from RMB1,898.4 million for the same period last year. The increase was mainly attributable to higher labour costs, repairing costs, lease expenses and depreciation. Labour costs amounted to RMB486.5 million, representing an increase of 28.5%. The increase arose from additional employee for various business segments of the Company in the second half of last year, to facilitate the functioning of new facilities and expansion into overseas markets. Repairing costs were RMB127.1 million, representing an increase of 140.7%, arising from the repairing of certain drilling rigs as necessary according to schedule. Lease expenses reached RMB131.9 million, representing an increase of 72.4%. The leasing days of drilling rigs, chemical tankers and seismic data collection standby vessels were increased to meet operational needs. Depreciation charges were RMB430.9 million, representing a rise of 15.8%. The increase mainly came from the new seismic vessel (COSL718), surveying vessel (COSL709) and renewed drilling rig equipment, as well as well services equipment.

In the first half of 2006, operating expenses from drilling amounted to RMB930.4 million, representing an increase of RMB160.2 million or 20.8% compared to RMB770.2 million the same period last year. This increase was mainly attributable to higher repairing costs, labour costs, lease expenses and other operating expenses. Repairing costs amounted to RMB87.3 million, representing a surge of 369.4% over a year ago. The increase was attributable to maintenance on client's request prior to NH6's operation in Australia. Labour costs reached RMB221.4 million, represented a rise of 23.1%, owing to increased employee subsidy to support overseas development. Lease expenses amounted to RMB59.4 million, representing a 58.9% rise. The increase was attributable to a rise in lease expense for the leased drilling rig COSL935, as its days under maintenance was 120 days less than the same period last year. Other operating expenses amounted to RMB52.5 million, representing an increase of RMB27.8 million over the same period last year. The same period last year retrieved doubtful debts of RMB21.5 million.

In the first half of 2006, operating expenses from well services were RMB538.1 million, representing a decrease of RMB27.3 million or 4.8% from RMB565.4 million in the first half of 2005. The decrease was mainly attributable to less sales of materials and sub-contracting. As a result, consumption of materials and other services was RMB248.2 million, representing a decrease of 14.7% compared to the same period last year. Sub-contracting expenses recorded RMB66.8 million which was 39.1% less than the same period last year.

In the first half of 2006, operating expenses from marine support and transportation services were RMB379.6 million, representing an increase of 7.7% from RMB352.4 million in the same period last year.

The increase was due to higher labour costs and lease expenses as compared to the same period last year. Labour costs totaled RMB111.4 million, a 28.5% rise over the same period last year as a result of more operators recruited for the additional chemical tankers. Lease expenses were RMB30.7 million, representing an increase of 80.6%. In order to meet the demand in the chemical transportation market, 5 chemical tankers had been hired and the leasing time was longer than the same period last year.

In the first half of 2006, operating expenses from geophysical services were RMB333.0 million, representing an increase of RMB122.5 million or 58.2% from RMB210.5 million in the same period of last year. The rise was attributable to higher costs for materials and other consumption items, increased labour costs, subcontracting costs, depreciation charges and lease expenses. Materials and other consumption costs amounted to RMB134.9 million, representing a 51.3% rise over the same period last year, attributable to higher prices for raw materials including fuels and more consumption of materials needed for increased operation. Labour costs amounted to RMB66.3 million, representing an increase of 46.2% over the same period last year. The increase was mainly due to increased personnel for the new geotech survey vessel and seismic vessel. Sub-contracting costs amounted to RMB20.7 million, representing an increase of RMB18.7 million over the RMB2.0 million in the same period last year. The increase came mainly from surveying projects. Lease expenses were RMB19.7 million, representing an increase of RMB10.3 million over the RMB9.4 million in the same period last year. The increase was due to a rise in the lease expenses for standby vessels and positioning vessels. Depreciation charges were RMB55.7 million, representing a 48.6% increase over the same period last year. The increase was related to the addition of a seismic vessel COSL718 and upgrading the data collection system on a seismic vessel in the second half of last year.

Operating Profit

In the first half of 2006, we achieved an operating profit of RMB691.3 million, representing an increase of RMB207.7 million or 42.9% compared to RMB483.6 million the same period last year. The increase was primarily attributable to higher charge rates for drilling services, marine support and transportation services and more geophysical services. Drilling services recorded an operating profit of RMB434.1 million, representing an increase of RMB142.6 million or 48.9% compared to RMB291.5 million the same period last year. Marine support and transportation services recorded an operating profit of RMB110.4 million, representing an increase of RMB35.1 million or 46.6% compared to RMB75.3 million the same period last year. Operating profit from well services amounted to RMB77.0 million, representing an increase of RMB7.6 million or 11.0% compared to RMB69.4 million for the same period last year. Operating profit from geophysical services amounted to RMB69.8 million, representing an increase of RMB22.5 million or 47.6% compared to RMB47.3 million the same period last year.

Our overseas operation generated an operating profit rate of 28.9% in the first half of the year, which is 5.8 percentage point higher than our home average operating profit rate of 23.1%, contributing to the improvement in overall operation performance.

Financial Expenses

Net financial expenses for the first half of 2006 amounted to RMB17.8 million, representing a decrease of RMB30.7 million from the net financial income of RMB12.9 million for the same period last year. Major reasons include an increase in the net loss of foreign exchange by RMB12.3 million and an increase in interest expenses on loans by RMB13.6 million.

Share of Profit from joint ventures

In the first half of 2006, our share of profit from jointly-controlled entities amounted to RMB56.6 million, representing an increase of RMB9.2 million or 19.4% compared to RMB47.4 million for the same period last year. The increase was attributable to the significant growth in revenue contributions from CNOOC-Otis Well Completion Services Limited and China Nanhai-Magcobar Mud Corporation Limited.

Income Tax

In the first half of 2006, tax expenses amounted to RMB59.7 million. Tax credit amount for the same period in 2005 was RMB12.0 million. In the first half of the year, the Company received tax refund for advanced technology enterprise from the tax authority which reduced income tax expenses by RMB176.0 million. Tax refund in the same period of 2005 was RMB191.3 million.

Profit After Tax

Our profit after tax in the first half of 2006 was RMB670.3 million, representing an increase of RMB114.4 million or 20.6% compared to RMB555.9 million for the same period last year.

Cash Flows

Our cash and cash equivalent were RMB731.1 million at the beginning of 2006. Net cash inflow from operations for the period was RMB667.5 million. Net cash outflow regarding investment activities was RMB663.9 million and net cash inflow from financing activities was RMB1,403.7 million. As at 30 June 2006, our cash and cash equivalent were RMB2,138.5 million, comprising of RMB1,600.0 million and US$81.0 million. Our cashflow from operating activities in foreign currency matched with its capital expenditure and there is no exchange risk.

Capital Expenditure

Capital expenditure in the first half of 2006 was RMB719.4 million. Among this, RMB303.7 million was spent on drilling business mainly for a 400-feet jack-up rig which commenced operation on 26 June 2006 and another 400-feet jack-up rig currently under construction. RMB125.7 million was spent on well services, mainly for the purchase of facilities including well testing systems and well cementing facilities. RMB205.6 million was spent on marine support and transportation services, mainly to purchase 2 chemical tankers currently under construction and support the construction of 2 other chemical tankers. RMB84.4 million was spent on geophysical services, mainly for upgrading and maintaining the data collection system on a geophysical vessel.

Cash Inflow from Financing Activities

In the first half of 2006, net cash inflow from financing activities amounted to RMB1,403.7 million. Sources including the issue on 10 February 2006 of a short term debenture with a nominal interest rate of 3.1% and a total amount of RMB967.9 million, the borrowing on 30 June 2006 of a strategic loan with a nominal interest rate of 4.05% and a total amount of RMB600.0 million, as well as the payment of dividend of RMB164.2 million.

Outlook

Global exploration and development activities in relation to oil and natural gas fields are expected to continue with the trend of strong growth in the second half of this year. We are confident in our leading position in offshore China and are dedicated to opening up overseas markets with comprehensive oilfield services to regions and countries including Southeast Asia and Australia. In view of this, the utilization rate of our fleet is expected to remain at a high level. With new facilities such as drilling rigs and seismic vessels commencing operation, our capacity will be further enhanced. In the meantime, we are expanding our facilities with emphasis on aspects like technological innovation to further improve our efficiency and contribute to a steady growth in our annual performance.

Audit Committee

The audit committee comprised of three independent directors of the Company. The audit committee has reviewed the accounting principles and practices adopted by the Group as well as the internal control and financial reporting matters. Ernst & Young has also completed review of the interim financial report in accordance with Statement of Auditing Standards 700 "Engagement to review interim financial reports", issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim financial report for the period ended 30 June 2006 has been reviewed by the audit committee. There was no disagreement by Ernst & Young or the audit committee with the accounting treatment of the Company.

Corporate Governance

The Board considers it necessary to clarify in detail the Company's deviation from Code Provision E1.2 of the Code on Corporate Governance Practices (the "Code") in respect of the annual general meeting (the "AGM") of the Company held on 25 May 2006. The Chairman of the Board was absent due to an unexpected matter and, the Board, in accordance with the Articles of Association, passed a resolution to nominate Simon X. Jiang ,an independent non-executive director, to chair the Meeting, The Company, will arrange the Chairman of the Board to chair the AGM and the corresponding chairpersons of each professional committee to attend AGM of the Company in the future.

Apart from the above the Board is of the view that the Company has complied with the requirements of the Code throughout the reporting period.

Compliance with the Model Code for Securities Transactions by Directors of Listed Companies

The Board of the Company confirmed, having conducted specific enquires with all directors of the Company, that all members of the Board has complied with the required standards of the Model Code for Securities Transactions by Directors of Listed Companies as set out in the Appendix 10 of the Listing Rules throughout the interim reporting period of the year.

Interests of Substaintial Shareholder and Other Persons of the Company in Shares

As at 30 June 2006, so far as is known to any directors and the chief executive of the Company, the following interest or a short position in the share and underlying shares of 5% or more in the issued capital or H share capital of the Company were recorded in the register required to be kept by the Company pursuant to Section 336 of the Securities and Futures Ordinance.

Name	Capacity and nature of interest	Number and class of shares (Note a)	Approximate percentage in the same class of shares	Approximate percentage of issued share capital
China National Offshore Oil Corp.	Beneficial owner	2,460,468,000(L) Domestic shares	100.00%	61.58%
Fidelity International Limited	Investment Manager	108,780,000(L) H shares	7.09%	2.72%
SKAGEN Kon-Tiki Verdipapirfond	Interest in a controlled corporation (note b)	78,236,000(L) H shares	5.10%	1.96%

(a) "L" denotes long position

(b) The direct beneficial owner is Stravanger Fondsforvaltning AS, a controlled corporation of SKAGEN Kon-Tiki Verdipapirfond which is an investment manager.

SUPPLEMENTARY INFORMATION

Save as disclosed above, the directors are not aware of any other person or corporation that has an interest that was required to be recorded pursuant to section 336 of the Securities and Futures Ordinance.

Purchase, Disposal and Redemption of Our Listed Securities

Neither COSL nor our subsidiaries have purchased, disposed of or redeemed any of COSL's listed securities during the first six months of 2006.

Directors' and Supervisors' Interests in Contracts

During the six months ended 30 June 2006, none of the directors and supervisors had any material interest, whether direct or indirect, in any contract that was significant to the Group's business and to which the Company, its controlling shareholder or any of its subsidiaries or the subsidiaries of the Group was a party.

Directors' and Supervisors' Interests in Shares

As at 30 June 2006, none of the directors and supervisors of the Company or any of their associates had any interest or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance) as recorded in the register required to be kept by the Company under section 352 of the Securities and Futures Ordinance or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and Supervisors' Rights to Acquire Shares or Debentures

At no time during the first six months ended 30 June 2006 were any rights granted to any of the directors and supervisors of the Company and their respective associates, to acquire benefit by means of the acquisition of Shares in or debentures of the Company, or were any such rights exercised by any such person; nor was the Company, its controlling shareholder or any of its subsidiaries or any of the Group's subsidiaries a party to any arrangement which would enable any of the directors or supervisors of the Company to acquire such rights in any other body corporate.

Disclosure of Information on the HKSE's Website

All information required by paragraphs 46(1) to 46(6) of Appendix16 of the Listing Rules will be published on the HKSE's website (http://www.hkex.com.hk) and our website (http://www.cosl.com.cn) in due course.

As at the date of this report, the executive directors of the company are Messrs. Yuan Guangyu and Li Yong; the non-executive directors are Messrs. Fu Chengyu and Wu Mengfei; and the independent non-executive directors are Messrs. Gordon Che. Keung. Kwong, Andrew Y. Yan and Simon X. Jiang.

By order of the Board

Fu Chengyu
Chairman
Hong Kong, 21 August 2006

INDEPENDENT REVIEW REPORT

TO THE BOARD OF DIRECTORS
CHINA OILFIELD SERVICES LIMITED (THE "COMPANY")

(Established 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 (collectively as the "Group") for the six months ended 30 June 2006, as set out on pages 12 to 29.

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 Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public 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 Institute of Certified Public 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 30 June 2006.

Ernst & Young
Certified Public Accountants

Hong Kong
21 August 2006

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2006

	Notes	Six months ended 30 June 2006 (unaudited) RMB'000	2005 (unaudited) RMB'000
TURNOVER	3	2,863,539	2,372,549
Other revenues		8,837	9,402
Operating expenses			
Depreciation		(430,924)	(372,032)
Employee compensation costs		(486,515)	(378,515)
Repair and maintenance costs		(127,062)	(52,843)
Consumption of supplies, materials, fuel, services and others		(766,547)	(724,082)
Subcontracting expenses		(91,794)	(206,786)
Operating lease expenses		(131,865)	(76,447)
Other selling, general and administrative expenses		(32,173)	(27,823)
Other operating expenses		(114,215)	(59,831)
Total operating expenses		(2,181,095)	(1,898,359)
PROFIT FROM OPERATING ACTIVITIES		691,281	483,592
Financial income/(costs)			
Exchange losses, net		(12,800)	(457)
Interest expenses		(13,623)	-
Interest income		8,580	13,356
		(17,843)	12,899
Share of profits and losses of jointly-controlled entities		56,575	47,368
PROFIT BEFORE TAX		730,013	543,859
Tax	4	(59,734)	12,036
PROFIT FROM THE PERIOD		670,279	555,895
Attributable to:			
Equity holders of the Company		670,205	555,895
Minority interests		74	-
		670,279	555,895
DIVIDEND - Proposed special interim dividend	5	-	55,535
EARNINGS PER SHARE-basic	6	16.78 cents	13.91 cents

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2006

	Notes	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment, net	7	7,532,520	7,258,247
Interests in jointly-controlled entities		420,948	239,936
Total non-current assets		7,953,468	7,498,183
CURRENT ASSETS			
Inventories		288,995	229,784
Prepayments, deposits and other receivables		232,075	208,854
Accounts receivable, net	8	996,552	709,453
Due from other CNOOC group companies	10	2,922	2,800
Pledged time deposits		7,867	1,093
Cash and cash equivalents		2,258,434	1,013,795
Total current assets		3,786,845	2,165,779
CURRENT LIABILITIES			
Trade payables and other payables	11	765,631	925,306
Short term debentures	12	981,917	-
Salary and bonus payables		289,028	206,805
Tax payable		189,346	94,573
Due to the ultimate holding company	9,14	173,423	172,931
Due to other CNOOC group companies	10	24,088	23,789
Total current liabilities		2,423,433	1,423,404
NET CURRENT ASSETS		1,363,412	742,375
TOTAL ASSETS LESS CURRENT LIABILITIES		9,316,880	8,240,558
NON-CURRENT LIABILITIES			
Deferred tax liabilities		354,171	385,816
Interest-bearing bank borrowings	13	600,000	-
Long term payable to the ultimate holding company	14	200,000	200,000
Total non-current assets		1,154,171	585,816
NET ASSETS		8,162,709	7,654,742
EQUITY			
Equity attributable to equity holders of the Company			
Share capital	15	3,995,320	3,995,320
Reserves	16	4,165,419	3,495,214
Proposed dividends		-	164,208
		8,160,739	7,654,742
Minority interests		1,970	-
Total equity		8,162,709	7,654,742

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June 2006

Unaudited	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Subtotal RMB'000	Minority Interests RMB'000	Total equity RMB'000
Balance at 1 January 2006	3,995,320	1,975,810	329,714	1,189,690	164,208	7,654,742	-	7,654,742
Net profit for the period	-	-	-	670,205	-	670,205	74	670,279
Additional capital injection to Jinlong (note 1(b))	-	-	-	-	-	-	1,896	1,896
Final 2005 dividend paid	-	-	-	-	(164,208)	(164,208)	-	(164,208)
As at 30 June 2006	3,995,320	1,975,810	329,714	1,859,895	-	8,160,739	1,970	8,162,709

Unaudited	Issued share capital RMB'000	Capital reserve RMB'000	Statutory reserve funds RMB'000	Retained profits RMB'000	Proposed dividend RMB'000	Subtotal RMB'000	Minority Interests RMB'000	Total equity RMB'000
Balance at 1 January 2005	3,995,320	1,975,810	206,565	711,586	175,395	7,064,676	-	7,064,676
Net profit for the period	-	-	-	555,895	-	555,895	-	555,895
Final 2004 dividend declared	-	-	-	-	(175,395)	(175,395)	-	(175,395)
Proposed special interim 2005 dividend	-	-	-	(55,535)	55,535	-	-	-
As at 30 June 2005	3,995,320	1,975,810	206,565	1,211,946	55,535	7,445,176	-	7,445,176

INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Six months ended 30 June 2006

	Six months ended 30 June	
	2006	2005
	(unaudited)	(unaudited)
	RMB'000	RMB'000
Net cash inflow from operating activities	667,535	601,671
Net cash outflow from investing activities	(663,886)	(266,021)
Net cash inflow before financing activities	3,649	335,650
Net cash inflow/(outflow) from financing activities	1,403,724	(275,395)
Net increase in cash and cash equivalents	1,407,373	60,255
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	731,126	1,258,861
CASH AND CASH EQUIVALENTS AT END OF PERIOD	2,138,499	1,319,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and balances with banks and financial institutions	2,266,301	1,710,781
Less: Pledged time deposits for letter of credit facilities	(7,867)	(1,987)
Cash and cash equivalents for the interim condensed consolidated balance sheet	2,258,434	1,708,794
Less: Non-pledged time deposits with original maturity of more than three months when acquired:		
- Bank deposits	(119,935)	(389,341)
- Placements with CNOOC Finance Corporation Limited	-	(337)
Cash and cash equivalents for the interim condensed consolidated cash flow statement	2,138,499	1,319,116

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

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.

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

In the opinion of the directors, the ultimate holding company is China National Offshore Oil Corporation ("CNOOC").

As at 30 June 2006, particulars of the principal subsidiaries are as follows:

Name of entity	Place and date of incorporation/ establishment and operations	Percentage of equity directly attributable to the Group	Nominal value of issued and paid up capital	Principal activities
COSL America Inc.	United States of America 2 November 1994	100%	US$100,000	Sale of logging equipment
China Oilfield Services (BVI) Limited	British Virgin Islands 19 March 2003	100%	US$1	Investment holding
Tianjin Jinlong Petro-Chemical Company Ltd. ("Jinlong")	Tianjin, PRC 7 September 1993	70% (b)	RMB4,639,326	Provision of drilling fluids services
COSL (Labuan) Company Limited	Malaysia 11 April 2003	100%	US$1	Provision of drilling services in Indonesia
COSL Services Southeast Asia (BVI) Limited	British Virgin Islands 29 May 2003	100%	US$1	Investment holding
COSL (Australia) Pty Ltd.	Australia 11 January 2006	100%	A$10,000	Provision of drilling services in Australia

(a) The above table lists the principal subsidiaries of the Company, which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group.

(b) The Company made an additional capital injection of RMB2,527,968 to JinLong on 16 March 2006. After the additional capital injection to Jinlong, the percentage of equity directly attributable to the Group increased from 50% to 70% and the Company has control over Jinlong's financial and operating decisions. The financial statements for the period from 16 March 2006 to 30 June 2006 have been incorporated into the Group's consolidated financial statements.

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES Continued

As at 30 June 2006, particulars of the jointly-controlled entities are as follows:

Name of entity	Place and date of incorporation/ establishment and operation	Percentage of equity directly attributable to the Group	Nominal value of issued and paid up capital	Principal activities
China-France Bohai Geoservices Co., Ltd. ("China–France")	Tianjin, PRC 30 November 1983	50%	US$11,650,000	Provision of logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar")	Shenzhen, PRC 25 October 1984	60% (d)	US$1,250,000	Provision of drilling fluids services
CNOOC-OTIS Well Completion Services Ltd. ("CNOOC–OTIS")	Tianjin, PRC 14 April 1993	50%	US$2,000,000	Provision of well completion services
China Petroleum Logging-Atlas Cooperation Service Company("Logging-Atlas")	Guangdong, PRC 10 May 1984	50%	US$2,000,000	Provision of logging services
China Offshore Fugro Geo Solutions (Tianjin) Company Ltd. ("Fugro")	Tianjin, PRC 24 August 1983	50%	US$1,720,000	Provision of geophysical services
Eastern Marine Services Ltd. ("Eastern Marine")	Hong Kong 10 March 2006	51% (c) and (d)	US$41,000,000	Marine transportation services

(c) Eastern Marine was established by the Group and Trico Marine Service, Inc. ("Trico") in June 2006 to develop international marine support and transportation services. The Group made a capital contribution of US$20.9 million in cash to Eastern Marine in exchange for its 51% interest in Eastern Marine.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2006 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005.

Significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2005, except for the adoption of the following amendments mandatory for annual periods beginning on or after 1 January 2006:

HKAS 1 Amendment	Capital Disclosures
HKAS 19 Amendment	Actuarial Gains and Losses, Group Plans and Disclosures
HKAS 39 Amendment	Cash Flow Hedge Accounting of Forecast Intragroup Transactions
HKAS 39 Amendment	The Fair Value Option
HKAS 39 & HKFRS 4 Amendments	Financial Guarantee Contracts
HKFRSs 1 & 6 Amendment	First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources
HKFRS 6	Exploration for and Evaluation of Mineral Resources
HK(IFRIC)-Int 4	Determining whether an Arrangement contains a Lease
HK(IFRIC)-Int 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
HK(IFRIC)-Int 6	Liabilities arising from Participating in a Special Market – Waste Electrical and Electronic Equipment

The adoption of pronouncements listed above did not affect the Group's financial statement.

3. SEGMENT INFORMATION

The Group engages 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. Turnover represents the net invoiced value of offshore oilfield services rendered, net of sales surtaxes. All significant intragroup transactions have been eliminated on consolidation or combination.

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.

3. SEGMENT INFORMATION continued

Summary details of the business segments are as follows:

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

(b) the well services segment engages 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 engages in the transportation of materials, supplies and personnel to offshore facilities, the moving and positioning of drilling structures and the transportation of crude oil and refined products;

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

Business Segments

The following tables present the revenue and profit for the Group's business segments for the six months ended 30 June 2006 and 2005:

Six months ended 30 June 2006 (unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation RMB'000	Geophysical services RMB'000	Total RMB'000
Revenue					
Sales (including intersegment)	1,443,092	622,123	504,616	412,527	2,982,358
Less: Intersegment sales	78,659	15,434	14,737	9,989	118,819
Total sales to external customers	1,364,433	606,689	489,879	402,538	2,863,539
Results					
Segment results	434,141	76,965	110,370	69,805	691,281

Six months ended 30 June 2005 (unaudited)	Drilling services RMB'000	Well services RMB'000	Marine support and transportation RMB'000	Geophysical services RMB'000	Total RMB'000
Revenue					
Sales (including intersegment)	1,105,047	639,592	434,559	257,634	2,436,832
Less: Intersegment sales	44,064	13,299	6,920	-	64,283
Total sales to external customers	1,060,983	626,293	427,639	257,634	2,372,549
Results					
Segment results	291,544	69,430	75,314	47,304	483,592

4. TAX

The Group is subject to income tax on an entity basis on the 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.

In accordance with the relevant tax laws in the PRC, the Company is subject to enterprise income tax at the rate of 33%.

During the period, the application by the Company to be treated as an advanced technology enterprise for tax purposes was approved and the Company's enterprise income tax rate for fiscal year 2005 was reduced from 33% to 15%. As a result, a tax refund of RMB176 million relating to fiscal year 2005 has been recorded by the Company in the current period. The eligibility for such tax rate reduction in future is conditional upon the fulfilment 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 the 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 that it is appropriate to use 33% to accrue for the income tax liabilities of the Company for the six months ended 30 June 2006.

The Company's subsidiary incorporated in Malaysia, COSL (Labuan) Company Limited, is subject to deemed profit and withholding tax of 15% based on its taxable profit generated from drilling activities in Indonesia.

The Company's subsidiary incorporated in Australia, COSL (Australia) Pty Ltd, is subject to tax of 30% based on its taxable profit generated from drilling activities in Australia.

The Group's drilling and well service operations in Myanmar are subject to withholding tax of 3% based on the gross revenue generated.

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

4. TAX continued

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

	Six months ended 30 June	
	2006 (unaudited) RMB'000	2005 (unaudited) RMB'000
Hong Kong profits tax	-	-
Overseas income tax:		
Current income tax	19,322	27,825
Deferred income tax	-	-
PRC corporate income tax:		
Current income tax	248,048	174,950
Tax refund received as an advanced technology enterprise	(175,991)	(191,280)
Deferred income tax	(31,645)	(23,531)
	59,734	(12,036)

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China in which the Company and its jointly-controlled entities are domiciled to the tax expense at the effective tax rate and a reconciliation of the applicable rate (i.e. the statutory tax rate) to the effective tax rate is as follows:

	Six months ended 30 June			
	2006 (unaudited)		2005 (unaudited)	
	RMB'000	%	RMB'000	%
Profit before tax	730,013		543,859	
Tax at the statutory tax rate of 33% (2005: 33%)	240,904	33.0	179,473	33.0
Income of jointly-controlled entities already net of income tax	(18,670)	(2.6)	(15,631)	(2.9)
Tax refund recevied as an advanced technology enterprise	(175,991)	(24.1)	(191,280)	(35.2)
Expenses not deductible for tax and others	13,491	1.8	15,402	2.9
Total tax charge at the Group's effective rate	59,734	8.2	(12,036)	(2.2)

"Expenses not deductible for tax and others" included income tax expenses of certain overseas subsidiaries which are not deductible for PRC income tax purpose.

5. 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.

The board has proposed no interim special dividend for the six months ended 30 June 2006 (2005 interim special dividend proposed: RMB1.39 cents per share) .

6. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the six months ended 30 June 2006 of approximately RMB670,279,000 (six months ended 30 June 2005: RMB555,895,000) and the 3,995,320,000 (six months ended 30 June 2005: 3,995,320,000) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2006 and 2005 have not been calculated because no diluting events existed during these periods.

7. PROPERTY, PLANT AND EQUIPMENT, NET

During the period, the Group acquired tankers and vessels, drilling equipment, machines and equipment, motor vehicles and construction in progress with an aggregate cost amounting to approximately RMB719 million. Machines and equipment amounting to RMB32 million were disposed of in 2006, and the loss on disposal of RMB784,000 incurred by the Company was dealt with in the Group's consolidated financial statements for the six months ended 30 June 2006 as other operating expenses.

As at the date of this report, a drilling rig with an aggregate cost amount and net book value of RMB438 million and RMB79 million, respectively, have yet to complete the title re-registration procedures after the group reorganisation in 2002. The drilling rig has been operating in Indonesia since 2003 and the re-registration process can only be completed when the rig is physically in Mainland China.

8. ACCOUNTS RECEIVABLE, NET

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

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Outstanding balances aged:		
Within one year	995,725	708,400
Within one to two years	645	1,059
Within two to three years	939	779
Over three years	1,475	704
	998,784	710,942
Less: Provision for doubtful debts	(2,232)	(1,489)
	996,552	709,453

The general credit terms of the Group range from 30 to 45 days upon the issuance of invoice.

Included in accounts receivable are the following amounts due from CNOOC Limited and its subsidiaries (collectively known as the "CNOOC Limited Group") and from CNOOC, its subsidiaries and affiliates other than the CNOOC Limited Group (collectively know as the "CNOOC Group"), which are repayable on similar credit terms to those offered to independent third party customers.

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Due from CNOOC Limited Group	440,057	218,225
Due from CNOOC Group	35,153	18,821
	475,210	237,046

9. DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and has no fixed terms of repayment except for the long term payable to the ultimated holding company detailed in note 14 to the financial statements.

10.BALANCES WITH OTHER CNOOC GROUP COMPANIES

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

11.TRADE PAYABLES AND OTHER PAYABLES

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

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Outstanding balances aged:		
Within one year	691,551	875,912
Within one to two years	59,786	37,446
Within two to three years	7,634	6,301
Over three years	6,660	5,647
	765,631	925,306

12.SHORT TERM DEBENTURES

In February 2006, the Group issued short-term debentures with total face value of RMB1 billion at maturity, resulting in net proceeds of RMB965 million for working capital purposes.

The debentures are unsecured and are circulated among domestic banks, and have a term of one year. The coupon interest rate for the short term debentures is 3.1% per annum, which has been paid upfront.

13.INTEREST-BEARING BANK BORROWINGS

In June 2006, the Group borrowed a bank loan from the Export-Import Bank of China for the purpose of financing the construction of certain modular drilling rigs. The total facilities amount to RMB944 million, of which RMB600 million has been utilized as at the balance sheet date.

The Group's borrowings are unsecured, bear interest at 4.05% per annum and are payable by installments as follows :

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Bank borrowings repayable:		
In the third to fifth years, inclusive	600,000	-

14.LONG TERM PAYABLE TO THE ULTIMATE HOLDING COMPANY

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Outstanding balance payable:		
Within one year	200,000	200,000
In the second year	200,000	200,000
	400,000	400,000
Portion classified as current liabilities	(200,000)	(200,000)
Long term portion	200,000	200,000

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

15.SHARE CAPITAL

	30 June 2006 (unaudited) RMB'000	31 December 2005 (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
	3,995,320	3,995,320

The Company does not have any share option scheme.

16.DISTRIBUTABLE RESERVES

The Company's ability to distribute reserves is determined in accordance with the PRC accounting principles and financial regulations. As at 30 June 2006, in accordance with the PRC Company Law, an amount of approximately RMB1,976 million (31 December 2005: RMB1,976 million) in the Company's capital reserve account and an amount of approximately RMB330 million (31 December 2005: RMB330 million) (according to newly revised PRC Company Law, no provision of the statutory public welfare fund is required since 1 January 2006),in the Company's statutory reserve funds, as determined under the PRC accounting principles and financial regulations, were available for distribution by way of future capitalisation issue. In addition, the Company had retained profits of approximately RMB1,859 million (31 December 2005: RMB1,190 million) available for distribution as dividend. Save as aforesaid, the Company did not have any other reserves available for distribution to its shareholders at 30 June 2006.

17. RELATED PARTY TRANSACTIONS

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 based on relevant local market rates.

In addition to the transactions and balances detailed elsewhere in these financial statements, the following significant transactions were carried out between the Group and (i) CNOOC Limited Group; (ii) CNOOC Group; and (iii) the Group's jointly-controlled entities:

	Six months ended 30 June 2006 (unaudited) RMB'000	Six months ended 30 June 2005 (unaudited) RMB'000
A. Included in revenue		
Gross revenue earned from provision of services to the following related parties:		
a. The CNOOC Limited Group		
Provision of drilling services	782,460	683,162
Provision of well services	489,223	367,192
Provision of marine support and transportation services	315,682	253,577
Provision of geophysical services	250,583	175,837
	1,837,948	1,479,768
b. The CNOOC Group		
Provision of drilling services	5,561	863
Provision of well services	8,251	4
Provision of marine support and transportation services	64,784	38,379
Provision of geophysical services	4,117	5,738
	82,713	44,984
c. Jointly-controlled entities		
Provision of drilling services	100	834
Provision of well services	3,653	3,469
Provision of marine support and transportation services	54	10
	3,807	4,313

17. RELATED PARTY TRANSACTIONS continued

	Six months ended 30 June 2006 (unaudited) RMB'000	Six months ended 30 June 2005 (unaudited) RMB'000
B. Included in operating expenses		
Services provided by the CNOOC Group and the Group's jointly-controlled entities:		
Labour services	18,165	6,263
Materials, utilities and other ancillary services	35,548	61,146
Transportation services	709	1,189
Lease of offices, warehouses and berths	10,093	15,298
Repair and maintenance services	2,282	1,270
Management services	2,522	5,690
	69,319	90,856

Included in the above, the amount of services provided by the Group's jointly-controlled entities totalled RMB2,778,000 for the six months ended 30 June 2006 (six months ended 30 June 2005: RMB24,837,000).

	Six months ended 30 June 2006	Six months ended 30 June 2005
C. Included in interest income:		
Interest income earned from CNOOC Finance Corporation Limited	1	1

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
D. Deposits and loans:		
Deposits placed with CNOOC Finance Corporation Limited	89	103

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

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.

The balances with jointly-controlled entities as at 30 June 2006 were unsecured, interest-free, and have no fixed terms of repayment.

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

18. OPERATING LEASE ARRANGEMENTS

The Group leases certain of its office properties and equipment under operating leases arrangement. Leases are negotiated for terms ranging from one to seven years.

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

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Within one year	81,554	59,960
In the second to fifth years, inclusive	222,509	230,222
After five years	22,347	49,162
	326,410	339,344

19. CAPITAL COMMITMENTS

At 30 June 2006, the Group had the following capital commitments, principally for the construction or purchases of property, plant and equipment:

	30 June 2006 (unaudited) RMB'000	31 December 2005 (audited) RMB'000
Contracted, but not provided for	1,828,847	450,316
Authorised, but not contracted for	1,582,078	1,877,503
	3,410,925	2,327,819

20. CONTINGENT LIABILITIES

As at 30 June 2006, the Group had no significant contingent liabilities.

21. APPROVAL OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements for the six months ended 30 June 2006 were approved and authorised for issue by the board of directors on 21 August 2006.

CORPORATE DIRECTORY

Headquarters
No.18 haiyoudajie
Yanjiao Economic & Development Zone
Sanhe City
Hebei Provinces

Registration address
3-1516 Heibei Road
Haiyang New and Hi-tech Development Zone
Tanggu, Tianjin 300451
People's Republic of China

Beijing Branch
Room 610B CNOOC Plaza
No.25 Chaoyangmen North Avenue
Dongcheng District, Beijing 100010
Tel: (8610) 8452 1687
Fax:(8610) 8452 1817

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

Stock Codes
Hong Kong: 2883.HK
U. S. ADR-1: CHOLY

Register
Computershare Hong Kong Investor Services Limited
46/F., Hopewell Centre
183 Queen's Road East
Wanchai Hong Kong
Tel: (852)2862 8555/2862 8628
Fax:(852) 2865 0990/2529 6087

Auditors
Ernst & Young
18th Floor Two International Finance center
8 Finance Street
Central Hong Kong
Tel: (852) 2846 9888
Fax: (852) 2868 4432

Legal Counsel
Jun He Law Offices
China Resources Building 20th Floor
8 Jianguomenbei Avenue, Beijing 100005,
P. R. China
Tel: (86-10) 8519-1300
Fax:(86-10) 8519-1350

Sidley Austin
39/F, Two Int'l Finance Centre
8 Finance Street Central Hong Kong
Tel: (852) 2509-7888
Fax: (852) 2509-3110

Public relations company
iPR Ogilvy
Units 2608-2610,26/F The center
99 Queen's Road Central Hongkong
Tel: (852)2136 6182
Fax:(852)3170 6068

Printer
IFN Financial Press Limited
20th Floor, Wing on House 71 Des Voeux Road Central, Hongkong
Tel: (852)2536 2288
Fax:(852)2522 8922

Board of Directors:
Fu Chengyu
Chairman of the Board
Yuan Guangyu
Executive Director
Li Yong
Executive Director
Wu Mengfei
Non-Executive Director
Andrew Y. Yan
Independent Non-Executive Director
Gordon C.K.Kwong
Independent Non-Executive Director
Simon X.Jiang
Independent Non-executive Director

Audit Committee
Gordon C. K . Kwong
Chairman
Andrew Y. Yan
Simon X.Jiang

Remuneration Committee
Andrew Y. Yan
Chairman
Yuan Guangyu
Wu Mengfei
Gordon C. K . Kwong
Simon X.Jiang

Nomination Committee
Yuan Guangyu
Chairman
Andrew Y. Yan
Simon X.Jiang

Board of Supervisor
Zhang Benchun
Supervisor chairman
Tang Daizhi
Supervisor
Xiao Jianwen
Supervisor
Zhang Dunjie
Independent Supervisor

Senior Management
Yuan Guangyu
Chief Executive Officer & President
Li Yong
Executive Vice President & COO
Zhong Hua
Executive Vice President
Chen Weidong
Company Secretary & EVP
Li Xunke
Vice president
Tang Daizhi
Vice president
Xu Xiongfei
Vice president