

COMPANY BACKGROUND

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

The Company's turnover for 2006 was RMB6,364.8 million, representing an increase of RMB1,576.0 million or 32.9% from RMB4,788.8 million in 2005. The increase was driven by an expansion into overseas markets, rise in service prices and utilization of new equipment. Net profit amounted to RMB1,128.2 million, representing an increase of 37.4% from RMB 821.0 million recorded in 2005. Since listing in 2002, the Company's operating revenue and net profit recorded a CAGR of 23.6% and 33.6% in 5 consecutive years.

As at 31 December 2006, COSL operated 15 drilling rigs, including 11 jack-ups and three semi-submersibles while operating one leased jack-up rig. COSL owns and operates the largest and most diverse fleets in offshore China, we own a total of 69 marine support vessels, 5 oil tankers and 1 chemical tanker. In addition, we own a fleet of 7 seismic vessels and 4 geotech survey vessels and have a vast 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 activities are conducted offshore China, with the other activities extending to different regions of the world such as North and South America, the Middle East, offshore Africa and offshore Europe. COSL and its worldwide employees are dedicated to providing premier qualified services while adhering to the highest health, safety and environmental standards. COSL has obtained the ISM (International Safety Management) certificates. Meanwhile, according to the ISO 9000, ISO14000 and OHSAS management standard, COSL has established and implemented the QHSE system.

CONTENTS

1	Financial Highlights	42	COSL 2006 Report on Social Responsibility	67	Consolidated Statement of Changes in Equity
3	Corporate Milestones in 2006	45	General Meeting of the Shareholders	68	Consolidated Cash Flow Statement
4	Operation Highlights	49	Directors, Supervisors & Senior Management	70	Balance Sheet
6	Chairman's Statement	53	Report of Directors	71	Notes to Financial Statement
8	CEO's Report	62	Report by the Supervisory committee	109	Notice of Annual General Meeting
12	Management Discussion and Analysis	64	Independent Auditors' Report	113	Glossary
34	Quality, Health, Safety and Environment	65	Consolidated Income Statement		
36	Corporate Governance Report	66	Consolidated Balance Sheet		