

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am delighted to report to you that COSL has again recorded historical high operating results in year 2006. The Company's turnover rose 32.9% over that of 2005. The compound annual growth rate of the net sales revenue reached 23.6% in the years 2002 to 2006. The Company's share price surged from HK\$ 3.1 at year beginning to HK\$ 5.4 at the end of 2006, representing an increase of 74%, above the market mean. In addition, COLS has been recommended as one of the Global Well-Chosen Stocks by Standard & Poor's for three consecutive years.

Further, COSL's assets, shareholder equity, earnings per share and corporate value have all achieved sustained and stable growth. In 2006, the Company consistently reinforced the implementation of equipment enhancement, market expansion, technology R&D and QHES systems, integrate corporate governance and enhanced internal control. COSL has established a solid foundation for development during the years upon its listing, so I am highly confident that the Company's robust, sustained and rapid growth will continue in the years ahead.

In 2006 Turnover
increased by

32.9%

as Compared to RMB
4,788.8 million of 2005

CAGR (2002-2006) of
Net Sales was

23.6%

The world economy will maintain its stable growth. As estimated by the International Monetary Fund, the world economy will grow by 4.9% in 2007, while economies like China, Russia, India and Brazil will continue their strong growth momentum. Demand for crude oil will record a mild growth in the midst of economic growth. The December Monthly Report of the International Energy Agency forecasted the global daily demand for crude oil would be at 85.90 million barrels, a 1.7% growth over the year 2006. In the long run, the gap between crude oil demand and supply will remain relatively tight.



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Demand for energy will drive up investments in oil exploration and development. In 2007, global investments in oil exploration and development will further grow as compared with 2006. According to Lehman Brothers estimate, global investments in oil exploration and development in 2007 will reach US\$ 291 billion, a 9% growth over year 2006. As specified in the Strategic Guidelines for Year 2007 by the CNOOC Limited, capital expenditure for 2007 will reach US\$ 4.18 billion. Exploration and development activities in offshore China will remain active, while investments made by domestic oil companies in offshore oil exploration and development will remain increasing, especially the deepwater exploration that will be trend of the industry.

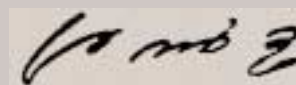
The international oil price, though experienced a period of significant vibration, remains at a high level by year end 2006, and has resulted in increasing demand in all aspects of oilfield services, undersupply oilfield services and shortage of professionals. All these favorable conditions have provided an excellent opportunity for Chinese oilfield services enterprises to enter the international markets. As the only listed oilfield services company in China, COSL possesses cost advantages, one-step supply chains, unique operational capacities in the provision of integrated services and potentials of undertaking transfer of international capital and labor intensive operations which will serve as a solid cornerstone for the development of COSL at home and abroad.

The Company will proactively explore new growth patterns. In recent years, the Company has taken various measures such as enhancing investments in equipment and technology, seeking low cost financing and expanding into overseas markets, with an aim of improving our operating results. Meanwhile, COSL is trying to establish a new development pattern with remarkable results. The soon to be completed acquisition of STU Russia stands for the first step in the Company's strides of equity acquisitions. The successful contract with PEMEX regarding the construction and subsequent provision of services for module rigs in the Gulf of Mexico has created a new arena for the Company's global positioning for revenue growth. Rapid development in the past few years has upgraded the Company to a new benchmark in terms of operation scale, establishment of brand culture as well as management philosophies of operations.

In the coming years, apart from maintaining a robust and rapid development trend in organic growth, the Company will reinforce direct financing and merger and acquisition, proactively explore new growth patterns as to invigorate the Company with new development momentums.

The oilfield service industry is featured by globalization while COSL anchors its development both in China and the rest of the world. Experience from the past five years has convinced me that COSL is on the right track through its multi-company integration and listing, from China to the world, and that COSL has mapped the orientation for the oilfield industry in China. Gratified by the success, I have nevertheless identified shortcomings and drawbacks, which both stemmed from the Company's history and structure as well as impacts of the transition period. I as well as the entire Board have realized that, only through in-depth reforms and participating global competition, can COSL become a truly elite international oilfield services company.

COSL once again shows a splendid report card. I would like to show my heartfelt gratitude to the shareholders management, board of directors and supervisors 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. For the purpose of achieving a "multi-win" situation, I believe we will work proactively and choose the right path in the coming years with consistent excellent results to reward our customers, shareholders, employees and the society.



Fu Chengyu
chairman
23 March 2007