

## ***COSL 2006 REPORT ON SOCIAL RESPONSIBILITY***



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### **Letter from the CEO:**

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### **1. Taking the initiative to be a responsible enterprise--Building COSL's soft competitiveness**

A nation without its own culture is a nation without any hope. Likewise, an enterprise without its own corporate culture is an enterprise without any hope. Healthy growth of an enterprise relies upon the building of its own culture both on spiritual and physical aspects.

We have realized that, under the wave of globalization, competition among companies have transformed from what was primarily competing on hardware to competing on software. In the past, technology and product were all competition was about. Today, the focus is shifted to the concept of corporate responsibility and business ethics. In view of this, COSL has adopted a core value of "creating an all-win situation for shareholders, clients, employees and partners". We are committed to nurturing advanced concept of corporate responsibility and translating that into an indispensable soft competitiveness of COSL.

### **2. Reaching new high in operating results--A prerequisite for COSL to honor its social responsibility**

Without development, nothing is said to be achieved of an enterprise. In 2006, COSL's operating results reached new high and good economic return was generated, providing the requisite condition for COSL to honor its social responsibility. Gross sales rose by 33% compared to the same period last year. Operating profit grew by 64% and profit after tax increased by 37%. The quality of our development has been enhanced.

Sound corporate governance also guaranteed COSL's regulated operation. Ever since its listing, operation has been supervised by the shareholders' meeting, supervisory committee and board of directors. The board of directors is efficiently run, and its role in decision-making is gradually strengthened. Meanwhile, we cultivate our relationship

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with investors and the media. The internal control management system which includes finance and budget planning has gradually been perfected. With the enhancement of corporate governance, in the four years after listing, COSL has successfully established a distinctive brand image in the capital market, consolidated its position in the international oilfield services market and won the recognition of investors and the market.

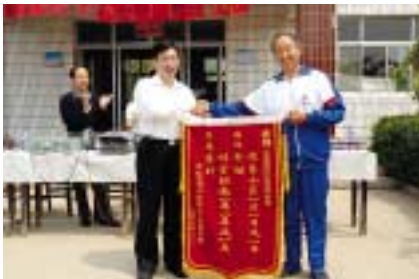
### 3.High standard QHSE system--The basis of COSL's success

Effective safety production management has not only protected the interest of our employees, but also enhanced the COSL brand image. The comprehensive management system on quality, health, safety and environmental protection, together with scientific management and backup of sufficient resources are the foundation for COSL's success. With the efforts of COSL's management and employees, once again we recorded exceptional safety results in 2006, with an OSHA standard of 0.32, maintaining our leadership in the industry. The attainment of this result came from the management's promise for safety and the participation and effort of all our employees. As for safety management, COSL has done a lot of concrete job such as issuing the "Safety Regulations for Managing Hazardous Chemicals", organizing and devising documents related to the safety management of hazardous chemicals for the relevant units and operators' knowledge and application, as well as further regulating the management of radioactive sources.

It is the responsibility of an enterprise, and not just of the government or the society, to protect the green environment and our green earth and facilitate harmony between mankind and nature, alongside economic and corporate development. COSL has acquired environmental protection facilities of superb standard in accordance with international and domestic environmental requirements. We have established a full set of environmental management system, which we ensure is operated efficiently, to contribute to the protection of our blue ocean.

### 4.Realizing regional internationalization--COSL as a responsible global citizen

As the only composite integrated oilfield services listed company in offshore China and Asia Pacific, COSL shoulders the responsibility to explore, develop and produce more oil and gas for our country. As at the end of 2006, businesses of COSL have extended to 13 countries and regions, with overseas revenue accounting for 17% of the total sales, representing a 151% growth over last year. The unique business mode, comprehensive service chain and professional technological services of COSL have won the favour of many new and existing clients. At a time when energy demand in China and the world is ever increasing, COSL is reaching out from China to play a more important role on the international arena.



COSL and its staff have donated money to the school in Luanping and Mancheng for many years, as a result, the studying environment has been improved gradually.

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The employees are the ones who create interests for an enterprise. It is only by caring for the employees and practically solving their problems can a harmonious social environment and safe working environment be created.

Since its establishment, COSL has been actively making contribution to the society. The Company and our employees have taken initiative to donate money and materials in all these years to help the two Hope Project Schools in Luanping and Mancheng to improve their teaching conditions. We have set up education grants for students with extreme difficulty and subsidies for poor families. At the same time, as COSL takes bigger steps toward international penetration, we take more initiative to shoulder our responsibility and obligation as a global citizen. For instance, we donated money and materials to help those affected by the Indonesian tsunami. In the February flood in Jakarta, Indonesia this year, the Company immediately mobilized donation for our employees victimized by the disaster and delivered help to our plighted overseas employees.

### **5.Caring for our employees-To protect the creators of our corporate benefits**

The employees are the ones who create interests for an enterprise. It is only by caring for the employees and practically solving their problems can a harmonious social environment and safe working environment be created. The long-term commitments of COSL include both ensuring quality of products and services to our clients and health and safety to our employees. COSL has devised and recently modified the Company's "Regulations for the Management of Employee Health", which specify requirements for employee health check, offshore medical management, management of drinking water on vessel/drilling rig, management of offshore food hygiene and public hygiene management.

To enhance prevention of enterprise occupational diseases, effectively prevent, contain and eliminate the risks of occupational diseases and ensure the health of our employees, we have devised and issued the Company's "Regulations for the Management of Occupational Hygiene". We step up with the health management of full-time drivers according to the unique nature of their job. While expanding our business overseas, COSL keeps our overseas operators and employees in mind, preparing and distributing health guidelines like "Safety Guidelines on Overseas Travel" to ensure the smooth development of the Company's overseas operations.

An enterprise has to share the responsibility for social harmony. Social development and corporate development go hand in hand. We will continue to strengthen the awareness and social responsibility of our shareholders and do our best for the Company's sustainable development, while negotiating interests of the society, environment, shareholders and employees.