COSL

中海油田服务股份有限公司
China Oilfield Services Limited

(Established in the People's Republic of China with limited liability)

(Stock Code: 2883)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

FINANCIAL HIGHLIGHTS

1. Turnover increased by 48.6% to RMB4,254.6 million
2. Profit from operations increased by 120.0% to RMB1,520.7 million
3. Profit attributable to shareholders increased significantly by 63.4% to RMB1,095.6 million
4. Basic earnings per share were RMB27.42 cents

INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	Notes	Six months ended 30 June 2007 (unaudited) RMB'000	2006 (unaudited) RMB'000
REVENUE	3	**4,254,644**	2,863,539
Other revenues		**2,445**	8,837
Operating Expenses			
Depreciation		**(504,611)**	(430,924)
Employee compensation costs		**(566,864)**	(486,515)
Repair and maintenance costs		**(85,929)**	(127,062)
Consumption of supplies, materials, fuel, services and others		**(1,036,697)**	(766,547)
Subcontracting expenses		**(133,235)**	(91,794)
Operating lease expenses		**(179,730)**	(131,865)
Other selling, general and administrative expenses		**(44,435)**	(32,173)
Other operating expenses		**(184,921)**	(114,215)
Total operating expenses		**(2,736,422)**	(2,181,095)
PROFIT FROM OPERATING ACTIVITIES		**1,520,667**	691,281
Exchange losses, net		**(32,000)**	(12,800)
Finance costs		**(8,394)**	(13,623)
Interest income		**10,058**	8,580
Share of profits of jointly-controlled entities		**47,824**	56,575
PROFIT BEFORE TAX		**1,538,155**	730,013
Tax	4	**(442,605)**	(59,734)
NET PROFIT		**1,095,550**	670,279
Attributable to:			
Equity holders of the Company		**1,095,550**	670,205
Minority interests		**–**	74
		1,095,550	670,279
EARNINGS PER SHARE-basic	5	**27.42 cents**	16.78 cents

INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

30 June 2007

	Notes	30 June 2007 (unaudited) RMB'000	31 December 2006 (unaudited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,325,277**	8,876,894
Interests in jointly-controlled entities		**454,292**	433,496
Total non-current assets		**9,779,569**	9,310,390
CURRENT ASSETS			
Inventories		**355,911**	293,160
Prepayments, deposits and other receivables		**175,767**	81,730
Accounts receivable		**1,547,903**	987,099
Due from the ultimate holding company		**52,999**	33,419
Due from other CNOOC group companies		**6,357**	17,455
Available-for-sale financial assets		**300,000**	75,008
Pledged time deposits		**11,815**	22,466
Cash and cash equivalents		**1,823,342**	2,309,443
Total current assets		**4,274,094**	3,819,780
CURRENT LIABILITIES			
Trade payables and other payables		**1,018,989**	1,830,808
Short term debentures	6	**–**	997,417
Salary and bonus payables	7	**262,140**	237,636
Tax payable		**341,276**	54,150
Current portion of long term bank loans		**200,000**	–
Due to the ultimate holding company		**206,248**	217,090
Due to other CNOOC group companies		**29,359**	25,769
Total current liabilities		**2,058,012**	3,362,870
NET CURRENT ASSETS		**2,216,082**	456,910
TOTAL ASSETS LESS CURRENT LIABILITIES		**11,995,651**	9,767,300
NON-CURRENT LIABILITIES			
Long-term bonds	8	**1,500,000**	–
Deferred tax liabilities		**274,731**	348,756
Interest-bearing bank borrowings		**744,000**	600,000
Long term payable to the ultimate holding company		**–**	200,000
Total non-current liabilities		**2,518,731**	1,148,756
NET ASSETS		**9,476,920**	8,618,544
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**3,995,320**	3,995,320
Reserves		**5,481,600**	4,383,505
Proposed final dividends	9	**–**	239,719
TOTAL EQUITY		**9,476,920**	8,618,544

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2007

(All amounts expressed in Renminbi, except for number of shares and unless otherwise stated)

1. CORPORATE INFORMATION AND PRINCIPAL ACTIVITIES

The registered office of China Oilfield Services Limited (the "Company") is located at 3-1516 Hebei Road, Haiyang New and Hi-Tech Development Zone, Tanggu, Tianjin 300451, the People's Republic of China (the "PRC").

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

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

As at 30 June 2007, particulars of the principal subsidiaries are as follows:

Name of entity	Place and date of incorporation/ establishment and operations	Percentage of equity directly /indirectly 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
COSL Chemicals (Tianjin), Ltd. (formerly known as Tianjin Jinlong Petro-Chemical Company Ltd.)	Tianjin, PRC 7 September 1993	100% (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 period or formed a substantial portion of the net assets of the Group.

(b) The Group made an additional capital injection of RMB 2,527,968 into Tianjin Jinlong Petro-Chemical Company Ltd. ("Tianjin Jinlong"), the jointly-controlled entity of the Group, on 16 March 2006. After the additional capital injection to Tianjin Jinlong, the percentage of the equity interest directly attributable to the Group increased from 50% to 70%. On 8 December 2006, the Group acquired the other 30% equity interest in Tianjin Jinlong at RMB 2,332,900 in cash, and the company became a wholly-owned subsidiary. On 11 May 2007, the company was re-named to COSL Chemicals (Tianjin), Ltd.

As at 30 June 2007, particulars of the jointly-controlled entities are as follows:

Name of entity	Place and date of incorporation/ establishment and operations	Percentage of equity directly/ indirectly 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%(a)	US$6,650,000	Provision of mud logging services
China Nanhai-Magcobar Mud Corporation Ltd. ("Magcobar")	Shenzhen, PRC 25 October 1984	60%(b)	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")	Shenzhen, PRC 10 May 1984	50%	US$2,000,000	Provision of logging services
China Offshore Fugro Geo Solutions (Tianjin) Company Ltd. ("Fugro")	Shenzhen, PRC 24 August 1983	50%	US$1,720,000	Provision of geophysical services
PT Tritunggal Sinergi Company Ltd. ("PTTS")	Indonesia 31 December 2004	55%(b)	US$700,000	Provision of oilfields maintenance services
Eastern Marine Services Ltd. ("Eastern Marine")	Hong Kong 10 March 2006	51% (b) and (c)	HK$1,000,000	Provision of marine supports and transportation services
COSL-Expro Testing Services (Tianjin) Company Ltd. ("COSL-Expro")	Tianjin, PRC 28 February 2007	50%(a)	US$5,000,000	Provision of well testing services
Atlantis Deepwater Orient Ltd. ("Atlantis Deepwater")	Hong Kong 28 August 2006	50%(d)	HK$1,000	Provision of artificial buoyant seabed unit services

(a) COSL-Expro was spinned off from China-France on 6 February 2007.

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

(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) Atlantis Deepwater was established by Atlantis Deepwater Technology Holding AS to provide artificial buoyant seabed ("ABS") units and other associated services. On 8 June 2007, Atlantis Deepwater became a jointly-controlled entity of the Group when the Group contributed US$6.27 million in return for a 50% equity interest in Atlantis Deepwater.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2007 have been prepared in accordance with Hong Kong Accounting Standard 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 2006.

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 2006, except for the adoption of the following new changes and amendments mandatory for annual periods beginning on or after 1 January 2007:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK (IFRIC)-Int 8	Scope of HKFRS 2
HK (IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK (IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new changes and amendments did not affect the Group results of operation or financial position.

During the period, the Company has adopted a Share Appreciation Rights Plan ("SAR Plan") for the purpose of providing incentives and rewards to qualifying senior officers, whereby the senior officers will become entitled to a future cash payment, based on the increase in the Company's share price from a specified level over a specified period of time. The Company recognises the SAR Plan as a cash-settled share-based payment transaction.

The cost of cash-settled share-based payment is measured by reference to the fair value by using a Black-Scholes model. The share appreciation rights, together with a corresponding liability are recognised when the services are received during the period. Until the liability settled or the unexercised rights have lapsed, the fair value of the liability is remeasured using the Black-Scholes model at each reporting date and at the date of settlement, with any changes in fair value recognised in profit or loss for the period.

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. Revenue, which is also the Group's turnover, represents the net invoiced value of offshore oilfield services rendered, net of sales surtaxes. All significant intragroup transactions have been eliminated on consolidation.

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. 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; and

(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 information for the Group's business segments for the six months ended 30 June 2007 and 2006:

Six months ended 30 June 2007 (unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support and transportation services *RMB'000*	Geophysical services *RMB'000*	Total *RMB'000*
Revenue					
Sales (including intersegment)	2,193,578	863,349	641,325	772,572	4,470,824
Less: Intersegment sales	144,339	29,693	28,407	13,741	216,180
Total sales to external customers	2,049,239	833,656	612,918	758,831	4,254,644
Results					
Segment results	859,287	113,571	173,228	374,581	1,520,667

Six months ended 30 June 2006 (unaudited)

	Drilling services *RMB'000*	Well services *RMB'000*	Marine support and transportation services *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

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 and its subsidiary incorporated in PRC is subject to enterprise income tax at the rate of 33%.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law ("the New Corporate Income Tax Law") was approved and will become effective on 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. As a result of the tax rate change, the Company estimates that the change in the corporate income tax rate had the following impact on the results and financial position of the Group for the six months ended 30 June 2007:

	RMB'000 (unaudited)
Decrease in income tax expense	85,631
Decrease in deferred tax assets	13,122
Decrease in deferred tax liability	98,753

At the date of approval of the interim condensed consolidated financial statements, detailed implementation and administrative requirements relating to the New Corporate Income Tax Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as special preferential tax treatments and their related transitional provisions. The Group will further evaluate the impact on its operating results and financial positions of future periods as more detailed requirements are issued.

As at 30 June 2007, the Company had applied for advanced technology enterprise tax benefit in respect of the financial year ended 31 December 2006 and the outcome has not been ascertained. 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, respectively.

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 2007.

The Company's principal subsidiary incorporated in Malaysia, COSL (Labuan) Company Limited, is subject to a deemed profit withholding tax of 6% based on its gross service income generated from drilling activities in Indonesia.

The Company's subsidiary incorporated in Australia, COSL (Australia) Pty Ltd, is subject to tax of 33% 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 its gross service income generated from its drilling activities in Myanmar.

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

	Six months ended 30 June **2007** **(unaudited)** ***RMB'000***	2006 (unaudited) *RMB'000*
Hong Kong profits tax	–	–
Overseas income tax:		
Current income tax	**33,957**	19,322
Deferred income tax	–	–
PRC corporate income tax:		
Current income tax	**493,019**	256,899
Tax refund received as an advanced technology enterprise	–	(175,991)
Tax benefit for qualifying research and development expense	**(10,346)**	(8,851)
Deferred income tax		
– change in PRC statutory tax rate	**(85,631)**	–
– movement during the period	**11,606**	(31,645)
	442,605	59,734

A reconciliation of the tax expense applicable to profit before tax using the statutory rate for Mainland China where 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 **2007 (unaudited)**		2006 (unaudited)	
	RMB'000	**%**	*RMB'000*	%
Profit before tax	**1,538,155**		730,013	
Tax at the statutory tax rate of 33% (2006: 33%)	**507,591**	**33.0**	240,904	33.0
Profits and losses attributable to jointly-controlled entities	**(15,782)**	**(1.0)**	(18,670)	(2.6)
Effect of different tax rate for overseas subsidiaries	**33,417**	**2.2**	22,233	3.0
Tax refund as an advanced technology enterprise	–	–	(175,991)	(24.1)
Tax benefit for qualifying research and development expense	**(10,346)**	**(0.7)**	(8,851)	(1.2)
Change in PRC statutory tax rate	**(85,631)**	**(5.6)**	–	–
Expenses not deductible for tax and others	**13,356**	**0.9**	109	–
Total tax charge at the Group's effective rate	**442,605**	**28.8**	59,734	8.2

5. 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 2007 of approximately RMB1,095,550,000 (six months ended 30 June 2006: RMB670,279,000) and the 3,995,320,000 (six months ended 30 June 2006: 3,995,320,000) shares in issue during the period.

Diluted earnings per share for the six months ended 30 June 2007 and 2006 have not been calculated because no diluting events existed during these periods.

6. SHORT TERM DEBENTURES

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

The debentures were unsecured and had a term of one year. The coupon interest rate for the short term debentures was 3.1% per annum, and the interest was paid upfront. The balance as at 31 December 2006 was RMB997,417,000, including interest accrued from the issue date to 31 December 2006.

The principal and interest were repaid in full in February 2007.

7. SHARE APPRECIATION RIGHTS PLAN

On 22 November 2006, the share appreciation rights plan for senior officers ("SAR Plan") was approved by the shareholders in an Extraordinary General Meeting. A total of 5 million share appreciation rights with an exercise price of HK$4.09 per share were awarded under the SAR Plan to seven senior officers, including the chief executives officer (president), three executive vice presidents and three vice presidents. The share appreciation rights will become vested upon completion of two years service period, and the senior officers can exercise their rights in four equal batches in year 3, 4, 5 and 6 from the approval of the SAR Plan.

The SAR Plan further provides that if the gain from exercising the share appreciation rights exceeds HK$0.99 per share in any one year, the excess gain should be calculated using the following percentages:

1) between HK$0.99 to HK$1.50, at 50%;
2) between HK$1.51 to HK$2.00, at 30%;
3) between HK$2.01 to HK$3.00, at 20%; and
4) HK$3.01 or above, at 15%.

The grant of the share appreciation rights was completed and effective on 6 June 2007 when all the entitled senior officers have agreed and signed individual performance contracts with the Company.

As at 30 June 2007, the fair value of the share appreciation rights granted was measured at HK$1.77 per share. The fair value of the right is calculated using the Black-Scholes model with the following assumptions: expected dividend yield of 1.11%, expected life of two years, expected volatility of 47.25% and risk-free interest rate of 4.00%. The fair value is expensed over the period until vesting with recognition of a corresponding liability. The liability is measured at each balance sheet date up to and including the settlement date with changes in fair value recognised in profit or loss.

The amortisation of share appreciation rights liability amounted to approximately RMB 2.1 million for the period ended 30 June 2007 was recorded in salary and bonus payable and general and administrative expenses.

The assumptions on which the valuation model is based represent the subjective estimation of the directors.

8. LONG-TERM BONDS

On 18 May 2007, the Group completed the issuance of a 15 years corporate bond amounting to RMB1.5 billion with a fixed coupon rate of 4.48% per annum. The interest is payable on 14 May every year, and the maturity date is 14 May 2022.

9. DIVIDENDS

Pursuant to the articles of association of the Company, the net profit after tax of the Company for the purpose of profit distribution is 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 Financial Reporting Standards.

The board of directors of the Company did not recommend the payment of interim dividend for the six months ended 30 June 2007 (six months ended 30 June 2006: Nil).

BUSINESS REVIEW

Drilling Business Segment:

In the first half of 2007, the turnover of drilling business was RMB2,049.2 million, an increase of RMB684.8 million or 50.2% compared to RMB1,364.4 million over the same period last year. The increase was mainly attributable to the increase in average day rate for drilling rigs and operation.

The coastal oil and natural gas exploration and production business of China remained robust, which resulted in excess demand for the drilling rig. As of 30 June 2007, we operated a total of 15 drilling rigs (including 1 leased rig). Of these rigs, 8 were located in the Bohai Bay, China, 5 were located in the South China Sea, 1 was located in offshore Indonesia and 1 in offshore Australia.

In the first half of the year, average day rate for our rigs was US$82,836/day (calculated according to the exchange rate of US$1 to RMB7.6155 as at 29 June 2007), which was a 34.4% increase from US$61,653/day of the same period last year. Of the increase, the average day rate for jack-up rigs was US$68,235/day, which was a 37.4% increase from US$49,663/day of the same period last year. Average day rate for semi-submersible rigs was US$141,746/day, up by 29.2% from US$109,723/day of the same period last year.

The increase in operation was the other key factor for the increase in turnover of drilling service. In the first half of 2007, our drilling rigs operated a total of 362 and 2,296 days for overseas and China markets respectively. These added up to a total of 2,658 operating days, up by 434 days compared to 2,224 days over the same period last year. Of which, jack-up rigs contributed 350 days to the increase. The increase was mainly due to the commencement of operation of China's first 400-feet cantilever jack-up rig (COSL941) on 25 June 2006 which contributed 176 operating days to the increase, and reduced 174 days of maintenance. Semi-submersible rigs had 84 more operating days, which was mainly due to a decrease of 84 maintenance days compared to the corresponding period last year. In the first half of 2007, the average calendar day utilization rate reached 97.9%, an increase of 10.3% compared to the same period last year. Utilization rates for jack-up rigs and semi-submersible rigs were 98.1% and 97.2% respectively. The available day utilization rate of both jack-up rigs and semi-submersible rigs reached 100%, same as that over the same period last year.

In addition, in the first half of the year, three out of our four module rigs servicing Pemex, an oil and gas company in Mexico, had commenced operation in offshore Mexico. Currently, the project is in good progress.

Furthermore, we achieved more outstanding development in well workover in the first half of 2007. We completed well workover operation of 7,610 team days, up by 24.5% from 6,112 team days of the same period last year. The increase mainly came from the expansion of business in China.

With respect to our integrated services, in the first half of 2007, we provided integrated project management such as drilling, and well workover to selected customers. A total of 3 integrated project management contracts were executed, realizing contract income of RMB263.0 million, a decrease of RMB117.6 million compared to RMB380.6 million over the same period last year.

Well Services Business Segment:

In the first half of 2007, turnover of well services was RMB833.7 million, an increase of RMB227.0 million or 37.4% compared to RMB606.7 million over the same period last year. The increase was mainly due to the increase of exploration conducted by oil companies, which increased the demand for well services.

In the first half of 2007, in addition to providing logging, drilling fluids, directional drilling, cementing and well completion, we actively explored overseas market and made new breakthrough in overseas markets for its oilfield technology business segment. In February 2007, we entered into a Papua New Guinea LIHIR cementing operating contract with PNOC-EDC (the Philippines National Petroleum Company), which has a term of 2 years, involving a total of 20 wells.

Logging

In the first half of 2007, 462 logging trips were completed, an increase of 112 trips, or 32.0%, from 350 trips over the same period last year. Turnover from logging services amounted to RMB177.1 million, an increase of RMB42.6 million, or 31.7% from RMB134.5 million over the same period last year. The increase in turnover from logging business was mainly attributable to the increase of logging operation.

Drilling Fluids

In the first half of 2007, drilling fluids services for a total of 139 wells was offered, down by 30 wells from the 169 wells over the same period last year. Turnover from drilling fluids services amounted to RMB177.1 million, an increase of RMB57.1 million, or 47.6% from RMB120.0 million over the same period last year. The increase was mainly derived from the application of high technology material and increase of service cost.

Directional Drilling

In the first half of 2007, directional drilling services were performed on 248 wells, an increase of 147 wells from 101 wells over the same period last year. Turnover from directional drilling services was RMB161.6 million, an increase of RMB27.1 million, or 20.1% from RMB134.5 million over the same period last year. The increase was mainly due to the return of NH2 operating in the PRC and commencement of COSL941.

Cementing

In the first half of 2007, cementing services on a total of 238 wells were completed, 103 wells more than the 135 wells were completed over the same period last year. Turnover from cementing totaled RMB167.8 million, an increase of RMB26.6 million, or 18.8% from RMB141.2 million in the same period last year. The increase in turnover from cementing business was mainly attributable to the increase of operation in China and commencement of operation in overseas Papua New Guinea.

Well Completion and Other Well Services

In the first half of 2007, turnover from well completion and other oilfield technology services was RMB150.1 million, an increase of RMB73.6 million or 96.2% compared to RMB76.5 million over the same period last year. The increase was mainly due to the development of well completion business.

Marine Support and Transportation Services Business Segment:

In the first half of 2007, turnover of marine support and transportation was RMB612.9 million, an increase of 123.0 million or 25.1% from RMB489.9 million over the same period last year. The increase in turnover was mainly due to the increase of service cost of marine support and transportation services and the commencement of operation of new supporting vessels COSL671 and COSL672.

As of the first half of 2007, the Company owned 70 supporting vessel of which 2 were new, 5 oil tankers, 4 chemical tankers of which 3 were new. Average day rate for our rigs was US$1.24/kw day, which was a 34.8% increase over the same period last year.

In the first half of 2007, we had operated for 11,925 days, an increase of 2.5% compared to 11,632 days over the same period last year. The available day utilization rate was 99.5%, an increase of 1.1% over the same period last year. The average calendar day utilization rate was 94.3%, same as that over the same period last year.

In the first half of 2007, gross transportation volume of oil tankers was 495,391 tons, a 33.1% decrease from 740,910 tons over the same period last year, which was mainly due to decrease of market demand.

In the first half of 2007, gross transportation volume of chemical tankers was 381,270 tons, an increase of 161,920 tons or 73.8% compared to 219,350 tons over the same period last year, which was mainly due to the enormous demand of chemicals transportation market.

Geophysical Business Segment:

In the first half of 2007, turnover of geophysical service reached RMB758.8 million, an increase of RMB356.3 million or 88.5% compared to RMB402.5 million over the same period last year. The increase in turnover was mainly due to market expansion and increase in operation.

Seismic Services

In the first half of 2007, the Company owned a total of 7 seismic vessels and 4 geotech survey vessels. Under favourable market atmosphere, our geophysical business achieved outstanding results.

With COSL718, a 6-streamer seismic vessel, officially commenced operation and the renovated Binhai 512, 3D seismic data collection operations increased substantially in the first half of 2007 to a coverage of 5,691 sq. kilometers, representing an increase of 62.9% compared to 3,494 sp. kilometers over the same period last year. The collection volume of 2D seismic data was 22,912 kilometers, down by 24.2% compared to 30,229 kilometers over the same period last year, which was mainly because some vessels switched operation to 3D seismic data collection. 2D seismic data processing volume was 6,157 kilometers, an increase of 102.9% compared to 3,035 kilometers over the same period last year. 3D seismic data processing volume was 2,637 sq. kilometers, an increase of 103.5% compared to 1,296 kilometers over the same period last year.

Surveying Services

In the first half of 2007, turnover from surveying services totaled RMB106.3 million, an increase of RMB35.4 million or 49.9% million compared to RMB70.9 million over the same period last year. The increase was mainly attributable to increase in operation.

FINANCIAL REVIEW

Turnover

The turnover of the Company for the first half of 2007 was RMB4,254.6 million, an increase of RMB1,391.1 million or 48.6% compared to RMB2,863.5 million over the same period last year. The increase was mainly due to effective operation of new equipment, development of overseas market and benefited from the increase in services price.

Operating income of each business segment *Unit: RMB million*

Item	As of 30 June 2007	As of 30 June 2006	Change (%)
Drilling services	**2,049.2**	1,364.4	50.2
Well Services	**833.7**	606.7	37.4
Marine support and transportation services	**612.9**	489.9	25.1
Geophysical services	**758.8**	402.5	88.5
Total	**4,254.6**	2,863.5	48.6

Operating Expenses

In the first half of 2007, growth in costs was lower than that of turnover due to the effective cost control by the Company. We recorded total operating expenses of RMB2,736.4 million in the first half of 2007, representing an increase of RMB555.3 million or 25.5% from RMB2,181.1 million in the same period last year.

Operating Expenses of Each Segment *Unit: RMB Million*

Item	As of 30 June 2007	As of 30 June 2006	Change (%)
Drilling Services	**1,190.2**	930.4	27.9
Well Services	**720.4**	538.1	33.9
Marine Support and Transportation	**440.3**	379.6	16.0
Geophysical Services	**385.5**	333.0	15.8
Total	**2,736.4**	2,181.1	25.5

The increase in operating expenses was mainly attributable to higher depreciation expenses, staff cost, consumption of materials and other services, sub-contracting expenses, leasing expenses and other operating expenses as a result of using new equipment and the increase in business volume. Of the increase, depreciation charges were RMB504.6 million, representing an increase of 17.1% over the same period last year. The increase mainly came from the new module rigs in Mexico, COSL941, the renovation of Binhai 512, COSL 718 and the purchase of new equipments. Labour costs amounted to RMB566.9 million, representing an increase of 16.5%. The increase was resulted from additional staff in facilitating the functioning of new facilities and expansion into overseas markets. Consumption of materials and other services amounted to RMB1,036.7 million, representing an increase of 35.2%, mainly due to the increase in the workload resulting in the corresponding increase in the consumption of materials and other services, as well as the rise of material prices. Sub-contracting expenses reached RMB133.2 million, representing an increase of 45.1%, mainly due to the inability of existing high-end equipments to meet the operational needs amid the increase in business volume. Leasing expenses were RMB179.7 million, representing an increase of 36.3%, mainly due to the increase in the leasing days of drilling rigs and seismic data collection standby vessels to meet operational needs, as well as the rise of the leasing prices. Other operating expenses were RMB184.9 million, representing a rise of 61.9%, mainly due to the increases in travel expenses and related expenses of overseas markets amid the business development of the Company.

Operating Expenses from the Drilling Segment

In the first half of 2007, the operating expenses from the drilling services were RMB1,190.2 million, representing an increase of RMB259.8 million or 27.9% from RMB930.4 million over the same period last year. The increase was mainly attributable to higher depreciation expenses, staff cost, consumption of materials and other services, leasing expenses and other operating expenses. Of the increase, depreciation charges were RMB238.3 million, representing a rise of 26.1%. The increase mainly came from the new drilling vessel COSL941 and the module rigs in Mexico. Labour costs amounted to RMB256.9 million, representing an increase of 16.1%. The increase arose from additional staff to facilitate the functioning of new facilities. Consumption of materials and other services amounted to RMB455.3 million, representing an increase of 50.4%, mainly due to the increase in the workload and the rise of material prices. Leasing expenses were RMB77.7 million, representing an increase of 30.8%, mainly due to a rise in lease expense for the leased drilling vessels. Other operating expenses were RMB101.0 million, representing an increase of RMB48.5 million or 92.3%, mainly due to the increases in travel expenses and related expenses of overseas markets amid the business development.

Operating Expenses from the Well Services Segment

In the first half of 2007, the operating expenses from the oilfield technology services were RMB720.4 million, representing an increase of RMB182.3 million or 33.9% from RMB538.1 million in the first half of 2006. The increase was mainly attributable to higher depreciation expenses, staff cost, repairing costs, consumption of materials and other services, leasing expenses and other operating expenses. Of the increase, depreciation charges were RMB101.5 million, representing a rise of 34.3%, mainly due to the increase in depreciation charges resulting from the purchase of logging, well completion and cementing equipments. Labour costs amounted to RMB108.4 million, representing an increase of 24.0%. The increase arose from additional staff amid the increase in workload. Repairing costs amounted to RMB7.8 million, representing an increase of 137.6%, mainly due to the decrease in repairs for the same period last year according to the repairing schedule. Consumption of materials and other services amounted to RMB315.3 million, representing an increase of 27.0%, mainly due to the increase in the workload resulting in the rise of material prices. Sub-contracting expenses reached RMB108.0 million, representing an increase of 61.7%, mainly due to the inability of existing high-end equipments to meet the operational needs and the increase in workload. Other operating expenses were RMB48.0 million, representing an increase of 83.0%, mainly due to the disposals of certain idle assets and the increases in travel expenses and related expenses of overseas markets resulted from the need of business development.

Operating Expenses from the Marine Support and Transportation Segment

In the first half of 2007, the operating expenses from the marine support and transportation services were RMB440.3 million, representing an increase of RMB60.7 million or 16.0% from RMB379.6 million in same period last year. The increase was mainly attributable to higher repairing costs, consumption of materials and other services and leasing expenses compared with the same period last year. Of the increase, repairing costs amounted to RMB30.4 million, representing an increase of 36.5%, mainly due to the increase in the repairing days in the first half of this year compared with the same period last year according to the repairing schedule. Consumption of materials and other services amounted to RMB118.9 million, representing an increase of 47.5%, mainly due to the rise of material prices and the increase in the repairing days. Lease expenses were RMB50.8 million, representing an increase of 65.4%, mainly due to the increase in the number of leased chemical tankers to meet the demand in the chemical transportation market.

Operating Expenses from the Geophysical Segment

In the first half of 2007, the operating expenses from the geophysical service were RMB385.5 million, representing an increase of RMB52.5 million or 15.8% from RMB333.0 million in the same period last year. The increase was mainly attributable to higher depreciation expenses, staff cost, consumption of materials and other services and leasing expenses compared with the same period last year. Of the increase, depreciation charges were RMB68.7 million, representing a rise of 23.2% compared with the same period last year. The increase mainly came from the modification of the seismic vessel COSL715 and Binhai 512. Labour costs amounted to RMB82.8 million, representing an increase of 24.8% compared with the same period last year. The increase arose from additional staff to cater for the increase in workload. Consumption of materials and other services amounted to RMB147.1 million, representing an increase of 9.1% compared with the same period last year, mainly due to the increase in the operation volumes resulting in the increase in the consumption of materials. Leasing expenses were RMB28.9 million, representing an increase of 46.2% compared with the same period last year, mainly due to the increase in workload resulting in a rise in the lease expense for standby vessels and positioning vessels.

Operating Profit

In the first half of 2007, we achieved an operating profit of RMB1,520.7 million, representing an increase of RMB829.4 million or 120.0% compared to RMB691.3 million the same period last year. The increase in operating profit was primarily attributable to the functioning of new equipments for drilling segment, marine support and transportation segment and the rise of prices, the enhancement of equipment efficiencies for geophysical segment, the increase in the domestic operation volumes of the oilfield technology segment and the utilization of high quality materials. Of the increase, drilling segment recorded an operating profit of RMB859.3 million, representing an increase of RMB425.2 million or 97.9% compared to RMB434.1 million the same period last year. Marine support and transportation segment recorded an operating profit of RMB173.2 million, representing an increase of RMB62.8 million or 56.9% compared to RMB110.4 million the same period last year. Operating profit from oilfield technology segment amounted to RMB113.6 million, representing an increase of RMB36.6 million or 47.6% compared to RMB77.0 million for the same period last year. Operating profit from geophysical segment amounted to RMB374.6 million, representing an increase of RMB304.8 million or 436.6% compared to RMB69.8 million the same period last year.

Financial Expenses

In the first half of 2007, net financial expenses amounted to RMB30.3 million, representing an increase of RMB12.5 million or 70.2% compared to RMB17.8 million over the same period last year. Major reasons for the increase include an increase in the net loss of foreign exchange by RMB19.2 million. However, interest expenses on loans decreased by RMB5.2 million as RMB22.0 million borrowing costs have been capitalised in the addition of property, plant and equipment, and interest income increased by RMB1.5 million.

Share of Profit from Joint Ventures

In the first half of 2007, our share of profit from joint ventures amounted to RMB47.8 million, representing a decrease of RMB8.8 million or 15.5% compared to RMB56.6 million for the same period last year. It was mainly due to the decrease in profit recorded by CNOOC-Otis Well Completion Services Limited and China Nanhai-Magcobar Mud Corporation Limited in the period.

Income Tax

In the first half of 2007, tax expenses of the Company amounted to RMB442.6 million, representing an increase of RMB382.9 million or 641.4% compared to RMB59.7 million for the same period last year. The main reason was that the Company recorded a tax credit for advanced technology enterprise under the preferential tax treatment authorized by tax authority for the year 2005 which reduced income tax expenses by RMB176.0 million in the first half of the 2006, and the Company had applied advanced technology enterprise tax benefit in respect of the financial year ended 31 December 2006, the outcome has not been ascertained.

Profit After Tax

In the first half of 2007, our profit after tax was RMB1,095.6 million, representing an increase of RMB425.3 million or 63.4% compared to RMB670.3 million for the same period last year.

Cash Flow

Our cash and cash equivalent were RMB2,192.3 million at the beginning of 2007. Net cash inflow from operations for the period was RMB895.9 million. Net cash outflow regarding investment activities was RMB1,943.1 million and net cash inflow from financing activities was RMB382.5 million. Cash outflow from exchange rate movement was RMB19.0 million. As at 30 June 2007, our cash and cash equivalent were RMB1,508.5 million.

Capital Expenditure

Capital expenditure in the first half of 2007 was RMB995.3 million. Among this, RMB516.3 million was spent on drilling sector mainly for a 400-feet jack-up rig currently under construction and the construction of the module rigs in Mexico. RMB187.2 million was spent on well services segment, mainly for the purchase of well facilities including well testing systems and well cementing facilities. RMB98.6 million was spent on marine support and transportation segment, mainly used to purchase chemical tankers and utility vessels. RMB193.2 million was spent on geophysical segment, mainly for modifying 8-streamer geophysical vessels.

Cash Inflow from Financing Activities

In the first half of 2007, net cash inflow from financing activities amounted to RMB382.5 million. Sources of financing including the issue on 18 May 2007 of a debenture with a nominal interest rate of 4.48% and a total amount of RMB1,500.0 million and the borrowing on February 2007 of a strategic loan with a total amount of RMB344.0 million from the Export-Import Bank of China for purchasing and construction the module rigs in Mexico. Cash outflows were mainly made up of repayment of amount due to CNOOC, repayment of short-term loans and payment of dividends of RMB200 million, RMB1,150.0 million and RMB239.7 million respectively.

Business Outlook

Looking forward, the global economy will probably continue its steady growth in the second half of this year, while fast expanding economies such as China and India will maintain a faster growth rate. At the same time, as the consumption of crude oil keeps on rising in regions like Asia Pacific and North America, it is expected that international crude oil price will remain at a high level. Exploration and development activities in respect of oil and natural gas fields are also expected to maintain its booming trend.

With a promising environment, the utilization rate of our heavy facilities such as drilling vessels, well utility vessels, transportation vessels and geophysical vessels is expected to remain at a high level. The Company will continue to adopt flexible operational strategy, deepen reforms, enhance management, optimize the deployment of resources, improve its organisation structure and have its production and operation activities well arranged. The Company will also enhance the construction of its QHSE management system, focus on energy saving, environmental protection, so as to establish a resource-saving and environmentally-friendly enterprise. While maintaining our leading position in offshore China, we will actively develop our overseas operation. At the same time, the Company will continue to expand our equipment and input of technological research and development, accelerate the construction of new equipment with emphasis on aspects like technological innovation to further improve our operational efficiency.

In the second half of 2007, the Company will continue to work hard, actively develop and even better returns for our shareholders.

OTHER INFORMATION

Audit Committee

The audit committee comprises the three independent non-executive 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. The interim results for the six months ended 30 June 2007 have not been audited but have been reviewed by Ernst & Young in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants. The unaudited interim financial report for the period ended 30 June 2007 has been reviewed by the audit committee.

Compliance with the Code on Corporate Governance Practices

For the six months ended 30 June 2007, the Company has complied with the Code on Corporate Governance Practices as stated in Appendix 14 of the Listing Rules, save for provision E.1.2.

Pursuant to provision E.1.2 of the Code on Corporate Governance Practices, the chairman of the board should attend the annual general meeting of the Company. Mr. Fu Chengyu, the Chairman of the Company, failed to attend the annual general meeting of the Company held on 6 June 2007 due to an unexpected matter that required his immediate attention. According to the Articles of Association of the Company, the Deputy Chairman of the Company shall preside the general meeting and act as the Chairman of the meeting in the absence of Chairman. Therefore, Mr. Yuan Guangyu, the Deputy Chairman of the Company, was elected the chairman of the above annual general meeting and presided the meeting.

Model Code for Securities Transactions by Directors of Listed Issuers

Upon specific enquiry to each and every director by the Company, the directors have confirmed that they have, for the six months ended 30 June 2007, complied with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Purchase, Disposal and Redemption of our Listed Securities

Neither the Company nor its subsidiaries have purchased, disposed of or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

Material Litigation and Arbitration

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2007.

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.

By order of the Board
China Oilfield Services Limited
Chen Weidong
Company Secretary

28 August 2007

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