# China Oilfield Services Limited

# 2010 First Quarterly Report

**Stock Abbreviation: CHINA OILFIELD**

**Stock Code: 601808**

**29 April 2010**

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# §1. Important Notice

1.1 The Board of Directors (the "Board"), supervisory committee, and the directors, supervisors and senior management of China Oilfield Services Limited (the "Company") confirmed that there are no material omissions and misrepresentations or serious misleading statements in this report and accept join and several responsibility for the truthfulness, accuracy and completeness of the contents of the report.

1.2 All directors of the Company attended the Board meeting.

1.3 The First Quarterly Financial Report of the Company was unaudited.

1.4 Mr. Liu Jian, Chief Executive Officer, Mr. Zhong Hua, EVP&CFO, and Mr. Liu Zhenyu, General Manager of Accounting Department, have declared that they assure for the truthfulness and completeness of the financial statements in the report.

# §2. Company Profile

## 2.1 Major Accounting Information and Financial Indicators

Currency: RMB

| | **As at 31 March 2010** | **As at 31 December 2009** | **Increase/Decrease(%)** |
|---|---|---|---|
| Total assets (million Yuan) | 62,252.2 | 60,933.3 | 2.2 |
| Shareholders' equity (million Yuan) | 23,285.4 | 22,305.6 | 4.4 |
| Net assets per share attributable to shareholders of the Parent (Yuan) | 5.18 | 4.96 | 4.4 |
| | From the beginning of the year to end of the reporting period (January to March) | | Change over the corresponding period of last year (%) |
| Net cash flows from operating activities (million Yuan) | 1,788.1 | | 125.1 |
| Net cash flow from operating activities per share (Yuan) | 0.40 | | 122.2 |
| | The Reporting Period (January to March) | From the beginning of the year to end of the reporting period (January to March) | Change over the corresponding period of last year (%) |
| Net profit attributable to shareholders of the Parent (million Yuan) | 977.3 | 977.3 | 1.8 |
| Basic earnings per share (Yuan) | 0.22 | 0.22 | 4.8 |
| Basic earnings per share after deduction of non-recurring gain and loss (Yuan) | 0.22 | 0.22 | 4.8 |
| Weighted average net assets earnings ratio (%) | 4.29 | 4.29 | Decreased 0.44% |
| Ratio of weighted average net assets earnings after deduction of non-recurring gain and loss (%) | 4.28 | 4.28 | Decreased 0.34% |

**Non-recurring Gain and Loss** Currency:RMB Unit: Yuan

| **Items of non-recurring gain and loss** | **Amount for the period ended 31 March 2010** |
|---|---|
| Income /(loss) on disposal of non-current assets | 1,136,213 |
| Subsidy income | 173,671 |
| Net amounts of other non-operating income /loss | 1,434,898 |
| Total of non-recurring gain and loss | 2,744,782 |
| Tax effect | 411,717 |
| Net amounts affecting under non-recurring gain and loss | 2,333,065 |

## 2.2 Number of shareholders and shareholdings of the top ten holders of unrestricted floating shares not subject to terms of lock-up as at the end of the reporting period

| | |
|---|---|
| Total number of shareholders at the end of the reporting period: | A shares: 165,801 |
| | H shares: 259 |

Unit: Share

| Shareholdings of the top ten holders of unrestricted floating shares not subject to terms of lock-up | | |
|---|---|---|
| **Name of shareholders (in full)** | **Number of unrestricted floating shares not subject to terms of lock-up held as at the end of the reporting period** | **Class of shares** |
| HongKong Securities Clearing Company Nominees Limited | 1,531,255,899 | H Shares |
| Great Wall Brand Optimal Stock Securities Investment Fund | 17,791,394 | A Shares |
| E Fund Value Growth Fund | 8,005,861 | A Shares |
| Franklin Sealand China Flex Cap Fund | 7,607,209 | A Shares |
| Wu Xiangfen | 6,603,433 | A Shares |
| ChinaAMC CSI 300 Index Fund | 3,967,710 | A Shares |
| Harvest SHSE-SZSE 300 Index Fund | 3,795,945 | A Shares |
| Wang Hua | 3,567,328 | A Shares |
| China Merchants Mid/Small-Cap Select Stock Securities Investment Fund | 3,094,235 | A Shares |
| Guotai Mid/Small-Cap Growth Stock Securities Investment Fund (LOF) | 3,049,865 | A Shares |

Note:

1. Shares held by HongKong Securities Clearing Company Nominees Limited are the total number of H shares of China Oilfield Services Limited held by shareholders which are traded on the trading platform of HKSCC Nominees Limited on behalf of shareholders.

2. To the knowledge of the Company, there were no connected relationships or concerted actions between the above top 10 shareholders not subject to restrictions on sales.

## 2.3 Operating results review

The operating income of the Group for the first quarter of 2010 reached RMB3,930.7 million, an increase of 0.1% compared with RMB3,928.6 million as of the corresponding period of last year (January to March) with net profit of RMB977.3 million, representing an increase of 1.8% compared with RMB960.2 million as of the corresponding period of last year (January to March). Basic earnings per share was RMB0.22, which has increased RMB0.01 compared with the corresponding period of last year (January to March). As at 31 March 2010, total assets were RMB62,252.2 million, an increase of 2.2% from the beginning of this year. Liabilities were RMB38,966.8 million, an increase of 0.9%. Shareholders' equity recorded RMB23,285.4 million, an increase of 4.4% from the beginning of this year.

Operating information of the main segments as at 31 March 2010 is listed in the following table:

| **Drilling Services** | **For the period ended 31 March 2010** | **For the period ended 31 March 2009** | **Change** |
|---|---|---|---|
| **Operating Days (Day)** | **2,115** | **1,948** | **8.6%** |
| Jack-up Drilling Rigs | 1,911 | 1,678 | 13.9% |
| Semi-submersible Drilling Rigs | 204 | 270 | -24.4% |
| **Utilization Rate (Available Day)** | **100.0%** | **96.6%** | **Increased 3.4%** |
| Jack-up Drilling Rigs | 100.0% | 96.1% | Increased 3.9% |
| Semi-submersible Drilling Rigs | 100.0% | 100.0% | 0.0 |
| **Utilization Rate (Calendar Day)** | **92.0%** | **96.6%** | **Decreased 4.6%** |
| Jack-up Drilling Rigs | 94.1% | 96.1% | Decreased 2.0% |
| Semi-submersible Drilling Rigs | 75.6% | 100.0% | Decreased 24.4% |

| **Marine Support and Transportation Services** | **For the period ended 31 March 2010** | **For the period ended 31 March 2009** | **Change** |
|---|---|---|---|
| **Operating Days (Day)** | **6,580** | **6,247** | **5.3%** |
| Standby vessels | 4,058 | 3,570 | 13.7% |
| AHTS vessels | 1,480 | 1,779 | -16.8% |
| PSV vessels | 450 | 436 | 3.2% |
| Utility vessels | 343 | 462 | -25.8% |
| Barges | 249 | - | |
| **Vessel Utilization Rate (Available Day)** | **98.0%** | **95.3%** | **Increased 2.7%** |
| Standby vessels | 98.4% | 96.3% | Increased 2.1% |
| AHTS vessels | 95.7% | 97.1% | Decreased 1.4% |
| PSV vessels | 100.0% | 100.0% | 0.0 |
| Utility vessels | 100.0% | 100.0% | 0.0 |
| Barges | 100.0% | - | |

| | | | |
|---|---|---|---|
| **Vessel Utilization Rate (Calendar Day)** | **93.9%** | **90.4%** | **Increased 3.5%** |
| Standby vessels | 96.2% | 91.2% | Increased 5.0% |
| AHTS vessels | 86.6% | 94.1% | Decreased 7.5% |
| PSV vessels | 100.0% | 96.9% | Increased 3.1% |
| Utility vessels | 95.3% | 85.6% | Increased 9.7% |
| Barges | 92.1% | - | |

| **Geophysical Services** | **For the period ended 31 March 2010** | **For the period ended 31 March 2009** | **Change (%)** |
|---|---|---|---|
| **2D Seismic Data** | | | |
| Data Collection (km) | 1,018 | 7,073 | -85.6% |
| Data Processing (km) | 599 | - | - |
| **3D Seismic Data** | | | |
| Data Collection ($km^2$) | 1,791 | 1,774 | 1.0% |
| Data Processing ($km^2$) | 909 | 1,954 | -53.5% |

As at 31 March 2010, the Group's drilling rigs operated 2,115 days, an increase of 167 days or 8.6% over the same period of last year. Of which jack-up rigs operated 1,911 days, increasing by 233 days over the same period of last year. This is primarily attributable to the commencement of operation of new rigs last year and early this year. The number of operating days of semi-submersible drilling rigs decreased by 66 days to 204 days, mainly because the number of repair and maintenance days increased by 66 days.

Due to the decrease in non-operating days of drilling rigs during the period, utilization rate in terms of available days for drilling rigs reached 100.0%, a growth of 3.4% over the same period of last year. However, utilization rate in terms of calendar days of the Group's drilling rigs during the period dropped 4.6% to 92.0% over the same period of last year due to an increase in the number of repair and maintenance days of drilling rigs.

In addition, utilization rate in terms of calendar days of two accommodation rigs reached 100.0%. The four module rigs operated in the Gulf of Mexico operated 359 days in aggregate, with the utilization rate in terms of calendar days reaching 99.7%. Six land drilling rigs in Libya and Xinjiang operated 540 days, with a 100.0% utilization rate in terms of calendar days.

Growth in revenue of well services was due to the increase in operation volume as well as the application of high and new technology.

For the first quarter of 2010, the fleet for marine support and transportation services of the Group operated a total of 6,580 days, representing an increase of 333 days or 5.3% over the same period of

last year, while its utilization rate in terms of calendar days reached 93.9%, an increase of 3.5% over the same period of last year.

In respect of geophysical services, 2D seismic data collection operations dropped 85.6% over the same period of last year affected by market environment and icing conditions in the waters of the Bohai Sea early this year. Although domestic 3D seismic data collection operations dropped due to the icing conditions, it recorded a marginal increase of 1.0% over the same period of last year as it has secured business contracts from overseas. In terms of data processing services, 2D seismic data processing volume increased 599 kilometers over the same period of last year, mainly attributable to the procurement of data processing contracts from overseas during the period. As demand from clients fell, 3D seismic data processing volume dropped 53.5% over the same period of last year.

## §3. Significant Events

### 3.1 Disclosure as to and reasons for, material changes in major accounting items and financial indicators of the Company

√ Applicable ☐Not applicable

The reasons for over 30% fluctuations in the major accounts or financial indicators are as follows:

1. Financial expenses

As of 31 March 2010, the financial expenses of the Group amounted to RMB124.7 million, representing a decrease of RMB206.0 million or 62.3% compared with RMB330.7 million of the same period of last year (January to March), mainly due to debt restructuring and optimization after May of last year resulting in a reduction in the cost of debt.

2. Assets impairment losses

As of 31 March 2010, the Group recognized assets impairment losses of RMB59.3 million. The main reason was that the Group anticipated that it might not recover all the accounts receivable from Atlantis Deepwater Orient Ltd., a joint venture company, provision for impairment of accounts receivable of RMB40.0 million was made during the period. Shares of Petrojack ASA held by CDE ceased trading in March this year, assets impairment losses of RMB19.3 million was recognized by the Group.

3. Investment income

As of 31 March 2010, investment income of the Group amounted to RMB29.0 million, an increase of RMB7.7 million or 36.2% compared with RMB21.3 million of the same period of last year (January to March), mainly due to an increase in investment income from China France Bohai Geoservices Co.,

Ltd. of RMB27.1 million over the same period of last year. However, an increase in loss of RMB11.5 million was recorded over the same period of last year due to the decrease in utilization rate of services provided by Eastern Marine Service Ltd as affected by market conditions.

4. Fair value income

As of 31 March 2010, no gain on fair value change was recognized by the Group, while gain on fair value change of RMB13.3 million of the same period of last year (January to March) was recognized, mainly due to the fact that senior unsecured NOK bonds with a book value of NOK 500 million was repaid by the Group at the end of last year and thus the interest rate swap contracts of NOK 250 million was cancelled. Therefore no further gain on fair value change was recognized.

5. Non-operating income

As of 31 March 2010, non-operating income of the Group amounted to RMB3.4 million, representing a decrease of RMB13.1 million or 79.4% compared with RMB16.5 million of the same period of last year (January to March), mainly due to the decrease in gain on disposal of waste materials during the period over the same period of last year.

6. Income tax expenses

As of 31 March 2010, the income tax of the Group was RMB144.5 million, representing a decrease of RMB83.4 million or 36.6% compared with RMB227.9 million of the same period of last year (January to March), mainly due to that the income generated from some jack-up drilling rigs of overseas operations was free of corporate income tax according to the contracts, which resulted in the decrease in income tax payable.

7. Notes receivable

As of 31 March 2010, the notes receivable of the Group were RMB1.6 million, representing a decrease of RMB428.1 million or 99.6% compared with RMB429.7 million as of the beginning of this year, mainly due to the RMB428.1million of notes receivable was recovered in full.

8. Prepayments

As of 31 March 2010, the prepayment of the Group were RMB337.2 million, representing a decrease of RMB191.0 million or 36.2% compared with RMB 528.2 million as of the beginning of this year. The reason was that parts of the projects under construction were transferred to construction in progress, leading to a decrease in prepayments.

9. Dividend receivable

As of 31 March 2010, the dividends receivable of the Group amounted to RMB32.0 million, representing an increase of RMB8.2 million or 34.5% compared with RMB23.8 million as of the beginning of this year, mainly due to dividends receivable from joint venture companies for the year of 2009 were recognized during the period.

10. Available-for-sale financial assets

As of 31 March 2010, the Group had no available-for-sale financial assets, compared with RMB19.3 million as of the beginning of this year. The main reason was shares of Petrojack ASA held by CDE ceased trading early this year, assets impairment losses from all the balances of the investment was recognized by the Group.

11. Held-to-maturity investments

As of 31 March 2010, the held-to-maturity investments of the Group amounted to RMB19.5 million, representing a decrease of RMB19.6 million or 50.1% compared with RMB39.1 million as of the beginning of this year, mainly due to the repayment of loans of RMB19.6 million from EKsportfinance, a credit corporation for import and export in Norway.

12. Staff cost payable

As of 31 March 2010, the staff cost payable of the Group was RMB287.7 million, representing a decrease of RMB189.7 million or 39.7% compared with RMB477.4 million as of the beginning of this year. The reason was that the staff annual bonus of 2009 included in the amount as of the beginning of the year had been fully distributed in the first quarter. The amount as of the end of the period represented staff remuneration which had not been distributed to the staff.

13. Other payables

As of 31 March 2010, other payables of the Group were RMB226.4 million, representing a decrease of RMB132.4 million or 36.9% compared with RMB358.8 million as of the beginning of this year. The reason was that partial payment of service fees and equipment costs were made on schedule.

14. Net cash flow from operating activities

As of 31 March 2010, the net cash flow from operating activities of the Group was RMB1,788.1 million, representing an increase of RMB993.9 million or 125.1% compared with RMB 794.2 million of the same period of last year (January to March), mainly due to the business development and effective measures to control costs taken by the Group.

15. Net cash flow from financing activities

As of 31 March 2010, the net cash flow from financing activities of the Group was RMB423.2 million, representing a decrease of RMB230.6 million compared with RMB653.8 million of the same period of last year (January to March), mainly due to the loans and a special fund for R&D from the State grants in the period, representing a decrease of RMB342.7 million compared with that of the same period of last year (January to March). In addition, cash paid for repayment of borrowings and interest expense in total decreased RMB57.4 million compared with the same period of last year (January to March). Other cash paid for financing activities decreased by RMB54.7 million, compared with that of the same period of last year (January to March).

### 3.2 Significant events and analysis on their effects and solutions

☐Applicable √Not applicable

### 3.3 Status of performance of undertakings made by the Company, shareholders and beneficial controllers

√ Applicable ☐Not applicable

Undertakings of the controlling shareholder of the Company, China National Offshore Oil Corporation: in the 36 months from the date of listing of A shares of the Company, the shares of the Company that have been hold directly or indirectly by China National Offshore Oil Corporation will not be transferred or managed by others through custody, nor be acquired by the Company. During the reporting period, there were no incidents of non-compliance with the said undertakings.

### 3.4 Profit warning on anticipation of possible loss against accumulated net profit from the beginning of the financial year to the end of the next reporting period or significant changes in profit as compared with that of the corresponding period of last year and the reasons therefore

☐Applicable √Not applicable

**Corporate Representative:**

**Liu Jian**

**China Oilfield Services Limited**

**29 April 2010**

# §4.Appendix

## Balance Sheet

31 March 2010

Prepared by: China Oilfield Services Limited Unit: Yuan Currency: RMB (Unaudited)

| Items | Consolidated | | Company | |
|---|---|---|---|---|
| | Balance at the end of the period | Balance at the beginning of the year | Balance at the end of the period | Balance at the beginning of the year |
| **Current assets:** | | | | |
| Cash on hand and at bank | 5,427,340,073 | 4,222,832,778 | 3,387,832,175 | 2,555,012,686 |
| Notes receivable | 1,567,000 | 429,657,902 | 1,567,000 | 429,657,902 |
| Accounts receivable | 4,362,909,567 | 3,745,547,364 | 4,714,410,999 | 4,197,063,076 |
| Prepayments | 337,243,223 | 528,233,255 | 313,377,308 | 489,374,487 |
| Dividend receivable | 32,000,000 | 23,754,415 | 47,000,000 | 23,754,415 |
| Interest receivable | 6,502,000 | 1,080,000 | 6,502,000 | 1,080,000 |
| Other receivables | 313,227,778 | 389,123,571 | 1,213,165,327 | 965,033,453 |
| Inventories | 876,019,342 | 820,548,546 | 647,556,430 | 617,242,127 |
| Current portion of non-current assets | 39,070,157 | 39,081,032 | – | – |
| **Total current assets** | 11,395,879,140 | 10,199,858,863 | 10,331,411,239 | 9,278,218,146 |
| **Non-current assets:** | | | | |
| Long-term receivables | – | – | 21,127,398,500 | 20,450,459,000 |
| Available-for-sale financial assets | – | 19,281,034 | – | – |
| Long-term equity investments | 504,691,404 | 531,735,085 | 7,232,168,818 | 7,231,157,657 |
| Held-to-maturity investment | 19,535,075 | 39,081,025 | – | – |
| Fixed assets | 31,047,544,714 | 30,092,311,149 | 14,520,330,448 | 13,296,788,952 |
| Construction-in-progress | 13,415,600,899 | 14,147,200,718 | 4,455,606,220 | 5,397,656,694 |
| Intangible assets | 445,884,504 | 461,844,210 | 310,742,378 | 317,392,113 |
| Goodwill | 4,599,193,098 | 4,600,473,214 | – | – |
| Long-term deferred expenses | 823,875,534 | 841,551,247 | 671,260,822 | 808,203,334 |
| **Total non-current assets** | 50,856,325,228 | 50,733,477,682 | 48,317,507,186 | 47,501,657,750 |
| **Total assets** | 62,252,204,368 | 60,933,336,545 | 58,648,918,425 | 56,779,875,896 |
| **Current liabilities:** | | | | |
| Accounts payable | 3,074,376,263 | 3,175,095,974 | 2,653,408,730 | 2,707,769,658 |
| Receipts in advance | 5,555,901 | 5,255,901 | 5,555,901 | 5,255,901 |
| Staff cost payable | 287,700,576 | 477,407,095 | 248,664,292 | 433,104,738 |
| Taxes payable | 133,665,413 | 153,070,242 | 157,137,603 | 122,947,646 |
| Interest payable | 129,458,336 | 139,212,858 | 100,548,880 | 81,561,535 |
| Other payables | 226,358,266 | 358,827,721 | 163,457,444 | 197,613,352 |
| Current portion of non-current liabilities | 283,070,157 | 283,081,032 | 244,000,000 | 244,000,000 |
| Other current liabilities | 595,461,915 | 606,038,526 | 43,787,005 | 44,213,902 |

| | | | | |
|---|---|---|---|---|
| **Total current liabilities** | 4,735,646,827 | 5,197,989,349 | 3,616,559,855 | 3,836,466,732 |
| **Non-current liabilities：** | | | | |
| Long-term bank borrowings | 29,306,941,993 | 28,151,039,943 | 29,287,406,918 | 28,111,958,918 |
| Long-term bonds | 2,106,966,745 | 2,670,019,752 | 1,500,000,000 | 1,500,000,000 |
| Deferred tax liabilities | 1,840,317,957 | 1,790,789,029 | 419,396,463 | 365,889,553 |
| Staff cost payable | – | 1,381,058 | – | – |
| Other non-current liabilities | 976,886,891 | 816,512,769 | 76,098,676 | 36,565,316 |
| **Total non-current liabilities** | 34,231,113,586 | 33,429,742,551 | 31,282,902,057 | 30,014,413,787 |
| **Total liabilities** | 38,966,760,413 | 38,627,731,900 | 34,899,461,912 | 33,850,880,519 |
| **Shareholders' equity：** | | | | |
| Share capital | 4,495,320,000 | 4,495,320,000 | 4,495,320,000 | 4,495,320,000 |
| Capital reserve | 8,074,565,726 | 8,074,565,726 | 8,074,565,726 | 8,074,565,726 |
| Statutory reserve funds | 1,335,639,695 | 1,335,639,695 | 1,335,639,695 | 1,335,639,695 |
| Retained earnings | 9,355,758,099 | 8,378,412,798 | 9,846,256,330 | 9,027,158,354 |
| Including: proposed cash dividends | – | 629,344,800 | - | 629,344,800 |
| Cumulative translation reserves | 24,160,435 | 21,666,426 | -2,325,238 | -3,688,398 |
| Equity attributable to equity holders of the Parent | 23,285,443,955 | 22,305,604,645 | 23,749,456,513 | 22,928,995,377 |
| Minority interest | – | – | – | – |
| **Total shareholders' equity** | 23,285,443,955 | 22,305,604,645 | 23,749,456,513 | 22,928,995,377 |
| | | | | |
| **Total liabilities and shareholders' equity** | 62,252,204,368 | 60,933,336,545 | 58,648,918,425 | 56,779,875,896 |

| Chief Executive Officer | Executive Vice President and Chief Financial Officer | General Manager of Accounting Department |
|---|---|---|
| Liu Jian | Zhong Hua | Liu Zhenyu |

# Income Statement

January to March 2010

Prepared by: China Oilfield Services Limited Unit: Yuan Currency: RMB (Unaudited)

| Items | Consolidated | | Company | |
|---|---|---|---|---|
| | Amounts of the current period (January to March) | Amounts of the previous period (January to March) | Amounts of the current period (January to March) | Amounts of the previous period (January to March) |
| **1. Revenue** | 3,930,667,813 | 3,928,595,218 | 3,080,400,937 | 2,778,527,407 |
| Less: operating costs | 2,471,900,759 | 2,281,510,172 | 1,877,409,600 | 1,497,415,967 |
| Bussiness taxes and surcharges | 96,652,642 | 75,727,028 | 87,976,675 | 75,534,361 |
| Selling expenses | 1,754,007 | 1,340,821 | 678,193 | 599,960 |
| General and administrative expenses | 86,290,373 | 101,319,971 | 42,296,342 | 60,291,825 |
| Financial expenses | 124,721,888 | 330,689,111 | 130,179,639 | 118,260,975 |
| Assets impairment losses | 59,290,419 | – | 40,011,220 | – |
| Add: Fair value income("-" for losses) | – | 13,272,135 | – | – |
| Investment income | 29,039,849 | 21,269,548 | 65,089,911 | 21,883,967 |
| Including: Share of profits of jointly-controlled entities | 50,089,911 | 20,122,390 | 50,089,911 | 21,883,967 |
| **2. Operating profit** | 1,119,097,574 | 1,172,549,798 | 966,939,179 | 1,048,308,286 |
| Add: Non-operating income | 3,427,879 | 16,475,283 | 3,427,879 | 16,475,283 |
| Less: Non-operating expenses | 683,098 | 914,344 | 1,354,678 | 914,345 |
| Including: loss on disposal of non-current assets | 27,145 | 680,873 | 23,814 | 680,873 |
| **3.Profit before tax** | 1,121,842,355 | 1,188,110,737 | 969,012,380 | 1,063,869,224 |
| Less: Income tax expenses | 144,497,054 | 227,914,543 | 149,914,404 | 166,820,194 |
| **4. Net Profit** | 977,345,301 | 960,196,194 | 819,097,976 | 897,049,030 |
| Net profit attributable to equity holders of the Parent | 977,345,301 | 960,196,194 | 819,097,976 | 897,049,030 |
| Minority interests | – | – | – | – |
| **5.Earnings per share:** | | | | |
| Basic earnings per share | 0.22 | 0.21 | N/A | N/A |

| Chief Executive Officer | Executive Vice President and Chief Financial Officer | General Manager of Accounting Department |
|---|---|---|
| Liu Jian | Zhong Hua | Liu Zhenyu |

# Cash Flow Statment

January to March 2010

Prepared by: China Oilfield Services Limited Unit: Yuan Currency: RMB (Unaudited)

| Items | Consolidated | | Company | |
|---|---|---|---|---|
| | Amounts from the beginning of the year to end of the reporting period (Jan.-Mar.) | Amounts from the beginning of the year to end of the reporting period Last year (Jan.-Mar.) | Amounts from the beginning of the year to end of the reporting period (Jan.-Mar.) | Amounts from the beginning of the year to end of the reporting period Last year (Jan.-Mar.) |
| **1.Cash flows from operating activities:** | | | | |
| Cash received from sale of goods and rendering of services | 3,745,433,162 | 3,291,040,415 | 2,824,442,356 | 2,133,082,565 |
| Tax refund received | 173,311 | 110,061 | 37,031 | 110,061 |
| Cash received relating to other operating activities | 4,893,202 | 11,061,356 | 4,871,810 | 11,061,356 |
| Subtotal of cash inflows from operating activities | 3,750,499,675 | 3,302,211,832 | 2,829,351,197 | 2,144,253,982 |
| Cash paid for goods and services | (1,054,459,718) | (1,443,066,478) | (755,000,830) | (742,587,415) |
| Cash paid to and for employees | (681,261,331) | (713,005,004) | (598,614,070) | (672,982,037) |
| Cash paid for taxes | (190,786,463) | (241,668,327) | (148,966,765) | (154,279,241) |
| Cash paid relating to other operating activities | (35,900,191) | (110,308,154) | (34,155,908) | (250,720,721) |
| Subtotal of cash outflows from operating activities | (1,962,407,703) | (2,508,047,963) | (1,536,737,573) | (1,820,569,414) |
| Net cash flows from operating activities | 1,788,091,972 | 794,163,869 | 1,292,613,624 | 323,684,568 |
| **2.Cash flows from investing activities** | | | | |
| Cash received from disposal of investments | 19,535,075 | 263,418,781 | – | 271,763,300 |
| Cash received from return on investment | 47,797,754 | 74,798,525 | 40,834,927 | 27,484,597 |
| Cash received from disposal of fixed assets, intangible assets and other long-term assets | 1,196,000 | 1,400,000 | 1,196,000 | 1,400,000 |
| Cash received on interest income from bank deposits | 21,339,844 | 7,390,733 | 1,965,619 | 7,390,733 |
| Subtotal of cash inflows from investing activities | 89,868,673 | 347,008,039 | 43,996,546 | 308,038,630 |
| Cash paid for acquisition of fixed assets , intangible assets and other long-term assets | (1,039,879,910) | (2,294,719,724) | (878,694,081) | (1,535,232,413) |
| Cash paid for acquisition of long-term investments | – | (99,885) | – | (99,885) |
| Cash paid for other investment activities | – | – | (682,690,000) | – |
| Cash paid for acquisition of other investments | (1,070,000,000) | – | (1,070,000,000) | – |
| Subtotal of cash outflows from investing activities | (2,109,879,910) | (2,294,819,609) | (2,631,384,081) | (1,535,332,298) |
| Net cash flows from investing activities | (2,020,011,237) | (1,947,811,570) | (2,587,387,535) | (1,227,293,668) |
| **3. Cash flows from financing activities:** | | | | |

| | | | | |
|---|---|---|---|---|
| Cash received from scientific research grants | 39,670,000 | 10,430,000 | 39,670,000 | 10,430,000 |
| Cash received from new borrowings and bond issue | 1,182,690,000 | 1,554,673,595 | 1,182,690,000 | 500,000,000 |
| Subtotal of cash inflows from financing activities | 1,222,360,000 | 1,565,103,595 | 1,222,360,000 | 510,430,000 |
| Cash paid for repayment of borrowings | (582,262,515) | (666,598,364) | – | – |
| Cash paid for interest expenses | (216,922,985) | (190,005,161) | – | (64,217,241) |
| Cash paid relating to other financing activities | – | (54,685,600) | (129,779,094) | (54,685,600) |
| Subtotal of cash outflows from financing activities | (799,185,500) | (911,289,125) | (129,779,094) | (118,902,841) |
| Net cash flows from financing activities | 423,174,500 | 653,814,470 | 1,092,580,906 | 391,527,159 |
| **4. Effect of foreign exchange rate fluctuation on cash** | (56,689,998) | 97,178,275 | (34,986,142) | 66,437,299 |
| **5. Net increase in cash and cash equivalent** | 134,565,237 | (402,654,956) | (237,179,147) | (445,644,642) |
| Add: Cash and cash equivalents at the beginning of the period | 3,214,602,911 | 4,295,488,052 | 1,750,110,504 | 2,770,238,786 |
| **6. Cash and cash equivalents at the end of period** | 3,349,168,148 | 3,892,833,096 | 1,512,931,357 | 2,324,594,144 |

| Chief Executive Officer | Executive Vice President and Chief Financial Officer | General Manager of Accounting Department |
|---|---|---|
| Liu Jian | Zhong Hua | Liu Zhenyu |