

China Oilfield Service Limited

The Rules of The Procedure of The Board of Directors

Chapter I General Provisions

Article 1 In order to regulate the internal institutions and operating procedures of the board of directors in China Oilfield Services Limited (hereinafter referred to as the “Company”), and according to the regulations of listing market in domestic and abroad ,including the Company Law of the PRC, the Code of Corporate Governance for Listed Companies, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the Listing Rules on The Stock Exchange of Shanghai Stock Exchange and other regulations (hereinafter referred to as “the Listing Rules”), and the Articles of Association of China Oilfield Services Limited (hereinafter referred to as “the Articles of Association”), while considering the Company’s actual condition, the rule is formulated.

Article 2 The Board of Directors (hereinafter referred to as the “Board”) is the enforcement body of the General Meeting and decision-making body of the operation and management of the Company. The Board shall protect the interests of the Company and all its shareholders, and be responsible for making decisions on the development goals and significant operational activities of the Company with the authorization by the Articles of Association and the General Meeting. The Board is responsible to the General Meeting and all the shareholders of the Company, and its functions and powers shall be defined in the Articles of Association.

Article 3 Directors of the Company shall be subject to the supervision by the Supervisory Committee of the Company.

Chapter II Organizational Rules of the Board

Section I Organizational Structure of the Board

Article 4 The number of members of the Board of the Company and the proportion of independent directors shall be determined in the Articles of Association.

The Board shall have a chairman, and may have one vice chairman according to the needs. The chairman and vice chairman shall be appointed and dismissed by more than 50% of all the directors by election. The functions and powers of the chairman shall be

determined according to the Articles of Association and authorization of the Board.

Article 5 Directors shall be elected and appointed by the General Meeting from the candidates nominated by the Board or by the shareholders representing three percent or more of the issued shares of the Company.

Article 6 Directors of the Company shall be natural persons. Directors need not hold shares in the Company.

The directors may concurrently serve as senior executives of the Company but shall not concurrently serve as supervisors.

Article 7 The term of office of a director shall be three years starting on the date when relevant resolution of the General Meeting is adopted. A director may, if re-elected upon expiration of his term of office, serve consecutive terms. The General Meeting of the Company shall not dismiss a director prior to the expiration of his term of office without reason.

Article 8 After a director is approved to serve consecutive terms, the Board shall, by making a resolution, expressly determine his position in the Board (including special committees under the Board) during his new term, and before that his original position shall remain unchanged.

Article 9 A director shall have the following rights:

- (1) to attend the Board meetings and exercise his voting right at the meetings;
- (2) to submit proposals to the Board meetings;
- (3) to be informed of the production and operation of the Company;
- (4) to act on behalf of the Company according to the provisions of the Articles of Association or with authorization from the Board;
- (5) to carry out the business activities of the Company according to the provisions of the Articles of Association or with authorization from the Board;
- (6) other rights conferred by the Articles of Association and the Board.

Article 10 A director shall exercise the aforesaid rights according to the procedures as set forth in the Articles of Association and regulations of the Company.

Article 11 The responsibilities of a director shall be stipulated by the laws, regulations, the Articles of Association, and other applicable rules.

A director shall ensure that adequate time and efforts are spared in handling the Company's affairs, or otherwise he shall not accept the appointment as director.

A director shall act in good faith for and in the interests of the Company. In case his personal interests conflict with the interests of the Company and its shareholders, he shall act for the maximum interests of the Company and its shareholders. A director shall, prudently, earnestly and with due diligence, exercise his rights conferred by the Company, and ensure that:

- (1) the business conducts of the Company comply with the laws and administrative regulations of the State;
- (2) all the shareholders are treated equally and fairly;
- (3) all the business and financial reports of the Company are read carefully and that he understands the operation and management status of the Company in a timely manner;
- (4) he personally exercise the authority of disposition regarding the Company's management conferred in accordance with the laws and not be controlled by other persons;
- (5) the authority of disposition regarding the Company's management may not be transferred to any others unless otherwise permitted by the laws or administrative regulations or approved by the General Meeting being informed of such transfer;
- (6) the legal supervision performed and reasonable suggestions proposed by the Supervisory Committee concerning performance of his duties and responsibilities is accepted;
- (7) without the prior approval of the General Meeting being informed of such disclosure,

not to disclose any confidential information related to the Company obtained by him during his term of office. However, in any of the following circumstances, a director may disclose such information to the court or other competent governmental authorities:

- 1) such disclosure is required by law;
- 2) such information is required to be disclosed for public interests; or
- 3) such information is required to be disclosed for the personal legal interests of such director provided that the legal interests of the Company will not be infringed.

Article 12 A director shall observe relevant laws, regulations and the Articles of Association and strictly abide by the undertakings made by him publicly.

Article 13 A director shall take an active part in relevant training to understand his rights, duties and responsibilities as director, get familiar with relevant laws and regulations, and obtain necessary knowledge that a director shall have.

Article 14 Any director must not act in his name on behalf of the Company or the Board unless duly authorized by the Articles of Association or the Board of the Company.

Article 15 If a director fails to attend the Board meetings by two consecutive times personally or by other directors as his proxy, he shall be deemed unable to perform his duties. The Board shall recommend to the General Meeting for dismissal and replacement of such director.

Article 16 A director may resign from his office prior to the expiration of his term of office but such resignation shall be tendered in writing to the Board 30 days in advance. If a director tenders resignation in writing to the Board, his resignation shall become effective 30 days from the receipt of his resignation by the Board, without being subject to approval of the General Meeting or the Board, except in the following circumstances:

- (1) such director is performing his duties and his responsibility has not been relieved;
- (2) for a director serving concurrently as chairman of the Board, CEO or president of the Company who tenders resignation in writing, his resignation audit is yet not

approved;

- (3) the Company is becoming or to become the target company of an acquisition or merger.

If the resignation of a director will result in the number of members of the Board falling short of the legal requirements of the minimum number of directors, his resignation shall not become effective until his successor fills in the vacancy generated due to his resignation.

In case a director resigns, the remaining directors shall convene an extraordinary general meeting as soon as possible (generally within 60 days from the date when the director tenders resignation) to elect a director to fill in the vacancy generated due to the resignation.

Article 17 During the period in which the resignation submitted by a director does not become effective and within a reasonable time after such resignation becomes effective, his duties and responsibilities to the Company and shareholders shall not be relieved. The director who still has duties and responsibilities not relieved shall not resign. If he resigns without due approval, he shall compensate for any losses caused to the Company therefrom.

Article 18 The Board shall have Audit Committee, Nomination Committee, Remuneration and Review Committee under it, and each of these committees shall be composed of more than three directors, with independent directors being the majority thereof. Audit Committee shall have at least one independent director who is an accounting professional. The chairmen of these committees shall be appointed by the Board. The chairmen of Audit Committee and Remuneration and Review Committee shall be independent directors.

The functions and work procedures of these special committees under the Board shall be stipulated by the Articles of Association and the Board.

Article 19 The Board shall have an office to oversee the daily operation of the Board. The secretary of the Board shall be in charge of the work of the Board Office and perform his duties in accordance with the Articles of Association.

Section II Independent Director

Article 20 The Company shall have three independent directors.

Article 21 The description of director qualifications provided in these Rules is applicable to independent directors. Besides, the independent directors shall also meet the requirements for independence of independent directors as provided in the relevant Listing Rules and the Articles of Association.

Article 22 The independent directors shall be nominated, elected or replaced as follows:

- (1) The Board, Supervisory Committee, or the shareholders separately or jointly holding more than 1% of issued shares of the Company may nominate candidates for independent director. Then the candidates for independent director shall be elected and appointed by the General Meeting in ordinary procedures;
- (2) The nominator of independent directors shall obtain the consent of the persons being nominated before such nomination;
- (3) Before the convention of the General Meeting for election of independent directors, the Company shall submit the information about all the nominated persons to the regulatory authorities and stock exchange of the place the Company is listed according to the listing rules of the place of listing. If the Board has any objections to the information about the nominated persons, it shall submit written comments of the Board.

Article 23 An independent director shall serve for the same term of office as the other directors, and may serve consecutive terms if re-elected upon expiration of his term of office. However such consecutive terms of service generally shall not exceed six years.

Article 24 An independent director may resign prior to expiration of his term of office but shall tender resignation in writing to the Board, in which he shall give a description of any matter in relation to his resignation or to which he thinks that the shareholders and creditors of the Company shall be aware of. If resignation of an independent director renders the number of independent directors to fall below one-third of the Board members, his resignation shall not become effective until his successor takes his office.

Article 25 Independent directors shall have the following special rights:

- (1) Two or more independent directors may propose convening Extraordinary General

Meeting;

- (2) Two or more independent directors may propose convening the Board meeting;
- (3) The independent directors may, if they think necessary, obtain independent professional advices (for example engage external auditors and consultancy firm) at the cost of the Company;
- (4) The related party transactions to be disclosed (which shall be determined according to Chapter 14A of the Listing Rules) shall be confirmed by the independent directors, before submitting to the Board for review and approval;
- (5) The connected transactions to be approved by the General Meeting (as defined in Chapter 14A of the Listing Rules) shall, after the independent directors issue their opinions about such transactions, be submitted by the Board to the General Meeting of the Company for review and approval;
- (6) The independent directors have the right to propose to the Board that the external auditors shall be appointed or dismissed;
- (7) The independent directors may solicit voting rights openly from the shareholders prior to the convention of the General Meeting.

The independent directors shall exercise the aforesaid rights according to the procedures as set forth in the Articles of Association and regulations of the Company.

Article 26 The Company shall provide support to the independent directors to perform their duties, including arranging for appropriate visits and professional training.

Chapter III Rules Governing the Board Meetings

Article 27 The Board shall hold at least four regular meetings of the Board to be attended by all the directors. The Board meetings shall be convened by the chairman of the Board and a notice shall be given to all the directors and supervisors at least 14 days prior to the date of the meeting.

The chairman of the Board shall convene an extraordinary Board meeting within ten working days after receiving relevant proposal if one of the following circumstances

occurs:

- (1) The chairman of the Board thinks it necessary;
- (2) More than one-third of the directors jointly propose convening a Board meeting;
- (3) Two or more independent directors propose convening a Board meeting;
- (4) Supervisory Committee proposes convening a Board meeting;
- (5) The CEO or president of the Company proposes convening a Board meeting;
- (6) The shareholders representing more than one-tenth of the voting rights propose convening a Board meeting.

The extraordinary meetings of the Board may be held in the form of teleconference.

Article 28 If the chairman of the Board is prevented from performing his duties or does not perform his duties, the vice chairman of the Board shall perform the duties of the chairman if a vice chairman has been appointed; if the vice chairman is prevented from performing his duties or does not perform his duties, a director elected by more than half of the directors shall perform the duties of the chairman. If no vice chairman has been appointed, a director elected by more than half of the directors shall perform his duties.

Article 29 To hold a regular meeting or an extraordinary meeting of the Board, the meeting notice shall be given in the following manner:

- (1) If the time and place of regular meeting of the Board has been determined by the Board in advance, no meeting notice is necessary.
- (2) If the time and place of the Board meeting has not been determined by the Board in advance, the chairman shall, at least ten days prior to the meeting date, inform the directors and supervisors of the time and place of the meeting by telex, telegram, fax, express mail or registered mail, or a notice shall be delivered personally to the directors and supervisors.
- (3) If an extraordinary meeting of the Board must be convened in case of emergency, the chairman of the Board shall order the secretary of the Board to, not later than five

days but not earlier than ten days prior to the meeting date, inform the directors and supervisors of the time, place and form of the meeting by telex, telegram, fax, express mail or registered mail or a notice shall be delivered personally to the directors and supervisors.

- (4) The meeting notice shall be in Chinese and if necessary, an English version may be attached, and shall include the agenda of the meeting. Any director may waive his right to receive the meeting notice of the Board.

Article 30 The secretary of the Board shall, 14 days prior to the date of the Board meeting, give a meeting notice to the directors by telephone, telegram, fax, registered mail or e-mail, or shall be delivered personally to the directors. The meeting documents shall be delivered to the directors in any of above-mentioned methods seven days prior to the meeting date.

For convening extraordinary meetings of the Board, the meeting notice shall, five days prior to the meeting date, be given to the directors by telephone, telegram, fax, registered mail or e-mail, or shall be delivered personally to the directors. Meeting documents shall be delivered to the directors in any of above-mentioned methods three days prior to the meeting date.

If a director has already attended the Board meeting and does not mention that he did not receive the meeting notice before or when attending the meeting, he shall be deemed to be given the meeting notice.

Article 31 The notice of the Board meeting shall contain the following information:

- (1) the date of the meeting;
- (2) the place and duration of the meeting;
- (3) reasons for the meeting and issues for discussion;
- (4) the date of the meeting notice.

Article 32 Meeting of the board of directors may be held only if more than half of the directors (including at least two independent non-executive directors). Each director shall be entitled to one vote. Resolutions of the board of directors must be adopted by the

affirmative vote of more than half of all the directors.

Article 33 The Board may make a resolution by circulating a written proposal, but such proposal shall be delivered to each director by hand, mail, telegram, e-mail or fax only after it is signed and approved by the chairman. If a proposal of the Board meeting has been sent to all the directors, the number of the directors signing to consent to it has reached the quorum and that it has been delivered to the secretary of the Board by any of the methods mentioned herein, such proposal shall become a resolution of the Board.

If a motion is formed into written resolution by way of voting in writing, the resolution shall be promptly sent in writing to all the directors.

Article 34 The Board meetings shall be attended personally by the directors. If a director is prevented from attending the Board meetings by any reasons, he may authorize any other director by signing a power of attorney to attend the Board meeting.

The power of attorney shall contain the name and authority of the proxy, the matters on which the proxy votes on behalf of the authorizing director, and valid period of the power of attorney, and shall be signed or sealed by the authorizing director.

The director attending the meeting as proxy shall exercise the rights of a director within his authorized authority. If a director neither attends a meeting of the Board personally nor authorises a proxy attendance, such director shall be deemed to have waived his right to vote at this meeting.

Article 35 In case a director has interests in the matter to be resolved by the Board, he shall waive his right to vote on such matter.

Article 36 Minutes shall be taken for the resolutions made by the Board on the matters discussed at the Board meeting. The secretary of the Board attending the meeting shall be responsible for procuring the meeting minutes to be taken and all the directors attending the meeting, the secretary of the Board and the person taking the minutes shall sign on the minutes. The minutes of the Board meeting shall contain the following:

- (1) date and place of the meeting and the name of convenor;
- (2) names of the directors personally attending the meeting, names of the directors attending the meeting by proxy, and the names of the proxies;

- (3) agenda of the meeting;
- (4) main contents of the speeches given by directors at the meeting, and voting method and result for each matter resolved at the meeting. The voting result shall reflect the number of affirmative votes, negative votes and abstaining votes.

The meeting minutes shall be kept by the secretary of the Board. Draft of minutes shall be delivered to each director for confirmation within 20 days after the meeting, and after confirmation by the directors, final revision of the minutes shall be delivered to all the directors. The directors shall take responsibility for the resolutions of the Board. In case the resolutions of the Board are against any laws, administrative regulations or the Articles of Association and serious losses are caused to the Company, all the directors participating in making such resolutions shall be liable to compensate for the losses. However, if there is evidence showing that a director expresses his objection to the resolution and such objection is recorded in the meeting minutes, such director may be exempted from the liability.

If any director requests to refer to the minutes of the Board meetings, the secretary of the Board shall make arrangement accordingly within reasonable time.

Article 37 The following persons have the right to put forward proposals to the Board:

- (1) special committees under the Board;
- (2) a director of the Company;
- (3) CEO or president of the Company;
- (4) relevant functional departments of the Company, subject to review by the vice president in-charge and approval by the president.

Proposals shall be submitted to the Board Office by aforesaid proposers not later than 15 days or in case of urgent matters 5 days prior to the Board meeting, and then shall be listed in the agenda of the meeting after the secretary of the Board submits them to the chairman of the Board for review and approval. The chairman of the Board shall ensure that the proposals put forward by special committees under the Board and members of the Board are listed in the agenda of the Board meetings.

Article 38 The Board meetings shall vote on the matters included in the agenda only. The directors present at the meetings also may put forward incidental motions during the meeting (generally after all the matters included in the agenda have been resolved), but voting on any incidental motions is possible only if the chairman agrees. If two or more directors think that there is not enough information for the matter to be resolved in the incidental motion or the argument is not definite, the Board shall decide to postpone the discussion on the incidental motions.

Chapter IV Miscellaneous

Article 39 All the expenses incurred from the directors attending the meetings of the Board and its special committees shall be borne by the Company. These expenses refer to the reasonable expenses incurred from the directors attending the meetings of the Board, its special committees and General Meetings, and performing their legal duties and powers in the Company, including traveling expenses, accommodation expenses during the meetings, training fees, office expenses, and business inspection expenses. The directors shall provide relevant original commercial invoices to have aforesaid expenses and fees reimbursed to them.

Article 40 When the independent directors exercise the rights as set forth in Item 3) of Article 25, they shall give prior notice to the chairman or CEO or executive director of the Company.

Article 41 In case any matters are not covered in these Rules or any articles in these Rules are in conflict with the laws, administrative regulations and/or regulatory provisions of the listing place as promulgated from time to time, relevant laws and regulations of the People's Republic of China and relevant regulations of domestic and overseas securities regulatory authorities shall prevail.

Article 42 These Rules are formulated by the Board of the Company and shall take effect and come into force upon approval by the General Meeting.

Article 43 The interpretation of these Rules is vested in the Board of the Company and the General Meeting of the Company shall be responsible for amendment to these Rules.