

Announcement of Offshore Oil Engineering Co., Ltd on the Provision for Impairment of Assets for 2018

Special Note

The board of directors and all directors of Offshore Oil Engineering Co., Ltd ensure that the contents of this Announcement are free from any misrepresentation, misleading statement and material omission, and that they will assume joint and several liability for the truthfulness, accuracy and integrity of the contents.

I. Overview of this provision for impairment of assets

In order to truthfully reflect the financial and operation conditions of the Company as of December 31st 2018, the Company analyzed and determined if there was any sign of impairment of assets, performed impairment tests based on the analysis results and provided reasonable reserves for impairment of construction contracts, inventories and accounts receivable in accordance with the accounting standards for *Construction Contracts*, *Inventories* and *Asset Impairment* specified in the *Accounting Standard for Business Enterprises* at the end of 2018. In 2018, the Company accrued a total provision for impairment of assets of RMB 5,194,640,000 Yuan. The details are listed in the table below.

Currency: RMB Unit: 10,000 Yuan

Item	Amount
Estimated loss from construction contracts	3,850.19
Provision for impairment of inventory	619.51
Provision for doubtful debts	724.95
Total	5,194.64

(I) Provision for impairment of construction contracts

The Company's provision for impairment of construction contracts was mainly aimed at the NFA project in Qatar. In 2018, the Company provided a reserve for impairment of 38,500,000 Yuan for the NFA project in Qatar.

(II) Provision for impairment of inventory

The Company provision for impairment of inventory was mainly

aimed at the surplus materials from the Company's completed projects and the ending inventory was valued per the lower of cost and net realizable value. In the measurement as per the lower of cost and net realizable value, the net realizable value was estimated as per the current market price of similar materials provided by the business department multiplied by the material's newness rate or appraised value. The Company's additional provision for impairment of inventory in 2018 amounted to 6,190,000 Yuan.

(III) Provision for doubtful debts

The Company's additional provision for doubtful debts in 2018 amounted to 724,950,000 Yuan and was calculated by means of specific identification and accounts receivable aging.

II. Impact of this change on the Company's financial condition and business result

This provision for impairment of assets resulted in a decrease of 5,194,640,000 Yuan in the total amount of profit of 2018, including a decrease of 4,415,450,000 Yuan in the net profit attributable to the equity holders of listed companies.

III. Opinion of the board of directors of the Company on the reasonability of the provision for impairment of assets

The board of directors of the Company believed that this provision for impairment of assets was based on the principle of prudence, complied with relevant regulations such as the *Accounting Standard for Business Enterprises* and the actual conditions of the Company's assets, fairly reflected the conditions of the Company's assets and was favorable for providing more truthful and reliable accounting information.

IV. Opinion of independent directors

The independent directors of the Company believed that the Company's provision for impairment of assets for 2018 was in compliance with relevant regulations such as the *Accounting Standard for Business Enterprises* and could fairly reflected the conditions of the

Company's assets, the decision making process for the provision for impairment of assets was lawful and free from any conditions detrimental to the legitimate interests of the Company and its minority shareholders. The board of directors agreed on the Company's provision for impairment of assets.

V. Opinion of the board of supervisors

The board of supervisors believed that the Company's provision for impairment of assets for 2018 was in compliance with the *Accounting Standard for Business Enterprises*, other relevant regulations and the Company's actual conditions, which made the Company's asset value accounting information more truthful, reliable and reasonable; the board of supervisors reviewed the decision making process for the provision for impairment of assets, believed that the decision making process was lawful and agreed on this provision for impairment of assets.

VI. Reference documents

(I) Announcement of the Resolutions Adopted at the 14th Meeting of the 6th Term of the Board of Directors

(II) Announcement of the Resolutions Adopted at the 11th Meeting of the 6th Term of the Board of Supervisors

(III) Opinions of Independent Directors

The matter above is hereby announced.

Board of Directors of Offshore Oil Engineering Co., Ltd

March 22nd 2019