

# **Announcement of Offshore Oil Engineering Co., Ltd on Providing Guarantee to its Subsidiary Thailand Company**

## **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.

Notes on important contents:

- The guaranteed is Offshore Oil Engineering International (Thailand) Co., Ltd, a wholly-owned subsidiary of the Company.
- The amount of guarantee is 815,450,000 US dollars.
- The term of guarantee is from the date of issuance of the guarantee to January 31<sup>st</sup> 2021.
- This guarantee involves no counter-guarantee.
- Cumulative amount of overdue external guarantees: no overdue guarantee.

## **I. Overview of the guarantee**

### **(I) Basic information of the guarantee**

The consortium formed by Offshore Oil Engineering International (Thailand) Co., Ltd, a wholly-owned subsidiary of the Company (hereinafter referred to as “Thailand Company”), and Unithai Shipyard and Engineering Ltd (hereinafter referred to as “Unithai Company”), signed the EPC contract for abandonment of two platforms in SKL-C block located in Thailand with CEC INTERNATIONAL, LTD (hereinafter referred to as “CEC Company”) in November 2018. The contract price is approximately 708,330,000 US dollars. According to the split of responsibilities between consortium members, Thailand Company

is responsible for the offshore dismantlement and transport of the platforms, which corresponds to a contract price of 543,630,000 US dollars, and the contract schedule is 13 months.

According to the contractual provisions, Thailand Company shall provide a parent company guarantee issued by the Company to CEC Company.

The guaranteed: Offshore Oil Engineering International (Thailand) Co., Ltd

The creditor: CEC Company.

The amount of guarantee: the upper limit of contractual liability is 150% of the contract price, according to the split of responsibilities between consortium members, the amount of this guarantee will be approximately 815,450,000 US dollars (543,630,000 US dollars $\times$ 150%).

## **(II) The Company's internal decision making process**

The proposal for the provision of this guarantee was adopted at the 14<sup>th</sup> meeting of the 6<sup>th</sup> term of the board of directors of the Company held on March 22<sup>nd</sup> 2019. According to relevant regulations of Shanghai Stock Exchange and the Company's relevant policies, it is not required to submit the proposal for the provision of this guarantee to the general meeting of shareholders of the Company for review and approval.

## **II. Basic information of the guaranteed**

Name of the guaranteed: Offshore Oil Engineering International (Thailand) Co., Ltd

Place of registration: Thailand

Legal representative: no legal representative, the directors are Li Xiaowei, Gu Hong and Bian Weiming.

Scope of business: platform dismantlement projects, engineering, procurement, construction, installation, maintenance and management of offshore projects.

Latest credit rating and credit status: no negative credit records.

Financial condition:

**Main financial data for 2018 (as audited)**

Unit: 10,000 Yuan      Currency: RMB

<b>Main accounting data</b>	<b>As of December 31<sup>st</sup></b>
Total asset	1,561.35
Liability asset	1,087.38
Total amount of current liabilities	1,087.38
Total amount of bank loans	0.00
Net asset	473.97
<b>Main accounting data</b>	<b>2018 full year</b>
Operating revenue	1,340.18
Net profit	18.60

Relationship with the Company: the Company holds 100% equity of Thailand Company through its wholly-owned subsidiary, Offshore Oil Engineering International Co., Ltd, and the Company's actual shareholding ratio is 100%.

**III. Main contents of guarantee agreement**

Main content of guarantee: as the primary responsible party, the Company will provide a guarantee to its subsidiary Thailand Company and will fulfil or take necessary actions to assume related responsibilities where Thailand Company fails to fulfil its contractual responsibilities.

Method of guarantee: the company will provide a joint and several liability guarantee for contract performance by Thailand Company.

Type of guarantee: performance guarantee.

Amount of guarantee: 815,450,000 US dollars.

Estimated term of guarantee: from the date of issuance of the guarantee to January 31<sup>st</sup> 2021.

**IV. Opinion of the board of directors**

The board of directors of the Company believes that the guarantee mentioned above is a normal production and operation arrangement, the guaranteed is the Company's subsidiary whose 100 equities are held indirectly by the Company, the operation conditions of the guaranteed are normal and the risks of the guarantee are controllable.

**V. Opinions of independent directors**

1. The provision of the guarantee by the Company to its

wholly-owned subsidiary, Offshore Oil Engineering International (Thailand) Co., Ltd, is a need of the Company's routine production and operation.

2. As the guaranteed is a wholly-owned subsidiary of the Company, the Company can acquire the credit information of the guaranteed at any time and can strictly control and prevent the risks of the guarantee.

3. The provision of this guarantee and associated decision making process comply with relevant documents such as the *Circular on Regulating the Fund Transactions between Listed Companies and Related Parties and Several Issues Concerning the External Guarantees of Listed Company* (Securities Regulatory Document No. [2003]56) and *Circular on Regulating the Acts of External Guarantees of Listed Companies* (Securities Regulatory Document No. [2003]56) issued by China Securities Regulatory Commission and relevant regulations such as the *Rules of Shanghai Stock Exchange for Stock Listing* and the Company's *Articles of Association*.

4. This guarantee is fair and reasonable, without anything detrimental to the interests of the Company and minority shareholders.

5. All independent directors unanimously agree on the provision of this guarantee.

## **VI. Cumulative amount of external guarantees and cumulative amount of overdue guarantees**

After this guarantee becomes effective, there will be totally 8 external guarantees provided by the Company, all of which are guarantees provided by the Company to its subsidiaries. The cumulative amount of guarantees is 1.1278 billion US dollars, accounting for 33.81% of the audited net asset of the latest period (2018). All these guarantees are summarized in the table below.

Unit: 0.1 billion		Currency: USD
No.	Main content of guarantee	Amount of guarantee
	Parent company guarantee provided to the client of its Qingdao subsidiary, JKC Company, for the construction of ICHTHYS liquefied natural gas (LNG) modules	
1	Letter of commitment to guarantee provided for the bank guarantee issued by Standard Chartered Bank (China) Limited upon the request of its Qingdao subsidiary to JKC Company	3.054
2	Parent company guarantee provided to its Qingdao subsidiary for performance of yamal project in Russia	5.751
3	Parent company guarantee provided to its Qingdao subsidiary for undertaking and performing Nyhamna project	0.121
4	Parent company guarantee provided to its Qingdao subsidiary for undertaking and performing Shell SDA project	0.027
5	Guarantee provided to its Qingdao subsidiary for issuance of the bank guarantee for performance of yamal project	1.310
6	Guarantee provided to its subsidiary in the Free Trade Zone, Nigeria for issuance of the bank guarantee for performance of Dangote project	0.382
7	Parent company guarantee provided to its subsidiary in Canada for performance of Long Lake project	0.551
8	Parent company guarantee provided to its subsidiary Thailand Company for performance of platform dismantlement project	0.082
<b>Cumulative amount of guarantees</b>		<b>11.278</b>

The Company has no other guarantees than those listed above and no overdue guarantees.

## VII. Attachments to the online announcement

Main financial statements of 2018 of Offshore Oil Engineering

International (Thailand) Co., Ltd

**VIII. Reference documents**

1. Announcement of the Resolutions Adopted at the 14<sup>th</sup> Meeting of the 6<sup>th</sup> Term of the Board of Directors
2. Copy of the business license of Offshore Oil Engineering International (Thailand) Co., Ltd
3. Parent Company Guarantee Agreement

The matter above is hereby announced.

Board of Directors of Offshore Oil Engineering Co., Ltd

March 22<sup>nd</sup> 2019