

## Offshore Ois Engineering Co., Ltd.

### An announcement on provision for impairment

#### Important Notes

The board of directors and all directors of the Company guarantee that this announcement contains no false records, misleading statements or major omissions, and undertake joint and several liabilities for the authenticity, accuracy and integrity of the announcement.

#### Important contents:

- The provision for impairment amounts to RMB 58,876,600.
- The provision for impairment shall be submitted to the Company's 2019 annual general meeting for discussion and approval.

#### I. Summary of provision for impairment

The Company shall analyze and assess whether there is any sign of impairment of relevant assets, carry out impairment test based on analyzing and assessing results and make provision for impairment in accordance with relevant standards of Construction Contract, Inventory and Impairment of Assets. The details of provision for impairment are described as follows:

Items	Amount of provision of current year (RMB 0,000)
Expected loss of construction contracts	5,154.83
Provision for decline in price of raw material inventory	302.16
Provision for bad debts	430.67
<b>In total</b>	<b>5,887.66</b>

#### (I) Provision for impairment of construction contracts

The provision for impairment of Dangote Project in Nigeria: The Company has signed a contract on Dangote Project with Dangote Oil Refining Company Limited to act as the general contractor. At present, the contract is expected to have a total revenue of US\$ 199.1 million (equivalent to RMB 1.337 billion) and a total estimated cost of RMB 1,511,420. The provision for impairment of the construction project is RMB 51,548,300.

#### (II) Provision for decline in price of inventory

The provision for decline in price of inventory is mainly the provision for decline in price of surplus material of the completed projects. The ending inventory shall be valued by its cost or net realizable value whichever is lower. On the basis of computation of ending inventory by its cost or net realizable value whichever is lower, the net realizable value shall be calculated by multiplying the existing market price of similar materials by freshness or estimated value of materials as provided by business department. The provision for decline in price of inventory is RMB 3,021,600.

#### (III) Provision for bad debts

Provision for bad debts is made for accounts receivable according to expected credit loss. Long aging accounts receivable of RMB 929,900 were recovered and there was an increase of provision for bad debts of RMB 5,236,600 in the second half of 2019. The provision for bad debts is RMB 4,306,700. Main information is as follows:

Customers	Amount (RMB 0,000)
JKC Ichthys LNG Joint Venture	450.50

## II. The impact of impairment on the Company's financial conditions and business performance

The provision for impairment resulted in decrease of total profit for 2019 by RMB 58,876,600, of which the net profit attributable to shareholders of listed companies decreased by RMB 57,777,400.

## III. Relevant approval procedures

### (I) Explanation of the Company's board of directors on rationality of provision for impairment

The proceeding was discussed and adopted at 22<sup>nd</sup> meeting of 6<sup>th</sup> board of directors held on March 20, 2020.

The board of directors considers: The provision for impairment is based on the principle of prudence, complies with relevant regulations of Accounting Standards for Business Enterprises and actual situations of the Company's assets and fairly reflects the Company's asset conditions, which helps provide more authentic and reliable accounting information.

### (II) Opinions of independent directors

Independent directors consider: The provision for impairment complies with relevant regulations of Accounting Standards for Business Enterprises and other regulations and can fairly reflect the Company's asset conditions. Procedures on decisions of the provision for impairment are legitimate and don't prejudice legitimate rights and interests of the Company and its minority shareholders. The Company's provision for impairment is approved.

### (III) Opinions of the board of supervisors

The board of supervisors considers: According to the Accounting Standards for Business Enterprises and relevant regulations, the Company make provisions for impairment according to its actual situation, which makes the accounting information of the Company's assets value more authentic, reliable and reasonable. The decision-making procedure for the board of directors to review the provision for impairment is legal. Agree to set aside impairment reserves this time.

### (IV) The proceeding of provision for impairment shall be submitted to the Company's 2019 annual general meeting for discussion and approval.

## IV. Documents for further reference

- (I) A resolution made at 22<sup>nd</sup> meeting of 6<sup>th</sup> board of directors of the Company
- (II) A resolution made at 16<sup>th</sup> meeting of 6<sup>th</sup> board of supervisors of the Company
- (III) Opinions of independent directors

Announcement is hereby given.

Board of Directors of Offshore Oil Engineering Co., Ltd.  
March 20, 2020