

Offshore Oil Engineering Co., Ltd

Announcement on the Provision for Impairment

The Board of Directors and all directors of Offshore Oil Engineering Co., Ltd guarantee that this Announcement contains no false statements, misleading presentations or material omissions and assume joint and several liability for the truthfulness, accuracy and completeness of the information contained herein.

Important matters:

- Amount of the provision for impairment: RMB 92 million.
- The matter regarding the provision for impairment doesn't need to be submitted to the general meeting of shareholders of Offshore Oil Engineering Co. Ltd (hereinafter referred to as the "Company") for deliberation and approval.

I. Overview of the provision for impairment of assets

From January to June 2022, the total amount of the Company's provision for impairment is RMB 92 million, including RMB 90 million for credit impairment and RMB 2 million for asset impairment.

The details of the provision for impairment are listed in the table below.

Item	Amount for this year (10,000 Yuan)
Provision for asset impairment	157
Provision for credit impairment	9,040
Including: provision for doubtful accounts receivable	7,434
Provision for other doubtful receivables	1,606
Total	9,197

(I) Provision for asset impairment

The provision for asset impairment mainly consists of the provision for impairment of contract assets and the provision for inventory impairment. The balance of the provision for impairment of contract assets as of the beginning of 2022 is RMB 3.21 million, and the provision

for impairment of contract assets in the first half of 2022 is RMB 1,569,800. The provision for inventory impairment mainly covers the surplus materials of completed projects. The Company actively promoted the work of inventory clearance and greatly reduced inventory losses connected with raw materials. The total value of the inventory cleared in the first half of 2022 is RMB 45.18 million. The amount of the provision for inventory impairment to be made this time is RMB 1,600.

(II) Provision for credit impairment

The Company has tested the accounts receivable, other accounts receivable and advance payments for impairment based on the expected credit loss using the specific identification method. The amount of the provision for credit impairment determined according to the test results is RMB 90.40 million.

The provision for doubtful accounts receivable mainly covers the overdue accounts receivable from the Dangote refinery project in Nigeria and Zhejiang Mamu-Yushan project. The amount of the provision for doubtful accounts receivable determined by the expected credit loss model is RMB 74.34 million. The provision for other doubtful receivables mainly relates to the early advance payments that have been adjusted to other receivables and evaluated due to the termination of the MOP subcontract of Saudi Arabia project. According to the results of specific identification, the provision for these receivables is to be made in full amount of RMB 16.06 million.

II. Impact of the provision for impairment on the Company's financial condition and business performance

Due to the current provision for impairment, the Company's total profit in the first half of 2022 has been reduced by RMB 91.97 million, and the net profit attributable to the shareholders of listed company has been reduced by RMB 91.97 million.

III. Relevant approval procedure

(I) Notes of the Board of Directors on the reasonability of the provision for impairment of assets

The subject matter was deliberated and adopted at the 12th Meeting of the 7th Session of the Board of Directors held on August 19, 2022.

The Board of Directors is of the opinion that the provision for impairment (1) has been made in a prudent manner, (2) complies with the *Accounting Standards for Business Enterprises* and other relevant

regulations; (3) is consistent with the actual conditions of the Company's assets; (4) fairly reflects the conditions of the Company's assets; and (5) is favorable for providing more truthful and reliable accounting information.

(II) Opinion of independent directors

The Company's independent directors are of the opinion that (1) the provision for impairment of assets made by the Company complies with the *Accounting Standards for Business Enterprises* and other relevant regulations and can fairly reflect the conditions of the Company's assets; (2) the decision-making and approval procedure for the provision for impairment is lawful; and (3) there is no damage to the interests of the Company and its minority shareholders. The Company's independent directors agree to the provision for impairment.

(III) Opinion of the Board of Supervisors

The Board of Supervisors is of the opinion that (1) the Company has made the provision for impairment in accordance with the *Accounting Standards for Business Enterprises* and other relevant regulations; (2) the provision for impairment of assets is consistent with the actual conditions of the Company's assets and makes the accounting information on the values of the Company's assets more truthful, reliable and reasonable; (3) the decision-making and approval procedure for the provision of impairment followed by the Board of Directors is lawful. The Board of Supervisors agrees to the provision for impairment.

(IV) The matter regarding the provision for impairment doesn't need to be submitted to the general meeting of shareholders for deliberation and approval.

IV. Reference documents

(I) *Announcement on the Resolutions Adopted at the 12th Meeting of the 7th Session of the Board of Directors;*

(II) *Announcement on the Resolutions Adopted at the 9th Meeting of the 7th Session of the Board of Supervisors;*

(III) *Opinions of Independent Directors.*

The matters mentioned above are hereby announced.

Board of Directors of Offshore Oil Engineering Co., Ltd

August 19, 2022